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PUBLISHED BY THE AMERICAN FOREIGN SERVICE ASSOCIATION

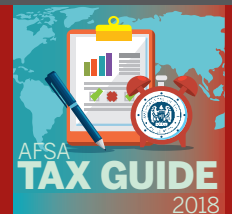
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# THE FOREIGN SERVICE JOURNAL

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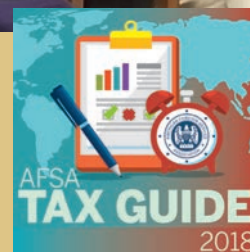
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# Economic Diplomacy Works

BY BARBARA STEPHENSON

As we at AFSA were pulling together this special double edition of *The Foreign Service Journal* highlighting economic diplomacy, *The Washington Post* devoted its Nov. 23 editorial to “the basic understanding that has worked to America’s advantage since World War II,” under leadership from both political parties: “Those leaders all accepted that, with less than 5 percent of global population but more than 20 percent of the global economy, the United States, more than any other nation, depends on and benefits from predictable rules. It needs a world where business executives can go forth and come home without fear of kidnapping, where ships can ply the ocean without armed escorts, where contracts are honored and disputes fairly adjudicated.”

Elements of this editorial could have been lifted directly from my work requirements as a U.S. Foreign Service officer over the decades. One of my overarching goals as ambassador to Panama was ensuring that the Panama Canal remains open to world commerce, so that ships can ply the oceans. I also devoted considerable time and country team energy to resolving the

kidnapping of an American business executive in a way that made the prospect of holding another American citizen for ransom very



*Ambassador Barbara Stephenson is the president of the American Foreign Service Association.*

## AFSA’s ongoing work with congressional champions stands directly on the shoulders of the work you, members of the Foreign Service, do all around the world.

unattractive. And, as a first-tour economic officer in Panama, I helped establish the rules to protect intellectual property and then saw the fruits of that effort—including Panamanian ownership of the resulting legal framework, which protected their intellectual property as well as ours—20 years later when I returned as ambassador.

I suspect that many members of the Foreign Service can say the same thing—that, whatever your cone or specialty, your work on behalf of our country has established rules, removed obstacles and opened markets so American businesses can compete on a reasonably level playing field and thrive around the world.

I was delighted to see the related cable that went out in early November to all diplomatic and consular posts—18 STATE 112364, “Boosting Commercial Diplomacy Around the World.” The ALDAC, which makes clear that Secretary Pompeo has made commercial diplomacy a foreign policy priority, provides practical tips to strengthen our ability as a country to support U.S. business interests (see excerpt on p. 33).

If I were looking today for a way to tie my work requirements statement to a key U.S. foreign policy priority, I would see

what I could do under the rubric of the policy guidance provided in that cable: “Promoting broad-based, responsible, and sustainable economic growth helps to stabilize regions and creates new and growing markets for U.S. companies. A transparent and level playing field for U.S. investment in these countries counters real and growing challenges such as China’s Belt and Road initiative.”

When members of Congress visit your post, I urge you to be prepared to tell them what you and your colleagues are doing to help American companies compete—and win. If you find, as I have so often found, that the soft power you have to work with comes in significant measure from the positive impression made by American companies—maybe because they are known for treating their workers fairly and promoting on merit, maybe because they inspire awe with their problem solving and project management—be sure to mention that to visiting CODELS as well.

When American businesses thrive overseas, it not only means greater prosperity at home, it also often directly boosts American global leadership by reminding people abroad what they most admire about our country. We know how to get things done.

When members of Congress directly associate the great work of the Foreign Service overseas with prosperity here at home, it helps them justify providing the funding and authorities needed to put a full Foreign Service team on the field, to cover every base, to win the game. Kim Greenplate, AFSA's director of advocacy, devotes her column this month (see page 63) to "Showing the New Congress that Economic Diplomacy Works."

As the Foreign Service seeks to rebuild in the wake of recent hiring freezes as well as a decade-long decline in funding for core diplomacy, we need vigorous support from Congress. With rising competition from China and other countries, we need that support urgently, to avoid ceding yet more ground.

AFSA's ongoing work with congressional champions stands directly on the shoulders of the work you, members of the Foreign Service, do all around the world. I encourage you to polish your own stories of success (or even failure, which can be equally instructive), so you can share them with members of Congress when they visit your post.

And please read the Economic Diplomacy Works stories in this collection for inspiration and practical tips on doing your own job better. If you are in Washington, please join us for the Economic Diplomacy Works panel AFSA is hosting with the U.S. Diplomacy Center at noon on Jan. 15. And watch AFSA's daily media digest for links to "American Diplomat" podcasts on the theme of economic diplomacy.

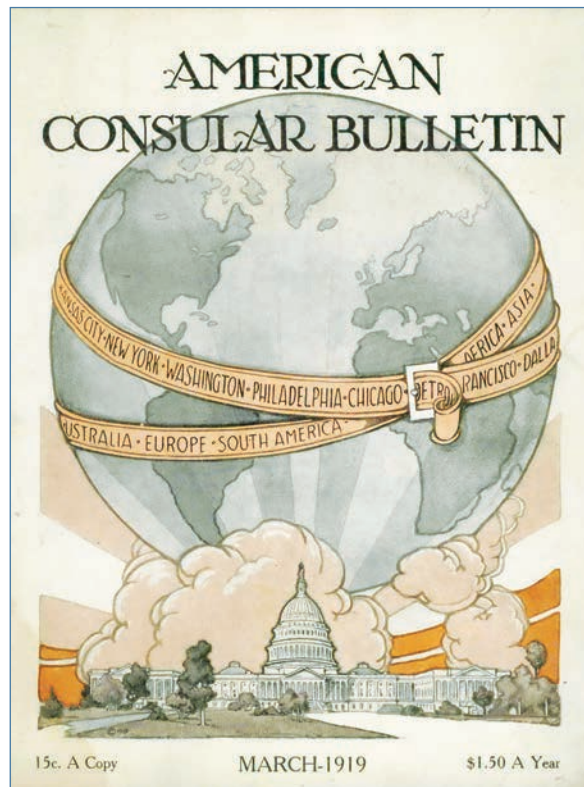
In March we will mark the 100th anniversary of *The Foreign Service Journal*. We've been reviewing our FSJ digital archives in preparation for a centennial exhibit in partnership with the U.S.

Diplomacy Center. The very first edition of the *FSJ*, then called *American Consular Bulletin*, is filled with articles about practical steps to enable commerce, from the role of consular officers in paying advance wages to seamen working on American vessels in foreign ports, to proper postage for export trade letters. The letter from the editor explains that "the Consular Service was organized by our Government for the purpose of furthering the interests of American businesses abroad."

I share this as a reminder that this—Foreign Service support for American business—is not some new-fangled thing. Nor is it ancillary. It is foundational to our purpose. It is a major reason why the U.S. Foreign Service was created, why we exist.

In my AFSA role as the "voice of the Foreign Service," I have spent a fair bit of time on the road telling the proud story of the Foreign Service to Americans all over this great country of ours. One part of our story that I know resonates is what we do to increase prosperity at home. When I explained how the Foreign Service worked to open markets overseas for American-grown soy, the audience at Farm Fest in southern Minnesota immediately grasped that what we diplomats do matters to them.

When I explained how the Foreign Service helped a local firm get a stunning glass sculpture into the lobby of a



The first *Foreign Service Journal*.

new luxury hotel in China, the audience at the San Francisco Commonwealth Club immediately saw how our global network of embassies delivers for local business—and they grasped also my further point that the resulting display of American design excellence boosts our country's image with everyone who sees it.

When we in the Foreign Service make this mission—helping American businesses compete and win—a priority, we help build a domestic constituency, and we shore up bipartisan support in Congress for an adequately funded Foreign Service. We also directly and concretely bolster America's global leadership by refusing to cede the game—a game whose rules the United States wrote—to rivals and adversaries. ■



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*The Foreign Service Journal* (ISSN 0146-3543), 2101 E Street NW, Washington, D.C. 20037-2990 is published monthly, with combined January-February and July-August issues, by the American Foreign Service Association (AFSA), a private, nonprofit organization. Material appearing herein represents the opinions of the writers and does not necessarily represent the views of the *Journal*, the Editorial Board or AFSA. Writer queries and submissions are invited, preferably by email. The *Journal* is not responsible for unsolicited manuscripts, photos or illustrations. Advertising inquiries are invited. All advertising is subject to the publisher's approval. AFSA reserves the right to reject advertising that is not in keeping with its standards and objectives. The appearance of advertisements herein does not imply endorsement of goods or services offered. Opinions expressed in advertisements are the views of the advertisers and do not necessarily represent AFSA views or policy. *Journal* subscription: AFSA member—\$20, included in annual dues; student—\$30; others—\$50; Single issue—\$4.50. For foreign surface mail, add \$18 per year; foreign airmail, \$36 per year. Periodical postage paid at Washington, D.C., and at additional mailing offices. Indexed by the Public Affairs Information Services (PAIS).

**Email:** [journal@afsa.org](mailto:journal@afsa.org)  
**Phone:** (202) 338-4045  
**Fax:** (202) 338-8244  
**Web:** [www.afsa.org/fsj](http://www.afsa.org/fsj)

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PRINTED IN THE U.S.A.

Postmaster: Send address changes to  
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2101 E Street NW  
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# In the Beginning, There Was Econ Diplomacy

BY SHAWN DORMAN

Welcome to 2019 and to the January-February edition of *The Foreign Service Journal*, in which we examine economic diplomacy from many angles—and from all over the world.

This is a unique issue, in that it ties in closely with AFSA's priority Economic Diplomacy Works initiative and aims to bring it all together under one roof, one cover. Ambassador Barbara Stephenson spells out the initiative in her President's Views column.

Ambassador (ret.) Tony Wayne opens the focus section with an overview, "What Is Economic Diplomacy and How Does It Work?" We get the "View from the E Family: Empowering Growth, Securing Our Future" in a message from Peter Haas, Judith Garber and Kent Logsdon, the three principal deputy assistant secretaries leading the bureaus of the Under Secretary for Economic Growth, Energy and the Environment.

The Speaking Out column by recently retired Economic Officer Virginia Bennett, "Improving the Economic Career Track," is an insider's look at the challenges faced by economic-coned officers competing for promotion and seeking a viable career path.

Ambassador (ret.) Charlie Ries, who worked on economic issues for State for more than 30 years and is now a vice president at the RAND Corporation, helps distinguish between economic officers and



Shawn Dorman is the editor of *The Foreign Service Journal*.

international economists in "Economic Officers for the Future." And what do you think? Are great economic officers political officers first?

FCS Officer Daniel Crocker and Ambassador (ret.) Shaun Donnelly (now at the U.S. Council for International Business) offer six practical—some might say "actionable"—elements of effective economic/commercial diplomacy.

Then we come to the up close and personal tales of economic diplomacy at work in "From Guitars to Gold: The Fruits of Economic Diplomacy." I regret that we could not include all the submissions we received, but the 13 selected cover a lot of fertile ground.

Assistant Secretary for Educational and Cultural Affairs Marie Royce tells how exchange programs pay off for Americans and serve economic diplomacy goals.

Excerpts from the *FSJ* archive show that the U.S. Foreign Service has been focused on economic diplomacy from the beginning—we chose examples from 1919, 1942, 1971 and 2005, including a remarkable org chart from the first page of the very first edition of the *Journal*. The top box in the chart says "American Business," and all Foreign Service work flows from there!

Please do peruse that inaugural *Journal* by going to the *FSJ* digital archive at [www.afsa.org/fsj-archive](http://www.afsa.org/fsj-archive), newly upgraded with an archive-only search function. I challenge anyone to open one old *FSJ* and not find themselves still exploring hours, days later.

AFSA News includes the 2018 AFSA

Tax Guide, which will help you navigate what's new for Foreign Service taxpayers. In addition, please see the Call for Nominations for the 2019-2021 AFSA Governing Board, and consider giving back to your profession by running for an AFSA position.

As we were wrapping up this issue, President George H.W. Bush passed away. Throughout his life—as a member of Congress, ambassador to the United Nations and U.S. representative to the People's Republic of China, and as CIA director, vice president and president, and well into his 90s—he crossed paths with and left an impression on so many in the diplomatic community. It is his dedication to public service and his civility that resonate so strongly today.

We plan to publish a collection of FS memories of the former president and would welcome your input. Please email your contribution—a short anecdote (up to 400 words) and/or a high-resolution photo of a note from him that you cherish and think is appropriate to share—by Jan. 10 to [journal@afsa.org](mailto:journal@afsa.org) (subject line: George H.W. Bush Memories).

Finally, the *Journal* is seeking a dynamic, super-organized magazine production manager and professional editor familiar with the Foreign Service for a new position of Managing Editor. (Current Managing Editor Susan Maitra will become our Senior Editor.) Check the AFSA website ([www.afsa.org/jobs-afsa](http://www.afsa.org/jobs-afsa)) for the announcement; apply by Jan. 14.

Thanks for reading. Please keep in touch and continue the conversation by responding to what you read in this and other issues of the *Journal*. ■

## Place-Based Strategy Works

Thanks to the *Journal* and to Jim Nealon for his October article, “The ‘Place-Based’ Strategy in Honduras,” suggesting



a reasonable—and ultimately the only—way to solve Honduras’ and other Central American countries’ crime/drug problems, reducing their emigration situation and eliminating

the ugly border crises facing both Mexico and the United States.

Increasing funding and effective management of a well-designed USAID program would be money much better spent than increasing our border control forces and building fences. I hope you might disseminate Jim’s message to all members of Congress. They should be interested.

*Jon W. Stewart*  
USIA FSO, retired  
Bothell, Washington

## Change the FS, Change the Future

I read with interest Ambassador Barbara Bodine’s article in the September issue of *The Foreign Service Journal*, asking questions that appear like clockwork every few years. How does the Foreign Service find the best? How does it keep them? She followed that with an impassioned argument for the status quo.

“Who Is the Future of the Foreign Service?” Look at the seventh floor at State. It’s a self-selecting system, so that’s what it will look like until the cows come home. “Who *Should* Be the Future of the Foreign Service?” might have been more useful.

Amb. Bodine goes through familiar

hand-wringing to answer the questions she poses. She employs the regular shibboleths about appealing to State employees’ pride and sense of sacrifice, while reminding them to behave. She could have saved both herself and her readers valuable time with a briefer and more relevant list:

1. Cultivate applications from state universities as well as Harvard and the Walsh School, because talent comes from everywhere. It may even be that graduates from places where people grow stuff and make things better represent the average American than those from Ivy League schools, or legacy appointees.

2. Don’t just tell junior officers they are valued; show them. Regular and extensive training as part of a logical career path that moves officers along clear lines of specific developing expertise and greater authority would do this.

3. Don’t lie. FSOs are not stupid. They clearly and quickly see that the “needs of the Service” that shuttle many among the sticky places on earth are the same that move a favored few of their colleagues from Berlin to Paris to London.

4. Since the Foreign Service involves work abroad, service in Washington, D.C., should be brief and occasional. Foreign assignments should be key to promotions. Service in hardship posts should receive real, not just theoretical, consideration.

These changes would require no structural adjustments, no new bureaus, no radical departures. In at least three instances, they simply require that the reality of the department’s treatment of FSOs conform more closely to its rhetoric.

But since the extant crop of soon-to-be leaders at State have invested far too much time and effort in the current system, I look forward to the next iteration of “Who

Is the Future of the Foreign Service?”

Which is the unfortunate thing about Amb. Bodine’s article.

*Morgan Liddick*  
FSO, retired  
Stuarts Draft, Virginia

## Chronic Medical Conditions and the FS

As *FSJ* readers are aware, chronic medical issues can be difficult to combine with a Foreign Service commitment, which comes with the “worldwide availability” obligation and medical clearance requirement.

I was struck by Barbara Bodine’s thoughtful piece in the September *Journal* (“Who Is the Future of the Foreign Service?”), which, despite its laudable

inclusiveness, made no mention of medically challenged persons, those with disabilities, or more senior persons who work at State.

State has yet to deal openly with these aspects of its personnel system. Persons who become chronically ill are expected to quietly resign from their careers, while persons with physical dis-

abilities are not recruited as Foreign Service officers and not part of America’s diversity of talent deployed abroad.

While consideration of these aspects of human resources (HR) policy may run up against privacy issues, they remain valid concerns for State. With recent advances in pharmaceuticals and medical treatment, illnesses such as diabetes, heart disease, cancer, Parkinson’s, multiple sclerosis and other ailments are becoming lifetime health management issues, not death sentences.

Given the aging population of the United States, working life spans are lengthening and more people are opting





to work longer before retirement. Further, our intellectual capital is shifting up the demographic ladder, and capturing this talent will entail re-engaging senior workers. State's re-employed annuitant (REA/WAE) program already acknowledges this reality.

A deeper issue is whether our country is willing to be represented overseas by its full diversity of talent, including those with functional disabilities. Is a mobility-impaired cultural affairs officer any less effective than one who walks well? Is an economic officer who meets contacts at accessible venues necessarily less promotable than others in her or his class?

Clearly, ability to do the job should be of paramount importance, but I believe that unfair presumptions about that still dominate HR decisions. State risks losing talent and diversity by de facto limiting its vision of who is a competent representative of the United States abroad.

When I tried to initiate a support group for people with Parkinson's disease at State, I had little support from the Bureau of Medical Services and little response from colleagues—largely due to the unspoken fear that admitting to medical issues is career suicide.

I hope we can start to discuss these issues out loud.

*Paul Rohrllich*  
*FSO, retired*  
*Falls Church, Virginia*

## Health and Gratitude

I enjoyed reading the Thanksgiving email from AFSA President Barbara Stephenson. It was an important message of gratitude for all members during this holiday season, and spoke loudly about the growing health of the AFSA organization for the future.

I write from my hospital bed at the Bangkok Hospital in Hua Hin, Thailand.

I am now in my third month here, undergoing both diabetic analysis and, soon, my fifth surgery (amputations included) fighting against an aggressive diabetic infection.

Although all my doctors have agreed that my situation is a direct result of my 30-plus years as a Type 1 diabetic, they also agree that by consistently focusing first and foremost on securing and advancing the best interests of the United States while leaving the care of my diabetes as a distant (and often neglected) second priority, I constructed my own medical dilemma. I hope active-duty Foreign Service members will take note of this.

While my immediate future here is not yet clear, no matter my situation, being a member of the U.S. Foreign Service has always been my top concern. Much more than a job, it was a calling. Answering that call, from the recruit level up to and across the threshold to the Senior Foreign Service, was never easy. But it was the greatest 33-year odyssey I could have ever dreamed of.

Good luck to AFSA in nurturing many more national security odysseys in the future.

*Timothy C. Lawson*  
*Senior FSO, retired*  
*Bangkok, Thailand*

## Coming into Their Own

Thank you for Francesca Huemer Kelly's article "Coming into Their Own 'Write'—A Look Back at an FS Women's Writers' Group" in the November issue. I was especially happy to see mention of Madeleine Meyer, who remains vivid in our memories. The quote about Madeleine meeting Mother Teresa complemented stories she told us about her encounters

with Hitler, Mussolini and Atatürk.

When my husband and I were posted to Budapest, Madeleine related how her husband secured the job of military attaché there in 1953 by demonstrating to the ambassador his ability to make a proper martini.

Madeleine also recounted playing bridge with two Hungarian journalists the night before they were arrested for espionage in 1955 during the harshly repressive regime of Mátyás Rákosi. In an effort to divert the couple's children, Madeleine went sledding with their 6-year-old daughter Kati Marton—who later became a journalist and author, and the wife of Richard Holbrooke.

Madeleine could tell a story and mix a martini with the best of them.

*Beatrice Camp*  
*FSO, retired*  
*Arlington, Virginia*

## Happy 100th Birthday, George Vest

Ambassador George Vest turned 100 on Christmas Day 2018. I recently spent time with him and share here a few thoughts on the man I like to call "Mr. Foreign Service."

George Vest joined the Foreign Service in 1947 and achieved the rank of Career Ambassador in 1987. His mind is as sharp today as ever. He still lives in his old house in Bethesda; his lovely wife, Emily, died in August 2015.

His was an illustrious career. After graduating from the University of Virginia in 1941 and entering the Army, Capt. Vest took part in the North African campaign as an artillery observer. In 1947, he joined the Foreign Service and was sent to Hamilton, Bermuda, where, among the British, he said it was the only time he ever wore "the proverbial striped pants."

His next tour was as political officer

at Embassy Ottawa, followed by a stint as Canada desk officer. In 1959, Vest was named political adviser to the supreme allied commander, Europe, General Lauris Norstad, in Paris. He then moved, still in Paris, to be the top aide to NATO Executive Secretary Lord Richard Coleridge from 1961 to 1963.

This was followed by a year at the Naval War College in Newport, after which he became deputy director of the Political/Military Bureau.

In 1967, George moved to Brussels to become deputy chief of mission (DCM) to the European Community Office. In 1969 he moved to be DCM of the NATO Delegation, still in Brussels.

Following that tour, Secretary of State Henry Kissinger called him back to

become Department of State spokesman. After that tour ended, George was named assistant secretary for European affairs at the request of Secretary of State George Shultz, who asked President Ronald Reagan later to name him ambassador to the European Communities.

In 1985, George Vest became Director General of the Foreign Service. He regretted that he could not stop the onslaught of political appointee ambassadors of both parties who took good jobs from FSOs. He called this “a disease” that neither party could seem to control.

George Vest continued a custom, long since forgotten, of hosting retirement ceremonies for chiefs of mission, handing them a flag and a glass of champagne. He did this only for career Foreign Service

ambassadors, not political appointees.

Following in the footsteps of Loy Henderson, Roy Atherton and many others, George Vest richly deserves the title of “Mr. Foreign Service.” We remember him fondly, and wish him a Happy 100th Birthday!

*Alan Lukens*

*Ambassador, retired*

*Chevy Chase, Maryland*

## CORRECTION

In the October In Memory, we inadvertently identified Willard “Bill” De Pree as William. We apologize for this error. He was beloved in the AFSA community, making the error especially embarrassing. His name was spelled correctly in the Appreciation in the same issue (p. 52). ■



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## Response— Beyond Oldthink on Diversity

BY STEVE WALKER, DEPUTY ASSISTANT SECRETARY,  
BUREAU OF HUMAN RESOURCES, U.S. DEPARTMENT OF STATE

Retired FSO Richard W. Hoover clearly cares deeply about the Foreign Service as an institution, but his comments about diversity (*FSJ*, November 2018, Letters) reflect outdated assumptions and misperceptions. The idea that “diversity” is quotas that sacrifice professional quality for demographic correctness is Diversity Oldthink. So, for that matter, is the assertion that the State Department isn’t serious about diversity and inclusion, and that nothing has changed because our efforts have been inadequate.

In fact, over the last several years the department has made significant progress on diversity and inclusion. These are not a “program,” but rather a cultural value that manifests itself in a number of reinforcing efforts to create a workplace in which all employees feel valued and have the same opportunity to succeed in advancing the president’s foreign policy agenda.

Through our Diplomats in Residence program and other efforts, we deliberately recruit to assemble the most highly talented and highly diverse pool of candidates possible so that we can hire based on merit (as specifically required by the Foreign Service Act) a workforce that reflects America. We are proud of these efforts.

But our broader goal is to realize the results-producing collaboration envisioned by the Secretary of State’s “One Team, One Mission, One Future” vision.

Diversity and inclusion—the intentional effort to attract, recruit, retain and sustain a highly skilled, diverse workforce—is in good part about ensuring that all department employees feel welcomed and valued. It’s taking care of the team.

I completely agree with Mr. Hoover that we should never compromise on or lose “Foreign Service essentials” (patriotism, intelligence, knowledge and character). Diversity/inclusion and high professional standards are not mutually exclusive.

Mr. Hoover should see our newest Foreign Service generalists and specialists, with whom I’ve had the privilege of interacting. They are awesome. Truly. After seeing their enthusiasm, commitment and intelligence firsthand, you would walk away, as I have, confident that the Service’s future is in good hands.

Mr. Hoover asks: What exactly does diversity bring to the table in terms of achieving optimal foreign policy formulation and execution? A lot, actually. Having different perspectives enhances problem-solving; there are organizational studies that show that the more diverse work teams are and the more inclusive a corporate culture is, the happier and more productive these teams will be.

More specifically, in the diplomatic context, *in addition to doing outstanding work generally*, officers from underrepresented groups strengthen our diplomatic toolkit. Because we have an increasingly diverse workforce, we have additional



and different perspectives to inform our thinking as we grapple with diplomatic challenges.

Here are some quick practical examples off the top of my head to answer Mr. Hoover’s question:

- Having LGBT employees or employees with disabilities as part of post’s political section would likely enhance an embassy’s human rights efforts, because their experiences would provide insights on what would be the most effective approach.

- During a political section discussion of host-country center-periphery issues, the views of an officer born and raised in rural Appalachia or a small town in Montana might provide insights that would supplement those of officers born, raised and educated in cosmopolitan urban areas.

- In countries where it is difficult for men to interact with women, having female officers enables the embassy to have a broader public diplomacy (PD) reach and to get a fuller and more accurate understanding of political and economic dynamics. Female commercial officers could potentially tap into neglected markets that could result in wins for U.S. companies.

- Employees who operate in a workplace of civility and respect can devote their time and energy to achieving U.S. objectives rather than dealing with

energy-draining and mission-eroding prejudice or sexual harassment.

- Entry-level officers who are “digital natives” may have insights more senior supervisors do not that could have significant benefits, for example, for economic sections that deal with technology sectors and products, or for political and PD sections seeking to address the “youth bulge” in some countries. More experienced officers may have a broader historical context and deeper institutional knowledge that would be useful for junior colleagues seeking to understand and respond to developments in their host countries.

- Engagement on human rights by employees of color enhances these efforts by providing additional and

potentially different points of view that make such engagement more authentic and thus more effective at confronting anti-U.S. propaganda.

- Diversity and inclusion are how we walk the talk of American values. Female FSOs publicly representing U.S. policy in male-dominated societies or a chief of mission with a same-sex spouse can be a powerful symbol of American values. I recall the powerful statement President Ronald Reagan made when he appointed an African-American ambassador to South Africa during the apartheid era.

The bottom line: “Diversity” is for and about all employees, not a particular demographic group or groups. Through energetic and intentional diversity and inclusion efforts—e.g., by fighting uncon-

scious bias and seeking to eradicate sexual harassment—we aim to ensure that all employees feel included and empowered to contribute to our mission. One team, one mission, one future. An inviting, inclusive workplace is a rising tide that lifts all boats. ■



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## H.R.7153—Championing American Businesses Through Diplomacy Act

On Nov. 16, Representative Michael McCaul (R-Texas) and Representative David Schweikert (R-Ariz.) introduced the Championing American Businesses Through Diplomacy Act of 2018.

The new law, which will likely have to be reintroduced for consideration in the 116th Congress, would support economic and commercial diplomacy by codifying the position of assistant secretary of State for economic and business affairs, responsible for matters pertaining to international economic and business matters in the conduct of foreign policy.

It would also require combining the Department of State’s Investment Climate Statement with the Department of

Commerce’s Country Commercial Guide to create one annual, country-specific guide focused on critical information companies rely on when assessing whether to do business in a particular country.

The bill would also require all embassies to submit an annual report to the State Department detailing the specific actions they took in the year prior to help businesses achieve market access and assessing levels of private-sector commercial competition from other strategic competitor nations. The Secretary of State would then be required to prepare a report for Congress on general commercial diplomacy trends, as well as assessments of commercial activity that could threaten U.S. national security in strategic areas.

The bill also emphasizes the need to train our diplomats on matters of commercial diplomacy.

## City of Baltimore Sues Trump Administration

On Nov. 28 the City of Baltimore filed suit against the Trump administration in the U.S. District Court for the District of Maryland, claiming that the administration secretly changed the State Department’s definition of “public charge,” a provision in immigration law that limits who can immigrate to the United States.

According to the suit, the administration recently began enforcing changes it made to the Foreign Affairs Manual in January 2018, making it harder for immigrants to reunite with their families by barring potential immigrants if they have ever used federal, state or local assistance programs “of any kind,” including school lunches and public vaccination programs.

The Baltimore City Solicitor and the nonprofit organization Democracy Forward teamed up to bring the suit, claiming the change hurts Baltimore’s large immigrant community and is a violation of federal law.

## SITE OF THE MONTH: [WWW.LETSGOBAGS.COM](http://WWW.LETSGOBAGS.COM)

You know you need a go bag. They’ve been telling you this at every post arrival briefing since you joined the Foreign Service. But do you have one yet?

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Started by Richard Miles, a Foreign Service family member currently based in Gaborone, [letsjobags.com](http://letsjobags.com) offers curated suggestions and checklists for what to put in your own go bag, sometimes called a “Bug Out Bag.” The “Go!Bag” motto is “go fast—stay safe.”

The site offers pre-built kits, as well as options to design your own bag using an assortment of products that Miles has researched and road-tested. Speaking of roads, he’s also got suggestions for your car kit, your first aid kit, and even a pet kit. The site brings in a bit of revenue through Amazon affiliate links.

We feature this website not to promote particular products but to let readers know about a useful resource for suggestions on what you need to have on hand when you have to be ready to go.

No more excuses. It’s time to finally put that go bag together.



## Ambassador Tracker: Recent Trends

Secretary of State Mike Pompeo’s State Department is rapidly sending forward nominees for ambassadorships. Since July 1, 48 nominations have been announced. These include nominees for long-vacant positions in countries ranging from Ireland and Saudi Arabia to Australia and Qatar. Of those nominees, 36—or 75 percent—are career members of the Foreign Service.

However, the Senate has slowed significantly in its processing and confirmation of nominations. Since July 1,



only 15 ambassador nominations have been confirmed, including nominees for Somalia, Moldova, Nepal and Suriname. Currently, 53 ambassador nominations are awaiting action.

At press time, AFSA was tracking a total of 32 ambassador vacancies. Vacant, in this instance, means that no one has been nominated or confirmed for the position of ambassador and the previous incumbent has left post.

Nominees for various senior posts at State and USAID also continue to come forward, with 11 nominations since July 1.

These include assistant secretaries for the Bureaus of East Asia and the Pacific and Political-Military Affairs, the Director General of the Foreign Service and three USAID assistant administrator positions.

Confirmations have similarly slowed to a trickle on this front, however, with only five of the nominees confirmed since July 1. AFSA is tracking 18 senior nominations that the Senate has yet to act on.

Through November 2018, the Trump administration has nominated 130 ambassadors. Sixty-seven, or 51.5 per-

cent, are career members of the Foreign Service, while 63, or 48.5 percent, are political appointees. The long-awaited hearing for Carol Perez, picked to be the new Director General, was held on Dec. 4. There was no vote at the time of this writing.

As is customary, AFSA expects the Senate to confirm all noncontroversial nominations—including most, if not all, career FS nominations—before the end of the 115th Congress, so these statistics should improve after this issue has gone to press.

Our diplomatic personnel on the ground in these countries have unique insights on their political and economic complexities. We must do more to use this information to help the private sector do business abroad and support U.S. foreign policy in upholding global stability.

—Rep. Michael McCaul (R-Texas), in a Nov. 26 press release regarding the *Championing American Businesses Through Diplomacy Act of 2018*.

It's critical we protect our frontline civilians who serve in the most dangerous corners of our world. This includes adapting to new technologies that compromise security and ensuring that the State Department works to specifically address vulnerabilities exposed through location-tracking consumer devices. I'm glad to see the Senate Foreign Relations Committee voted in favor of the Protecting Diplomats from Surveillance Through Consumer Devices Act today, and hope to see it sent to the president's desk soon. Today's passage brings us one step closer to comprehensively protecting those who risk their lives in service to our nation.

—Representative Joaquin Castro (D-Texas), member of the House Foreign Affairs Committee and House Permanent Select Committee on Intelligence, and First Vice Chair of the Congressional Hispanic Caucus, in press release on Nov. 28, 2018.

## Heard on the Hill



Petty Officer First Class Glen “Bub” Doherty and Senior Chief Petty Officer Tyrone Woods were Navy SEALs doing what they loved, serving as security personnel in Libya and working to protect U.S. diplomats. Ambassador J. Christopher Stevens and Staff Sergeant Sean Smith combined for 31 years of service with the U.S. State Department. In honor of the memory of these four brave men killed during those fateful 13 hours in Benghazi, our bill formally recognizes them with the

Congressional Gold Medal for their heroism and dedication to our country.

—Facebook post from Rep. Brian Mast (R-Fla.) on Nov. 21, 2018.

We have lost so many lives and expended so much on conflicts that don't seem to ever get resolved. Addressing fragility brings us closer to the root causes of these conflicts and we owe it to our servicemen and women, to members of our Foreign Service, and to the American people to do that. Time and again, our research has shown that focusing on fragility will be a much more effective way of creating more sustainable peace and security around the world.

—Rep. Bill Keating (D-Mass.), ranking member of the Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade and Co-Chair of the Congressional Counterterrorism Caucus, regarding the House's passage of the *Global Fragility and Violence Reduction Act* on Nov. 27, 2018.

## Canadian Diplomats Speak Out on “Havana Syndrome”

A group of Canadian diplomats is speaking out about the mysterious illness that struck them in Cuba.

A dozen embassy staff members and their children—about a third of Canada’s embassy population in Havana, suffered from the same mysterious ailment that caused the United States to draw down its embassy in Havana. Dubbed the “Havana Syndrome,” the cause of the illness has still not been determined, and the Canadians have thus far been largely silent on the topic.

On Nov. 18 the Canadian diplomats spoke to *The Globe and Mail* about what happened to them—and the symptoms they continue to endure. The group is “especially outraged at the implication that they are overreacting or exaggerating—or the suggestion, made by some neurologists critical of the official U.S. diagnosis, that the brain injuries could have been caused by stress or emotional trauma.”

Like their U.S. counterparts, many have served multiple times in war-torn countries and places prone to diseases and political violence, and say they are “not the overly reactive type.”

“You’re talking about people who have been through military coups, states of emergency, hurricanes, cyclones, who have evacuated large number of people in crisis,” one of the diplomats told *The Globe and Mail*.

“We understand foreign policy is not always about transparency. We get that everything doesn’t need to be in the public because that may not suit our national interests,” said one unnamed diplomat. “But not when it comes to the detriment of our family, our health and our safety. That is where we have to draw the line. It’s

## Contemporary Quote



Climate change is running faster than we are and we must catch up sooner rather than later, before it is too late. For many people, regions, even countries, this is already a matter of life and death. It is hard to overstate the urgency of our situation. Even as we witness devastating climate impacts causing havoc across the world, we are still not doing enough, nor moving fast enough, to prevent irreversible and catastrophic climate disruption.

Governments and investors need to bet on the green economy, not the grey. That means embracing carbon pricing, eliminating harmful fossil fuel subsidies and investing in clean technologies. It also means providing a fair transition for those workers in traditional sectors that face disruption, including through retraining and social safety nets.

We also have a collective responsibility to assist the most vulnerable communities and countries—such as small island nations and the least developed countries—by supporting adaptation and resilience. Cities, regions, civil society and the business community around the world are moving ahead. What we need is more political will and more far-sighted leadership. This is the challenge on which this generation’s leaders will be judged.

Climate action is not just the right thing to do—it makes social and economic sense.

Climate change is the single most important issue we face. It affects all our plans for sustainable development and a safe, secure and prosperous world.

—United Nations Secretary General António Guterres speaking at the Dec. 3 opening of the 24th annual U.N. climate conference (COP24) in Katowice, Poland.



not acceptable to be the sacrificed sheep. That’s just not an acceptable solution.”

## Call to Halt Support for War in Yemen

More than two dozen senior former Obama administration officials issued a statement on Nov. 11 calling on the Trump administration to cease all support for the Saudi Arabia-led coalition fighting the Houthi rebellion in Yemen.

“We unsuccessfully tried conditional support to the coalition,” the officials wrote, and called instead for a diplomatic solution to the conflict, which has become a major humanitarian crisis resulting in an official death toll of more than 57,000 people.

Signatories include well-known

former diplomats such as Tony Blinken, Anne Patterson, Samantha Power, Susan Rice, Wendy Sherman and Linda Thomas-Greenfield.

The conflict in Yemen has received more international attention since the Oct. 2 killing of journalist Jamal Khashoggi at the Saudi Arabian consulate in Istanbul.

On Nov. 28 the Senate voted 62 to 37 to advance a resolution demanding an end to U.S. support for the coalition. *Foreign Policy* noted that the vote reflects “growing anger among lawmakers” over the administration’s continuing support for Saudi Arabia following Khashoggi’s murder.

*The Hill* reported on Nov. 28 that Secretary of State Mike Pompeo and Defense

Secretary James Mattis addressed Congress mere hours before the vote took place, urging senators not to vote for the measure because the Saudi-led coalition is working to counter terrorism in the Arabian Peninsula and curtail Iran's regional influence.

In his prepared remarks, Secretary Mattis said: "We cannot limit civilian casualties or advance the peace effort commencing early next month in Sweden by disengaging."

Secretary Pompeo said: "I know the conflict in Yemen is ugly. We are engaged in diplomacy all around the world to make it less so—and have actually made

it less ugly. But it's important to remain involved. Talks are scheduled to happen soon."

On Dec. 12, the Senate voted 57 to 38 to end U.S. military involvement in Yemen, and also voted unanimously to condemn Saudi Crown Prince Mohammed bin Salman in connection with the killing of Jamal Khashoggi.

*This edition of Talking Points was compiled by Donna Gorman, Ásgeir Sigfússon and Shawn Dorman.*



## 50 Years Ago

### Go Ahead and Plan

Why, then, should many minds boggle at the idea of planning an American foreign policy for the years from now to 2001? There is no logical and reasonable answer, except to say that they shouldn't. Granted, the world may meet with nuclear catastrophe long before that date. But also, you or I might be run over and killed next week at Twenty-First Street and Virginia Avenue by a dashing young lady in an MG or a Porsche. The possibility of disaster always lurks, in public events as in private lives. The only sensible thing to do is to postulate some reasonable assumptions and go ahead and plan.

These assumptions, as we said earlier, must not be too cheerful, or we should not be stimulated to undertake the tough work of planning. But neither should they be too discouraging. It makes no sense to assume a thermonuclear holocaust, destroying the industrial parts of the world, because there is no way really to plan in advance for a world in ruins. Our assumptions should be of such a nature that they generate planning requirements, and then we should go ahead and plan.

Let us then try to lay down some planning postulates for the next 32 years, and then attempt to work out their implications for American foreign policy from now to the year 2001.

—From "Looking Ahead to the Year 2001," by Frank Snowden Hopkins, FSJ, January 1969.



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# Improving the Economic Career Track

BY VIRGINIA BENNETT

I had the privilege of chairing the promotion panel for FS-2 to FS-1 political- and economic-coned officers a few summers ago (cones are now officially called career tracks). It was a terrific experience for which I was grateful, and one which I heartily recommend to others.

For years promotion panels have found the same basic realities: The standouts are immediately apparent, as are the under-performers, with the remaining 90 percent of officers someplace in between. The job itself matters less than excellent performance in that job. And the quality of the documentation matters, particularly clear examples related to the sweeping assertions about an officer's abilities and potential.

Reading what ultimately totaled thousands of files equipped me with a great deal of granular evidence that overwhelmingly supported all these points. At the same time, however, another narrative was also clear to me: the economic officers whose files we read were having a hard time documenting the potential to serve successfully at a more senior level.

## Why, despite their good work, were economic officers all over the world not persuasively demonstrating that they ought to be moving up the Foreign Service ladder?

As an economic-coned officer, I found this perplexing and troubling. I served as deputy chief of mission in Athens from 2011 to 2014, when the free fall of the Greek economy threatened the stability of the largest U.S. trading partner, the European Union. I knew firsthand how critical our econ team was to mission success in promoting and advancing U.S. interests, and how closely the policy community in Washington, D.C., was watching economic developments we were covering.

I also knew that economic diplomacy was fundamental to the broadest U.S. interests, not just in Athens, but all over the globe. Economic officers work to level the playing field for U.S. businesses, assess and advance implementation of the World Trade Organization frameworks that permit America's businesses

to win, and keep a close eye on the leading indicators of major political turmoil when people vote their wallets in a democracy or take to the streets because they can't feed their families or buy needed medicines.

Nonetheless, file after file left our panel unconvinced that the officers involved were ready to succeed at the FS-1 level. Why, despite their good work, were econ officers all over the world not persuasively demonstrating that they ought to be moving up the Foreign Service ladder? I came to a couple of conclusions.

## Two Conclusions

First, economic sections—in contrast to political sections or combined pol/econ sections—generally are just too small to provide officers at the FS-2 level the opportunity to demonstrate meaningful leadership and management skills and potential. The “Iraq tax”—positions taken from posts to staff the Iraq war—of the early to mid-2000s was heavy, and economic sections seemed particularly hard hit. This was perhaps because eliminating one position from a five-person section is a greater relative loss



*During a more than 25-year Foreign Service career, Virginia Bennett served five U.S. presidents in a wide variety of assignments in Europe, Asia and Latin America, in multilateral settings and in Washington, D.C. She capped her career as the acting assistant secretary of State for the Bureau of Democracy, Human Rights and Labor. She also served as deputy chief of mission in Athens, as a deputy executive secretary for Secretary of State Hillary Clinton and as executive assistant/chief of staff to Deputy Secretary of State John Negroponte. She retired from the Foreign Service in November 2017.*

than taking one officer from a 10-person section.

An economic-track senior officer recalled to me her experience running a 10-person combined pol/econ section, attributing her relatively rapid promotion to the leadership and management skills she had had the opportunity to demonstrate in that combined section. That rang true to me, in contrast to many of her peers who struggled to demonstrate their management chops with so few direct reports.

That said, there are arguments for and against combining political and economic sections. Aggregating sections can bring more officers under an FS-1's management, which is a good opportunity for the FS-1 to bolster their own management skills. An FS-2 section deputy then has the opportunity to serve in an acting capacity in a section of more meaningful size and impact.

A downside to combined sections is the elimination of either the political or the economic section at country team meetings, as well as the potential elimination of an econ skill code position. Promotion rates are related to the number of billets (i.e., positions by skill code). With fewer skill code positions, you get to promote fewer officers in that cone over time.

This is true across all career tracks, and sensibly so—why promote people into a rank if you don't need their specific skills at that rank? Combining sections may, therefore, lead to a downward trajectory in promotability for the econ skill code.

Second, I concluded that many candidates simply did not have enough, or even any, in-cone experience at their current grade. The relatively rapid promotion speed to FS-2 levels overall at that particular point in time may have

## **The relative allocation of billets in the Foreign Service has simply not kept up with the reality that political influence and national interests are closely intertwined, indeed interdependent, with economic issues.**

contributed to this pattern, as well as the push to get out-of-cone experience codified under the Professional Development Program requirements.

While I can attest to the value of out-of-cone experience, particularly with regard to the management of human or other resources, notching only a couple of tours as an econ officer does not inspire absolute confidence in promotion board members that an officer can hold their own at the FS-1 level in cone, where they are still likely to have to serve. And that's precisely what promotion panels are looking for—clarity from the documentation in the file that an officer can successfully serve at the next level.

### **A Broader Issue**

In my opinion, however, there is a broader issue that has led to the distortions cited above. It is this: The relative allocation of billets in the Foreign Service has simply not kept up with the reality that political influence and national interests are closely intertwined, indeed interdependent, with economic issues. I think that is the underlying problem we need to solve, not just for the development of career econ officers, but to ensure the most effective American diplomacy.

In my view, no one can truly understand a country and serve to advance America's interests there without some knowledge about what is happening in its economy. This holds true beyond the political and economic sections.

The interests of traveling or resident American citizens are directly affected by the state of the local economy, as are security interests and the management section's work.

Meeting payroll for local staff usually depends on whether the banks are functioning in the host country. I still have vivid memories of (literally) measuring safes with the management counselor and financial management officer in Athens, two years before the Greek banking system finally collapsed in 2015, and obtaining a waiver from State to keep enough cash on hand to make payroll. We did this because of what we were hearing about the viability of Greek banks, their non-performing loans, and the fears of Greek citizens (who were keeping cash on hand just in case).

Our Athens consular team had countless examples of U.S. citizens who were affected by the collapsing safety net. And our regional security officers were constantly monitoring and advising the mission and American business communities of protest and other activity related to the long downward spiral in the economy and the negotiations with Greece's creditors.

I won't even get into the impact of the local economy on U.S. interests from the standpoint of our Defense Department colleagues, or the many other critical sections that contribute to mission success in all our posts overseas. But I don't think any would contradict the view that



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## We urgently need to get more FS-2 economic positions overseas.

we need to have more, rather than less, information on what economic currents are shaping a country. Who among us is immune from the impact of economic events at home? No matter what anyone does for a living or believes as a faith, the economy touches us all.

I would argue that both for the sake of growing our economic officers and—most importantly—effectively promoting U.S. interests, we urgently need to get more FS-2 economic positions overseas. AFSA is urging the State Department to add 300 econ jobs in the field. We don't need 300 new FSOs to do that—we just need to shift 300 jobs out of Washington. The unprecedented levels of bipartisan support for U.S. global leadership has translated into funding in the appropriate line item of the department's budget to do so.

While I'm no longer in the department, I hear that there are efforts underway to recreate a more positive career path for economic officers. That would be good for them and, more importantly, would pay dividends for the United States.

America's businesses are innovative and agile. They deliver what they promise, and when they get to compete on a level playing field, they win. Our Foreign Commercial Service and Foreign Agricultural Service colleagues contribute enormously to achieving those wins. But they can't do it without economic sections working on the structural context in which U.S. businesses seek to land a deal. ■

# What Is Economic Diplomacy and How Does It Work?

**The U.S. Foreign Service is at the forefront of crafting policy and carrying out economic diplomacy to advance the strategic and security interests of the United States.**

BY TONY WAYNE



*Earl Anthony "Tony" Wayne retired from the Foreign Service as a Career Ambassador in 2015. He served as ambassador to Mexico and Argentina, deputy ambassador in Afghanistan, principal deputy assistant secretary in the Bureau of European and Eurasian*

*Affairs and assistant secretary of State for economic and business affairs, among other positions. He is a member of the 2017-2019 AFSA Governing Board and serves as the association's treasurer.*

**E**conomic statecraft and economic diplomacy involve using diplomatic skills with economic tools to advance a country's economic, political and strategic goals. The overarching economic statecraft and the day-to-day economic diplomacy are enormously important parts of the United States' international policy. Getting this right can provide a huge boost, just as getting it wrong can be very costly.

Economic statecraft and diplomacy are much broader than support for sales from U.S. farms and businesses overseas or support for the investments Americans make in other countries, as important as that work is for America's prosperity. They include the use of economic sanctions to punish or deter bad actors in the world, ranging from terrorist financiers and drug smugglers to corrupt officials. They involve mobilizing international assistance and financing for partner countries emerging from conflicts or natural disasters. They involve building support to set and enforce international rules and norms so that corruption and bribery are less acceptable, for example, or to make trade in "conflict diamonds" and other smuggled minerals more difficult, or to facilitate international air transportation or telecommunications (think internet and cell phone) connectivity.

Economic statecraft forges policies to decide which countries merit U.S. financial and development assistance, how much and under what conditions. Then U.S. economic diplomacy negotiates

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## Economic statecraft and diplomacy are much broader than support for sales from U.S. farms and businesses overseas or support for the investments Americans make in other countries.

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agreements with host governments for effective use of that aid and, very importantly, works to assure effective implementation of aid and reform programs.

Economic diplomacy includes building international coalitions to help countries recover from financial crises. It entails convincing host-government leaders to apply the policies and measures most likely to strengthen their economies and provide jobs for their people, even if the reforms have political costs.

In all these areas, the U.S. Foreign Service is at the forefront of crafting policy and carrying out economic diplomacy for the good of the United States. The Foreign Service, and our Civil Service colleagues in the foreign affairs agencies, work with partners at Treasury, Commerce, the Office of the U.S. Trade Representative, Defense and other agencies to develop, implement and hone these approaches. In Washington, D.C., as well as overseas, Foreign Service officers are essential players in creating strategies, in winning agreement from partners and building international coalitions, and in implementing policies and programs to achieve good outcomes in other countries and regions. The Foreign Service brings unparalleled international knowledge and experience to the table in Washington that regularly help focus, refine and implement U.S. policies.



COURTESY OF TONY WAYNE

FSO Tony Wayne, at right, speaks with OECD Secretary General Angel Gurría about efforts to enhance the antibribery convention and other topics on the agenda at the May 2006 OECD ministerial meeting.

The United States has long practiced economic statecraft to open markets for U.S. goods and services and to boost global prosperity and stability, but over the last two decades increasing attention has been given to the added sway gained by using economic tools and diplomacy in a systematic, strategic way to support partners, to change or punish harmful behavior and to win support for U.S. international priorities. This is even more essential in a world where economic competition is increasingly fierce and not always fair, and where other governments may have much more influence in economic areas than they have in the military or other spheres. China's growing

international clout and its aggressive economic diplomacy is one example that highlights the urgent need for effective, multipronged economic statecraft by the United States.

In this issue of *The Foreign Service Journal*, you will find outstanding examples of U.S. Foreign Service officers carrying out economic diplomacy as part of America's broader foreign policy. I have seen this work flourish firsthand in Mexico, Europe, Afghanistan and Argentina. The emblematic cases that follow, drawn from my time as assistant secretary for the Bureau of Economic and Business Affairs (EB) from 2000 to 2006, illustrate the importance of Foreign Service networks and partnerships in Washington, D.C., and overseas.

### The Problem of Terrorist Financing

On Sept. 11, 2001, I was traveling with Secretary of State Colin Powell in Lima, Peru, where, among other objectives, we were exploring with Peru's president how the United States could use its economic tools to support that newly re-emerged democracy. This mission was disrupted by that day's terrorist attacks. On the flight home and then with my colleagues in EB, we searched for ways the economic team at State could help define and build a strong international response to that attack.

Previously several of us had worked to hone and strengthen the use of international economic sanctions as a tool of diplo-



## View from the E Family: Empowering Growth, Securing Our Future

By Peter Haas, Principal Deputy Assistant Secretary (PDAS), Bureau of Economic and Business Affairs;  
Judith Garber, PDAS, Bureau of Oceans and International Environmental and Scientific Affairs;  
and Kent Logsdon, PDAS, Bureau of Energy Resources

**E**conomic security is national security. The “E family” bureaus—Economic and Business Affairs (EB), Energy Resources (ENR), and Oceans and International Environmental and Scientific Affairs (OES)—advance this core principle of the Trump administration’s National Security Strategy. Economic officers around the world strive to empower growth and secure our future.

America’s prosperity underwrites our national security. A robust U.S. economy that creates new American jobs depends on strong economic growth. We are known for our efforts to fight for a level playing field for American workers and companies. Our work includes protecting and enforcing intellectual property rights. We lead aviation negotiations that underpin 5 percent of U.S. gross domestic product and 11 million transportation-related jobs.

We demand that international institutions do more to promote economic rules that enhance free, fair and reciprocal trade and set transparent standards. We are all involved in promoting and expanding advocacy for U.S. commercial and defense products and services abroad, as well as attracting foreign direct investment to the United States. These efforts are critical for the long-term security of our country.

Sanctions are a critical part of our foreign policy. EB and ENR lead sanctions programs in more than 25 countries to reduce threats that put U.S. citizens at risk and jeopardize global stability. We used them recently to lead the world in pressing North Korea on denuclearization. We have reimposed them on the Iranian regime to pressure them to change their malign behavior. We have also ramped up sanctions on Russia in light of its actions in Ukraine and its destabilizing impacts elsewhere, and on Venezuela, aiming to restore democratic processes there.

Energy is critical to U.S. national security and prosperity. ENR is leading department efforts to promote energy security for the United States and its partners and allies, stimulate U.S. economic growth that benefits American business and people, and foster global political stability and

prosperity through energy development. ENR focuses on energy security and cooperation around the globe, including regional initiatives such as Trans-Atlantic Energy Security, Eastern Mediterranean Energy Integration, Enhancing Development and Growth through Energy, and Access to Global Energy Resources.

Meanwhile, OES highlights the United States’ success in reducing emissions through technology and innovation, while engaging internationally to promote a balanced approach to energy, economics and the environment to protect American businesses.

Against the growing threat of pandemics and infectious diseases, OES leads diplomatic engagement on the Global Health Security Agenda to build countries’ capacity to detect, prevent and respond to disease outbreaks like Ebola. We also protect national security through diplomatic outreach to fight conservation crimes and preserve the well-being of our oceans and the Arctic region.

Together the E family safeguards critical national assets from security risks associated with foreign investment in areas such as infrastructure, sensitive technologies and private information. Our goal is to protect national security while main-

taining openness to investment, considering that foreign-owned companies in the United States employ more than seven million U.S. workers. President Trump greatly strengthened these efforts through the Foreign Investment Risk Review Modernization Act, which expands the authorities of the Committee on Foreign Investment Review to examine investments and take action to block those that threaten our national security.

Through all of these avenues, and in many other ways, the E family bureaus use America’s global leadership to strengthen our domestic economy, empower growth and secure our collective future. You’ll find many other examples highlighted in this edition of *The Foreign Service Journal* that showcase the wonderful work our economic; energy; and environment, science, technology and health officers do around the world. This is the cutting edge of diplomacy in the 21st century.



Peter Haas



Judith Garber



Kent Logsdon

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## Economic officers have worked hard to ensure that the international growth of the internet and high tech supports America's economic interests, as well as its commitment to the free flow of information.

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macy, including working through differences with European partners. We had learned that a sanction approved by the United Nations Security Council under Chapter VII of the U.N. Charter had the force of law in many other countries. We suggested pursuing a U.N. Security Council resolution focused on sanctioning financial and other support for terrorism as an initial step.

With approval from State Department leadership and the White House, we partnered with the Bureau of International Organization Affairs and the U.S. Mission to the U.N. to write and present a draft resolution; within a few days, the U.N. Security

Council passed Resolution 1373. It was to become the “go to” international framework for stifling terrorist financing.

However, passing that resolution was just the start. We in EB partnered with the National Security Council, Treasury and the intelligence and law enforcement communities to craft a U.S. executive order along the same lines. Then, with partners in other State Department bureaus and in embassies around the world, we set out to build an international coalition to implement the U.N. resolution. We worked to persuade governments to change their own laws and practices to outlaw terrorist financing, to freeze assets and to build international

partnerships so that even initially hesitant governments were willing to join the United States in “designating” individuals, nongovernmental organizations (NGOs), charities and banks who were helping fund terrorism.

This was a long, hard process. In Washington, we had to forge interagency agreement on targets and tactics. Then our embassy teams had to persuade host governments to join in the effort. The debates in Washington were often intense, but Foreign Service expertise helped win interagency consensus on how to most effectively build an international coalition and win support in every part of the world.

At State, as part of the process, EB hosted weekly interagency meetings that included all geographic bureaus to define the way forward and to coordinate work among embassies. In the months and years that followed, the

United States rallied many countries to join the effort. They designated scores of entities for sanctions, froze more than a hundred million dollars in funds and assets, and made it much harder for others to fund terrorists. Each freeze was implemented globally within 48 hours. In a December 2005 report, the 9/11 Public Discourse Project, an NGO formed by some members of the 9/11 Commission to ensure implementation of the commission’s recom-



At a meeting of the Brazil Chamber of Commerce in São Paulo in April 2006, FSO Tony Wayne, third from left, encourages more U.S.-Brazil trade and commerce.

mendations, identified the EB-led effort against terrorist financing as the most effective anti-terrorist work to date (giving it a grade of A-). Much of that success was fueled and steered by Foreign Service officers.

### Support for Economic Reform, Reconstruction and Rebuilding

Interestingly, the second highest score given by that same 2005 report on 9/11 recommendations was a “B+” for policies supporting economic reform in the regions of concern. In the fall of 2001, as EB began to work on blocking terrorist financing,

it also began a concerted effort to develop initial economic support and reform packages for countries from Turkey to Pakistan that would be affected by the repercussions of the 9/11 attacks. In this EB worked closely with the relevant State geographic bureaus, as well as with USAID, Treasury, USTR, the NSC and, eventually, the international finance institutions.

One priority focus was Afghanistan, thinking through and building international support for economic and other nonmilitary assistance for that country following the initial military actions against the Taliban regime and al-Qaida. EB stepped into the breach to lead efforts to organize three international donor conferences focused on Afghanistan. In coordination with State regional bureaus, the EB team worked with the U.N. Development Program and the World Bank, as well as with Japan, the European Union and the Persian Gulf countries.

This was an intensive effort. For weeks during the run-up to the first Tokyo donors conference on Afghanistan, for example, we held twice-daily phone calls with the Japanese and other key sponsors to develop what became an internationally agreed-upon framework for assistance needs, to rally initial aid pledges and to achieve the return of Afghan assets from around the world to help the fledgling government in Kabul. The initial conferences were considered a success, and the focus shifted correctly to work on the ground in Afghanistan.

The Afghanistan conferences were precursors to subsequent, equally intense international reconstruction efforts led out of EB to help revive Iraq's economy after toppling Saddam Hussein, to rebuild severely damaged parts of Southeast and South Asia after the 2004 tsunami and to support recovery from the terrible 2005 earthquake in Pakistan. In each of these cases, the economic teams at State, USAID and at our embassies around the world were essential in constructing international coalitions and mobilizing many billions of dollars in aid to help key partners. These efforts all included the nitty-gritty work of interagency decision-making in Washington; initiating frequent outreach to other governments, NGOs and businesses to build agreement; organizing successful gatherings overseas; and beginning the complex work of delivering aid, as well as trying to encourage best practices in recipient countries. This was economic diplomacy in vigorous action, with the Foreign Service front and center.

### **A Vast Array of Economic Diplomacy Issues**

Beyond these striking examples, the EB team used its partnerships among State, U.S. embassies and U.S. agency

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## **The debates in Washington were often intense, but Foreign Service expertise helped win interagency consensus on how to most effectively build an international coalition to staunch terrorist financing.**

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colleagues daily across a host of issues during these years. This work included helping to ensure U.S. and global energy security via sufficient oil production in the Persian Gulf; the development of new oil deposits in the Caspian region, Africa and elsewhere; and helping bring renewable and other alternative energy sources into play for the European Union and others. The work involved organizing demarches by our embassies to change specific unfair practices vis-à-vis U.S. intellectual property in economies around the world, from Canada to Taiwan to Argentina. The work included building a new model for development assistance with the creation of the Millennium Challenge Corporation and a consensus on new development strategies among the Group of 8 countries. It entailed helping to engineer effective debt relief in Africa, for example, and getting our closest European partners to implement their anti-bribery commitments to level the field for U.S. companies and to reinforce good governance.

These efforts also included vastly expanding the number of Open Skies agreements around the world to support travel and tourism. Economic officers have worked hard to ensure that the international growth of the internet and high tech supports America's economic interests as well as its commitment to the free flow of information. Also important was the invaluable work done to support many trade negotiations, specific commercial disputes and important sales opportunities for U.S. companies in different countries. In scores of instances, Foreign Service officers in Washington and overseas were essential to achieving good outcomes. And this vital work continues.

The United States needs well-crafted and skillfully implemented economic statecraft for its prosperity and security. It needs effective day-to-day economic diplomacy by its Foreign Service officers to ensure that America's statecraft achieves the best for our country. ■

# Economic Officers for the Future

**New appreciation for the centrality of economics in foreign policy makes it an ideal time to throw light on the making of an economic officer.**

BY CHARLES RIES



*Charles Ries, a Foreign Service officer from 1977 to 2008, served as ambassador to Greece; principal deputy assistant secretary for European affairs; coordinator for economic transition in Iraq; Minister-Counselor for economic affairs in London and at the*

*U.S. Mission to the European Union in Brussels; and in other domestic positions in the Bureau of Economic and Business Affairs and the Office of the Under Secretary for Economic and Agricultural Affairs. He is currently vice president, international, at the nonprofit RAND Corporation.*

International economics is once again at the forefront of foreign policy. Accounts of serious trade disputes, a U.S. effort to derail a new gas pipeline from Russia to Europe, stiff new economic sanctions on Iran and concern about imports of automobiles fill the front pages of American dailies. It sometimes feels like the 1980s all over again.

But this time, the much higher public salience of foreign policy issues amid sharp polarization, accelerating climate change, the growing role of China in the international order and radical changes in communications technology (including social media) put the old issues in a new perspective and challenge old ways of doing business.

It is a good time, therefore, to consider how the Foreign Service should recruit, train and nurture a strong cadre of economic officers for the decades ahead.

## **Economic Officer vs. International Economist**

The key distinction between a Foreign Service officer in the economic career track and an international economist is this: The core responsibilities of economic officers are not solely, or even principally, about studying economic developments. While these FSOs must understand what is happening economically in whatever area of the world (or multilateral or plurilateral organization) they are assigned, that is not enough. The FSOs should also be in a position to fashion and carry out strategies to advance the national interest and build relationships to maintain U.S. economic interests. Outcomes matter in diplomacy.

To my mind (and this may be a heretical thought) economic officers must be, first of all, accomplished political officers,

in that they must understand how governments make decisions about issues that affect U.S. foreign policy and economic interests, and divine what political forces are being brought to bear to affect the policies of America's partners, or adversaries. Such insights and understandings are vital to devising strategies to advance U.S. foreign economic programs and interests. Also, economic officers should have all the reporting, public speaking and representational skills of any political or public diplomacy officer, coupled with a strong understanding of economic issues. While economic FSOs should be able to engage confidently on inflation or exchange rate policy with a Central Bank official, they don't need to build a model themselves. But they should be able to figure out how to secure a commitment in a trade agreement, negotiate an international air services accord, help a U.S. company land a major trade deal or fashion congressional testimony.

## Training

Economic officers who have political and public diplomacy skills are also ideally suited to make the connections and frame the broad perspectives that today's world requires. The ability to integrate political, economic and regional insights is what the next generation of U.S. foreign policy will need, and economic officers with wide expertise are well positioned to make great contributions at entry- and mid-level positions—and, of course, as senior leaders in the future.

As the Foreign Service Institute trains the economic officers of the future, and as senior officers mentor the leaders of the next generation, such insights should be kept in mind. Economic officers should get the training and opportunities in writing, reporting and political analysis that political officers get, even as they develop deep understanding of the nuances and foundational concepts of trade, monetary policy, environment and science.

Just as every FSO should understand the basic laws and regulations affecting visa adjudication and American Citizen Services, so too should every economic officer (at least, and maybe other cones as well) understand the framework of sanctions policies. What is a Special Designated National? What kinds of goods require International Traffic in Arms Regulations licenses? For this, the *Financial Times* newspaper or *The Economist* magazine are better reading material than the *Journal of the American Economic Association*.

And lest we forget, language skills are as relevant for an economic officer as they are for a political officer to pick up cultural nuances (even though many host-government economic officials often have good English skills).

## Working Washington

A well-rounded economic officer should seek several and varied Washington assignments to lay the groundwork for effectiveness in the senior ranks. This can include functional bureaus, like the Bureau of Economic and Business Affairs (EB) or the Bureau of Oceans and International Environmental and Scientific Affairs, and the regional bureaus, as well as details outside of State such as to the National Security Council or the Office of the U.S. Trade Representative (USTR). (In this connection, it is of course a pity that details to Treasury, Commerce, Agriculture or Homeland Security are more difficult to arrange.)

As with overseas service, the objective should be to learn how to get things done, including in the interagency process, rather than to admire problems. Again, in order to succeed, writing, advocacy and reporting skills are vital, along with economic expertise and literacy. But even here, the comparative advantage of economic officers in the interagency process can be misunderstood.

The advantage of having economic officers in Washington—and State involvement, in general, on economic issues—is the insight they have into overseas developments, not their fluency in Washington-speak. When an economic policy discussion turns, for instance, to what the Japanese might do with respect to a U.S. initiative or unexpected development, the meeting should turn to the State economic officer, who will explain it objectively based on experience on the ground and based on outreach to colleagues in the field. But the meeting will only do that reliably if the State officer has done the homework and is in touch with economic-track colleagues in the field.

Too often, economic officers in Washington assignments, especially in the main EB offices, seek to become junior Treasury, USTR, Department of Energy or Federal Communications Commission (and the like) domestic agency officials, based on their participation in interagency decision-making and consultative processes. But that is not the best strategy. The real value added in having the State Department in the economic field, as elsewhere, is that the department has a worldwide network of economic officers in the field who know the issues, constraints and local contexts.

Other agencies may believe that the United States just needs to lay down policies to its partners and they will respond. But experience has shown that skills in advocacy and linkage make a difference. If you agree that context, contacts and the right spin make a difference in accomplishing negotiating goals, helping businesses with problems or in stopping bad behavior, you need a State economic officer on the case.

## Getting Promoted

The principles for promotion in the economic track should be the same as for any other track: great potential for leadership, strong interpersonal skills, and substantive experience and knowledge. As far as the latter is concerned, I don't think economic officers are, or should be, a breed apart. As I have noted, economic officers should not see themselves as analytical economists, but rather diplomats charged with advancing U.S. interests in the economic, environmental, scientific and related fields.

Economic officers must be literate in economics and in policy, and knowledgeable about business trends. Economic officers should understand foreign government systems and political trends that affect the ability of governments and interest groups to cooperate with the United States. If officers think this way, they may impress ambassadors and senior officials, and lay the groundwork for promotion to the Senior Foreign Service and assignment to senior leadership positions. If, on the other hand, economic officers think, or are led to believe, that promotion

is solely a factor of their knowledge of the technical stuff, the department will treat them as subject-matter experts rather than officers.

Perhaps more than any other track, economic officers get experience in negotiations on behalf of the nation, one of the highest callings of the diplomacy profession. And when it comes time to do something else, Foreign Service economic experience is more easily transferable to the private sector than many other specialties.

The State Department's economic expertise is vital to advancing U.S. economic interests worldwide and is very rewarding for the officers, as well. As far as the latter is concerned, consider the advantages of the economic track: officers who successfully help American business succeed or take down foreign trade barriers make an appreciable difference to American communities and businesses. Few other areas of foreign policy have such an immediate and direct connection to communities and constituencies in the United States. ■

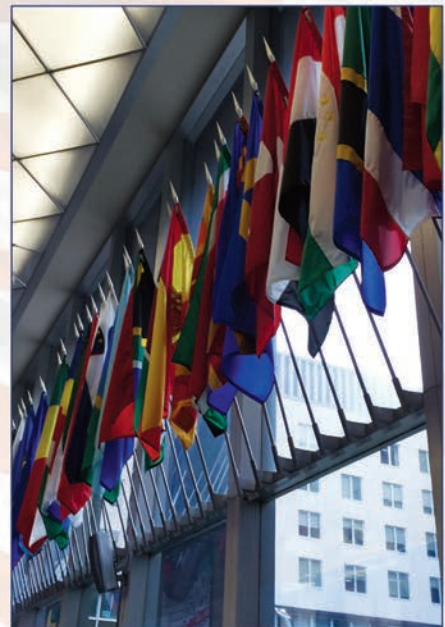
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# Six Elements of Effective Economic/Commercial Diplomacy

BY SHAUN DONNELLY AND DANIEL CROCKER

**E**conomic security is national security, and national security is economic security. This statement might have aroused some eye-rolling from State Department “old boys” around Foggy Bottom, on Capitol Hill and around the Washington elite cocktail circuit of the 1950s and 1960s. But, as in so many other areas, the worlds of economic and commercial diplomacy have been increasingly mainstreamed into today’s policies and strategies for national security in the United States and around the world.

China’s ambitious Belt and Road strategy, with its use of aggressive financing and promotion of Chinese companies and labor to further its geopolitical aims, underscores the challenge that the U.S. government—and U.S. commercial interests—face throughout the world. Trade promotion, smashing foreign market access barriers and helping U.S. exporters and investors win competitive deals are front-page

issues these days and can win State and Commerce Department officers recognition and promotions.

Presidents, national security advisors and Cabinet secretaries of both parties over the past two or three decades have come to see this new importance of commerce and economics in broader U.S. foreign policy. Most observers also acknowledge the need for the U.S. government to step up its efforts in economic/commercial diplomacy.

Three fundamental realities underline the importance for our country of an effective economic/commercial diplomacy program. First, more than 80 percent of global purchasing power now lies outside the United States, including several large emerging markets with annual gross domestic product (GDP) growth rates that are double our own, or more. Second, it’s an ultra-competitive world; in all key sectors, American companies face broader, deeper and more aggressive foreign competitors, some of whom promote their standards, military platforms and state-subsidized or state-owned companies for both commercial and political gain.



*Shaun Donnelly is a retired State Department economic-coned Foreign Service officer, now working as vice president for investment policy and financial services at the U.S. Council for International Business. He held a series of senior positions in the State Department’s Bureau of Economic and Business Affairs, including five years as principal deputy assistant secretary. He also served as U.S. ambassador to Sri Lanka and the Maldives, and as assistant U.S. Trade Representative for Europe and the Middle East.*



*Daniel Crocker is a career member of the Senior Foreign Service in the Commerce Department, and is currently the Foreign Commercial Service vice president on the Governing Board of the American Foreign Service Association. His most recent overseas assignment was as commercial counselor in Madrid. He previously served in Mexico, Brazil, Panama and the Dominican Republic, in addition to stints at Commerce headquarters as director of the Office of Digital Initiatives and executive director for the Western Hemisphere. He is a member of the 2017-2019 AFSA Governing Board and FCS vice president.*

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## More than 80 percent of global purchasing power now lies outside the United States, including several large emerging markets with annual GDP growth rates that are double our own.

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We're not just competing with Europe, Canada and Japan these days; China, India, Korea, Brazil, Mexico and Singapore, among others, now have world-class firms with aggressive support from their governments. And third, like it or not, we are in a new world of globalization, supply chains, data flows and blockchains.

Yesterday's companies and yesterday's strategies will not prevail. We can, as some American political leaders are wont to do, opt to complain, invoke protectionist barriers and cry foul; but just playing defense and trying to deny new realities is not a winning strategy. With more than 80 percent of America's labor force working in a disintermediated service sector and a rapid increase in automation in manufacturing, erecting barriers in response to goods trade imbalances risks ignoring future sources of American commercial competitiveness and job growth.

We see six critical elements in an effective U.S. economic/commercial diplomacy program.

**1. International commerce and economics must be top priorities.** The U.S. government can't compete and win on the cheap; we can't just mail it in. Recent passage of the BUILD Act, which wraps the Overseas Private Investment Corporation into a newly created U.S. International Development Finance Corporation that will be able to further U.S. economic interests through strategic investments overseas, is a strong indication of bipartisan and administration support for an effective program. Across the political spectrum, U.S. lawmakers are recognizing the competitive threat to our national interests posed by what appears, at first glance, to be simple promotion of Chinese commercial interests in countries as disparate as Montenegro, Sri Lanka and Nicaragua. However, though the U.S. government's expertise is deep, it is also fragmented. Short of a dramatic restructuring of federal agencies, we owe it to U.S. taxpayers to coordinate efforts better—not only across federal agencies but also with state and local governments.

Within the federal government, State and Commerce will certainly need to play a leading role. As foreign affairs agencies with a global footprint and diplomatic accreditation, they are uniquely poised to be the field-forward force for economic/com-

mercial diplomacy. Their career Foreign Service officers are on the front lines. But programs at the Department of Agriculture, the Export-Import Bank and the Trade and Development Agency also need to be incorporated and aggressively funded. Worryingly, the Export-Import Bank is now in limbo because of congressional inaction, putting several important U.S. exporters at a competitive disadvantage. An effective economic/commercial diplomacy program is a great investment and will pay for itself, but it does require sustained appropriations, good coordination and strong leadership.

**2. Top leaders must be personally involved.** Cabinet members, the vice president and the president need to consistently engage foreign counterparts to push U.S. competitors in major deals around the world. Cabinet and sub-cabinet officials must be available to lead trade missions and economic dialogues. And in the field, ambassadors must be personally engaged. If a chief of mission opts to delegate economic/commercial diplomacy to staff, it sends a clear message to senior foreign decision-makers.

Ambassadors need not be economic experts; they simply need to be forceful, effective diplomats. U.S. ambassadors such as Stu Eizenstat, Jon Huntsman, Charles Ford and Tony Wayne, who had strong economic and business backgrounds, have been very effective. But so were legendary diplomats like Tom Pickering, Frank Wisner, Kristie Kenney and Marc Grossman, who had little hands-on experience in the economic area. They are just great diplomats. Effective economic/commercial diplomacy is more about leadership, diplomacy and hard work than it is about economic policy or commercial contract details. Understanding the growing strategic importance of U.S. commercial wins in certain areas (e.g., new LNG ports and regasification infrastructure) should make it easier for U.S. ambassadors to take the lead in the field.

**3. The Commerce and State Department partnership is critical.** Frankly, over the years there has been some counterproductive rivalry between the State and Commerce Departments, and between individuals at various levels in Washington, D.C., and at posts around the world. Such rivalry—sometimes personal, sometimes over whether an individual issue or event is “economic” (i.e., State-led) or “commercial” (i.e., Commerce-led)—is not totally surprising. After all, President Franklin D. Roosevelt gave the State Department full responsibility for international economic/commercial diplomacy in 1939. But based in large part on a perception that State had not consistently and effectively led commercial issues and support for U.S. business, the 1980 Foreign Service Act pulled that responsibility out of State, transferred it to Commerce and established the Foreign Commercial Service.

The divorce was painful, especially at State, and left scars,



## A FOREIGN POLICY PRIORITY

UNCLASSIFIED

Date: Nov 07, 2018

From: SECSTATE WASHDC

Action: ALL DIPLOMATIC AND CONSULAR POSTS COLLECTIVE

Subject: Boosting Commercial Diplomacy around the World

most of which have, fortunately, faded with time. But we can no longer afford to let bureaucratic rivalries, personal egos or arcane debates about whether particular issues are “economic” or “commercial” get in the way. Any U.S. ambassador should expect—and both State and Commerce officers should deliver—a coordinated position on issues of commercial importance.

We see some very encouraging signs of Commerce/State cooperation. In 76 countries representing 90 percent of U.S. export markets FCS and State economic officers are collaborating closely to tackle market barriers and unfair trade practices, and protect U.S. investment interests. It is especially encouraging to see numerous examples of Commerce/State cooperation overseas on emerging issues such as digital trade, standards and regulations, intellectual property rights, financing infrastructure and combating corruption. In the past, such issues might have been fertile ground for bureaucratic rivalry. In another 60 countries where there are no FCS officers, a formal Partner Post program gives State economic officers full responsibility for all commercial and business support work, in coordination with Commerce’s domestic network of 106 U.S. Export Assistance Centers and nearby FCS posts. Further, State has opened its innovative Business Facilitation Incentive Fund, a program that offers incentives for State/Commerce cooperation in the field in the form of small grants to posts to fund creative initiatives in support of U.S. exporters.

A very promising recent initiative is State/Commerce cooperation on the annual Benjamin Joy Award. As President George Washington’s first American consul and commercial agent in India, the award’s namesake, Benjamin Joy, was an early exemplar of U.S. commercial and economic diplomacy. Commerce and State have jointly established and funded the competitive award, fully sharing the nomination, selection and ceremonial functions. The first two annual winners—teams of FSOs from State and Commerce, as well as Locally Employed staff, at Embassy Addis Ababa and Embassy Vientiane—have been inspiring examples of cooperation to directly benefit U.S. business, especially small and medium-sized businesses.

Another great example of Commerce/State cooperation is the annual “SelectUSA” Investment Summit, designed to attract

1. Summary: The purpose of this message, written in collaboration with the Commerce Department, is to strengthen our collective work in commercial diplomacy by clarifying the roles, initiatives, and tools of the State and Commerce Departments in advancing American business interests overseas. ... State and Commerce collaboration is key to U.S. company success overseas and to supporting jobs here at home. There is so much that we do – and can expand on – together, and we hope this cable helps strengthen our ability as a country to support U.S. business interests. End summary.

2. Secretary Pompeo has made helping American companies a foreign policy priority. Commercial diplomacy helps create jobs and prosperity at home and advances the economic prosperity goals in the President’s National Security Strategy. Promoting broad-based, responsible, and sustainable economic growth helps to stabilize regions and creates new and growing markets for U.S. companies. A transparent and level playing field for U.S. investment in these countries counters real and growing challenges such as China’s Belt and Road initiative.

3. We ask that you engage proactively not only at the transactional, but also at the transformational level. Doing so will advance key foreign policy goals, such as a stable and prosperous Indo-Pacific region, our priorities at the Summit of the Americas, Iraqi reconstruction, our commercial and security interests in Europe, and prosperity and stability in Africa. In advancing commercial interests, we also advance broader economic priorities, such as fighting corruption, pursuing greater aviation options for U.S. consumers, and supporting conflict-free diamonds. Every office in EB and many offices throughout the Department contribute to our commercial diplomacy. ...

–Excerpted from the U.S. State Department cable  
18 STATE 112364, E.O. 13526.

inward foreign direct investment (FDI) into the United States, bringing technology, capital and good jobs to local communities around America. Commerce Secretary Wilbur Ross, like his predecessors, hosted the fifth summit of this Commerce-led program, which has contributed to \$44 billion in investment into the country over the last six years. State has pitched in fully in recent years to promote the event, help Commerce strategize on foreign business and government leaders to invite, and fund participation of U.S. ambassadors in key markets to personally escort select foreign delegations. And like Secretary John Kerry before him, Secretary of State Mike Pompeo was an enthusiastic and supportive speaker at this year’s summit.

Of course, a bread-and-butter element of any effective commercial/economic diplomacy is high-level advocacy—both project advocacy and, increasingly, policy advocacy. Here again, interagency cooperation is critical, both in the field and in Washington. Commerce’s Advocacy Center has continued to grow

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## As American companies compete to grow, prosper and win, they will need support from the government across a much wider agenda.

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in reach, effectiveness and interagency participation. State and U.S. embassies overseas are vital partners. The interagency team moves quickly to review potential advocacy cases, then sort out and implement a coordinated, often escalating, plan of letters, phone calls and travel by senior Commerce, State or other sub-cabinet officials, Cabinet members, the ambassador and/or the vice president and president. This high-level personal advocacy is delivering results: In Fiscal Year 2017, the Advocacy Center confirmed \$42 billion in wins for U.S. companies, supporting hundreds of thousands of American jobs.

**4. But it's not just a State/Commerce effort.** It's not enough for just State and Commerce to be all-in on economic/commercial diplomacy. America and American business need a well-coordinated, all-of-government effort. For agricultural sales, investment and technical issues, the Department of Agriculture needs to take the lead; and they do. Similarly, senior Treasury Department officials are integral when American banking, insurance and financial services companies need support. When foreign governments are pursuing defense products and services, senior Department of Defense and military officials, combatant commanders and resident defense attachés play a vital role. As noted above, on infrastructure and other capital-intensive projects, agencies like the U.S. Agency for International Development, the Millennium Challenge Corporation, the Export-Import Bank, TDA and the newly created U.S. International Development Finance Corporation can play important roles.

At posts overseas, sometimes the key information an American potential exporter or investor needs at a critical moment may best come from the embassy labor attaché, the regional security officer or a political or administrative officer. Political officers weigh in on cases moving through the local courts, and Department of Homeland Security officials have a role in foreign customs and ports contracts. They have the local contacts, expertise and insights that help U.S. companies win on a level and transparent playing field.

The basic point is that the entire embassy staff needs to be on the economic/commercial team for U.S. business. As noted above, hands-on ambassadorial leadership can be the key to effective

embassy support for American business. At post, members of the ambassador's country team need to check their agency equities at the door and deliver a coordinated strategy that serves U.S. national interests.

**5. Don't forget the states and cities.** Often, especially in the effort to attract FDI into the United States, partnerships with U.S. states and cities are critical in winning a deal. For potential investors, issues like the local workforce, infrastructure and taxes can be determining factors. And those are generally state and local responsibilities in our unique federal system. Here Commerce's SelectUSA team can play a vital coordinating role, and is increasingly providing data-driven analysis of such factors for every post that is promoting inward investment.

**6. American business has a broad agenda in today's and tomorrow's global economy.** While export of goods, old-fashioned manufactured goods, is in some ways the easiest sort of business to address, the U.S. government needs to recognize the realities of today's global economy. As American companies compete to grow, prosper and win, they will need support from the government across a much wider agenda: services, regulatory coherence, license arrangements, international joint ventures, supply chain relationships, inward investment to the United States and outward investment by U.S. companies to foreign markets. A truly supportive, comprehensive "Team USG" approach to support our companies will have to be able to address that full range of issues.

Consolidating, deepening and strengthening a U.S. government support program for our businesses led by Commerce and State is not easy. The issues are complicated and fast-changing; the competition is fierce and ever-intensifying. We're optimistic that with strong Commerce and State Department leadership, the U.S. government is up to the task. But it will take an aggressive "all-hands, all-levels, all-agencies" approach.

Although it was completed more than a year ago, we would refer readers to a set of two reports on economic/commercial diplomacy, "Support for American Jobs," from the American Academy of Diplomacy. These reports contain some detailed analysis and recommendations for effective action (full disclosure: one of this article's authors is also co-author of those reports), and they suggest areas for work, including Commerce/State personnel exchanges, increased industry involvement in training of commercial and economic officers, and targeted trade missions. But the central point is that while more can, and will, remain to be done, America is well-positioned to compete and win in today's global economy. And strong U.S. government support for our businesses and workers must be a bedrock element of our national economic security strategy. ■

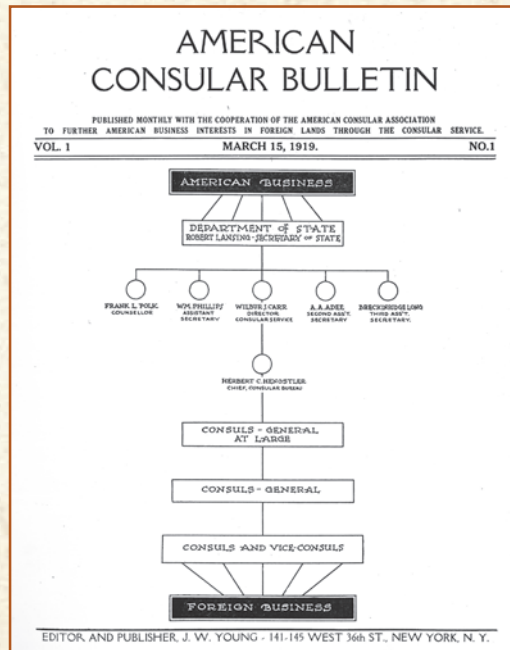
**In the Beginning, There Was Economic Diplomacy**

*American Consular Bulletin, Vol. 1, No. 1, March 1919*

In publishing the “AMERICAN CONSULAR BULLETIN” in cooperation with the American Consular Association, there is a real desire to further the closer relations between the United States Consular Service and American Business. ...

So that American firms entering the commercial foreign field may have as complete information as possible as to the many ways Consular representatives can be of assistance, it is our purpose to devote, from time to time, a part of this book to this subject as well as to have departments that will treat of the customs, shipping relations, credits, principal import, etc., of all countries where our Consular representatives are stationed.

—Excerpted from the “Editorial Note”



The first page of the very first FSJ.

versa are no longer heard, the protection of U.S. business interests abroad remains an important foreign policy objective of the U.S. Government. Most of the operational responsibility for protecting U.S. overseas investment falls naturally on the State Department, specifically on diplomatic missions abroad. ...



Those with experience in economic/commercial work are aware that U.S. businesses abroad frequently fail to consult with the embassy about company policy decisions that affect not only their own operation but those of

the entire American business community and official relations. This is a foolish situation. Shouldn't more preventive medicine be practiced by the U.S. Government? Cannot a way be found to encourage U.S. investors abroad to seek guidance on major issues, to encourage their acceptance of such counsel and yet preserve their ultimate sovereignty over their own operations?

—Samuel F. Hart, FSO, Chief of State/USAID Economic and Public Administration activities in San Jose

**The New Duties of Our Foreign Service**

*The American Foreign Service Journal, Vol. 19, No. 7, July 1942*

An editorial in the May issue of *The Foreign Service Journal* made this striking observation: “With the United States a full-fledged belligerent, the constructive diplomacy of peace has vanished, the every-day concerns of consular routine have yielded in importance to the new demands growing out of the emergency.”

What are these new demands? They include the negotiation of lend-lease agreements, the working out of widespread systems of preclusive buying, securing sources of materials needed for the prosecution of the war, and preventing the enemy from enjoying the use of American commercial and financial facilities.

—Christian M. Ravndal, FSO, Chief of the American Hemisphere Exports Office

**American Overseas Investment: A Policy for the 1970s**

*Foreign Service Journal, Vol. 48, No. 8, August 1971*

Although gunboat diplomacy is currently out of vogue in most circles and arguments over whether business follows the flag or vice

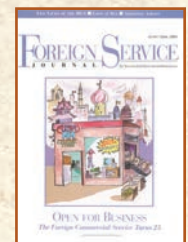
**Commercial Diplomacy: The Next Wave**

*Foreign Service Journal, Vol. 82, No. 4, April 2005*

April 1, 2005, marks the 25th anniversary of the creation of the U.S. & Foreign Commercial Service. In honor of that milestone, a variety of initiatives are being planned.

This past December, Commerce Assistant Secretary and USFCS Director General Rhonda Keenum and Tony Wayne, State Department Assistant Secretary for Economic and Business Affairs, formalized new coordination arrangements between the USFCS and the State Department to support and advance our current commercial diplomacy program. Both leaders realized that after 25 years, the absence of a formal mechanism to consult and plan was a major obstacle to a more effective world-wide program to advance U.S. commercial interests.

—Charles Ford, FSO, AFSA Vice President for the Foreign Commercial Service





Bob Taylor works with an employee in Cameroon to fine-tune the settings for cutting ebony.

# From Guitars to Gold:



*ften the best diplomatic work leaves no trace because it is achieved behind the scenes, through partnership and shared effort—and an insistence on giving all credit to others. Which is why, when we began planning this special issue six months ago, we put out a call to active-duty and retired members of the Foreign Service, soliciting their best stories about practicing economic diplomacy—“from the smallest success no one outside post would ever hear about, to the biggest, headline-grabbing accomplishment.”*

*This collection, selected from the many submissions we received, illustrates the critical, everyday work of the U.S. Foreign Service around the world on behalf of the United States in the realm of economic and commercial diplomacy.*

*Our thanks to all who shared their experiences.*

*—The Editors*



## Ebony for Taylor Guitars

Cameroon, 2015

By Michael S. Hoza

In 2015 Cameroon was an island of relative stability in a very troubled subregion, hosting half a million refugees from conflicts in neighboring states. It was besieged by many of the ills afflicting its neighbors: piracy in the Gulf of Guinea, Boko Haram's violent extremism in the Lake Chad Basin, waves of infectious disease threatening its population and rapacious neocolonial trade practices by many Chinese companies.

The U.S. government had gained a measure of access and influence with the government of Cameroon through our partnerships to fight piracy, violent extremism and health pandem-

Chinese companies did not engage in any form of corporate social responsibility. For more and more Cameroonians, it was increasingly evident that the bloom was off the Chinese investment rose.

Our embassy approached the government of Cameroon with an alternative—American companies and investors. We promoted U.S. companies based on “four points”: they would create jobs for Cameroonians; they would transfer technology to Cameroon; they would adhere to the Foreign Corrupt Practices Act and maintain transparent accounting; and they would engage in corporate social responsibility for the betterment of the Cameroonian people, flora and fauna.

One of our greatest success stories was Taylor Guitars, one of the leading manufacturers of acoustic guitars in America. As a young man many years ago, Bob Taylor went into his father's garage and made his first guitar. By 2015 he was selling well over 140,000 guitars a year in the United States alone, and

# The Fruits of Economic Diplomacy

ics. We found dedicated Cameroonian professionals who used our training and equipment to drive piracy out of Cameroonian waters, drive Boko Haram back into Nigeria, eradicate polio and stop outbreaks of bird flu virus and Ebola. The United States was increasingly seen as a reliable partner, and we used that credibility to open the door for American companies hoping to do business in Cameroon, a country that was widely disparaged for its unwelcoming business environment.

Chinese business practices in Cameroon had been ruinous for the country. First, Chinese companies did not create jobs for Cameroonians. They imported their own labor from China, and often left the laborers stranded in Cameroon after the project was completed. Second, China extracted raw materials, but never transferred technology to enable Cameroonians to develop value-added manufacturing. Third, Chinese companies were directly responsible for an overwhelming rate of corruption that was choking the socioeconomic environment. And, finally,

he got all of the ebony that he needed for his guitars from the trees of Cameroon.

Bob Taylor's vision for ebony production from Cameroon dovetailed with our embassy's “four points” policy for commercial advocacy. He began by assuming ownership (with Spanish partner Madinter) of the ebony mill, Crelicam. In addition to the 75 Cameroonians directly on Crelicam's payroll, he worked with banks to establish transparent payment mechanisms for thousands of individual Cameroonian suppliers. Bob walked the talk of creating jobs for Cameroonians—and the jobs he created were good jobs. He brought in state-of-the-art machinery to process the ebony to the exacting specifications demanded by his guitar factory, and trained Crelicam employees to operate and maintain the machines. Bob was often in Cameroon, not in a suit and tie, but in overalls, working alongside his Cameroonian partners.

As much as he enjoyed seeing the Crelicam operation grow



PHOTOS COURTESY OF BOB TAYLOR

Bob Taylor, foreground, works with colleagues in Cameroon on the equipment he brought into the country.

Excellence for his responsible harvesting of ebony, but he was not content to stop there. He forged a partnership with the University of California, Los Angeles, and the Congo Basin Institute in Yaoundé to grow ebony seedlings, and developed a mechanism to make it worthwhile for small farmers to tend the seedlings until they could grow on their own. Investing more than half a million dollars of his own money, he got the program off the ground in Cameroon—and can now say that he is planting more ebony than he cuts down. We were so proud of his initiative that we planted two of his seedlings on the embassy compound and one at the ambassador’s residence, amplifying the program through a public diplomacy campaign.

in expertise and productivity, Bob was not doing this out of pure altruism. Shipping fine finished pieces of ebony to his guitar factory in the States was a lot less expensive than shipping whole ebony logs. And apart from lowering his production costs, Cameroonians with good jobs represented the beginnings of a middle class that would eventually become consumers of his product.

During one visit Bob was surprised when he entered the office of the local tax assessor, who made it clear that a large bribe was all it would take to give Crelicam and Taylor Guitars a clean tax audit for the year. He walked out of that tax office and straight into my office at the embassy to tell me what had happened.

Thanks to a close working relationship, the embassy soon had an audience with the minister of finance, a young, Western-trained, progressive and highly respected technocrat. By the time the meeting was over, Bob Taylor was promised a fair audit and was notified of his eligibility for a tax holiday for foreign investors who create Cameroonian jobs. While it is unfortunate that we had to go all the way to the ministerial level to get a just outcome, we were grateful for the opportunity to bring Crelicam to the minister’s attention. It was our way of building a healthy business “microclimate” around an American company in what was otherwise acknowledged to be a difficult business environment.

When it came to corporate social responsibility, Bob Taylor proved to be one of the finest examples of American entrepreneurship. He won the Secretary of State’s Award for Corporate

public diplomacy campaign. In Cameroon the reaction to the Taylor Guitars initiative was instructive. Pro-American sentiment went up wherever the Crelicam story was told. French commercial logging companies came to us to ask how they could start similar reforestation programs. And the Chinese ambassador thanked me, as the example of Taylor Guitars helped him discipline some of the more wayward companies from his country.

The Minister of Environment of Cameroon signed a private-public partnership agreement with the company at the United Nations Climate Change Conference held in Bonn in 2017 to partner in ebony propagation under the direction of Taylor Guitars and the Congo Basin Institute. And the Cameroonian government sent a trade delegation to the United States to find more American companies like Taylor Guitars.

The Taylor Guitars model served as the kernel around which we built our broader commercial engagement. The reputation for transparency we developed, as well as the new channels of communication we pioneered within the Cameroonian government and the private sector, created openings for other U.S. companies to successfully bid on and receive contracts and other opportunities.



*Michael S. Hoza entered the Foreign Service as a management-coned officer in 1985. He has served in 11 overseas postings, including as U.S. ambassador to Cameroon from 2014 to 2017.*



## Protecting Intellectual Property Rights

Italy, 1990s  
By Kevin McGuire

There is a great deal of attention today on problems with intellectual property rights (IPR) violations, particularly by China. This is not a new issue, and it is worth noting that a great deal of progress has been made in this area over the years through persistent bilateral and multilateral diplomatic efforts. In the late 1980s, we at Embassy Seoul spent a great deal of time and effort on such issues, with significant success. But as I discovered after being transferred to Rome as economic minister counselor in 1990, IPR problems are not always restricted to developing nations.

The U.S. Business Software Alliance informed us that they planned to seek U.S. trade retaliation against Italy because of the tremendous amount of pirated software that was being sold and used there. We suggested that perhaps a better way would be to work with us at the embassy to put together a program to address the problem. The BSA was enthusiastic about trying that approach; and so, working closely with their representatives, we organized an all-out blitz.

We approached Italian companies involved in software/hardware-related products and found they shared our concerns. Italian businesspeople were very eager to participate in developing a program that would put new laws in place and enforce them. We went to the foreign ministry and the prime minister's office, and we talked to political party representatives. We got the BSA and their Italian colleagues to come up with specific draft legislation that would help solve the problem and also asked for suggestions on how enforcement could be improved.

With cooperation from Italian ministry officials, we sold the package to the parties in the coalition government, and the legislation passed. New enforcement techniques were also put in place to help police the new regulations. I remember getting phone calls from Italian contacts saying, "You're a real pain in the neck. I've got the Carabinieri in my office looking for pirated software." The effort was so successful that instead of pushing for a special Section 301 action against the Italians, the BSA got a

resolution passed in the U.S. Congress praising the Italian government for its efforts in dealing with the piracy problem.

The case was an interesting example of how an embassy can be an activist in conceiving programs and putting together coalitions to help solve serious problems for American companies. We were successful because we had sufficient staff in the economic section, a staff that was well-trained and capable of maintaining

strong ties to relevant host-country officials and to the local business community.

Disney representatives, who had previously avoided coming around to see us, heard about our success. They had earlier decided to address their film piracy problems through the courts, but that approach was proving expensive, time-consuming and largely fruitless. After our partnership with BSA produced results, Disney asked us for help, as well. So we sat down with a Disney team and plotted out a somewhat different strategy for dealing with their problem.

We used many of the same players in the Italian government, starting with the foreign ministry and the prime minister's office, and

also the parliament and law enforcement agencies. We got Disney and other moviemakers who had been affected by piracy to sponsor seminars for judges and supervisory police officials to educate them on the nature of the problem and ways to get rid of it. Once again, we found strong Italian support for action, in part because proceeds from many of the pirated videos were going to organized crime, the Mafia and its equivalent in other parts of the country.

Before we got involved, things happened along the following lines. A film courier would come into the country carrying a sealed bag with copies of a first-run movie. The movie was supposed to be delivered to the relevant theaters the next day, but the Mafia would pay off the couriers. They had warehouses set up with hundreds of recording machines, so they could make thousands of top-quality copies overnight and have vendors out on the street selling them before the film was released. As a result of our efforts laws were strengthened, and the police put additional people on the monitoring side, closing down illegal copying facilities and arresting street vendors. Judges began handing down heavy punishments for violations. It was another example of what an adequately staffed embassy can do when confronted with a problem.

Very few Americans know about these types of diplomatic accomplishments. The BSA people were very gracious, both pri-



COURTESY OF KEVIN MCGUIRE

Mickey Mouse and Kevin McGuire reminisce about past battles.

vately and publicly, in their praise of the embassy, including with the U.S. Congress; but, unfortunately, that is atypical. However, I greatly valued the Mickey Mouse T-shirt my staff gave me for my birthday as a reminder of our excellent antipiracy work.

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*Kevin McGuire joined the Foreign Service in 1966. He served as ambassador to Namibia, deputy chief of mission and economic minister counselor in Korea, and economic minister counselor in Italy, in addition to economic jobs in Greece, Ireland and Washington, D.C., in the bureaus of Economic and Business Affairs and International Organizations. After retirement in 2004 he became a senior inspector in the Office of the Inspector General and director of the Rangel International Affairs Program. For more on what economic officers do and how the Foreign Service helped build a comprehensive economic system that has served U.S. interests in the post-World War II era, see his oral history at [www.adst.org](http://www.adst.org).*



## The Asian Financial Crisis: The Ground View from Jakarta

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Indonesia, 1997

By Brian McFeeters

The 1997-1998 Asian financial crisis began, most observers later agreed, on July 2, 1997, when the Thai government allowed the baht to float against the U.S. dollar, throwing a wrench into the region after an amazing decade of growth. The same day, my family and I arrived in Jakarta, and I began my third FS assignment, as finance and development officer at U.S. Embassy Jakarta.

Coming directly out of the Foreign Service Institute's nine-month economic training, I would love to be able to say that I saw the financial storm on Indonesia's horizon and alerted Washington about it. Instead, as I began to meet government officials and foreign bank executives, I believed what they told me: the fundamentals were sound. Indonesia was not like the

other overextended Asian economies. It boasted world-class macroeconomic management, a solid foreign investment inflow, rich natural resources and an emerging middle class. Though sitting atop a corrupt system for decades, President Suharto had kept things stable and economic deals flowing. Even when Indonesia followed other regional countries and floated the rupiah in August, Jakarta's in-the-know circle stayed calm.

In October 1997 Ambassador J. Stapleton Roy, an inspiring leader, summoned our economic section to his office. He told us he didn't want the embassy to keep telling Washington that the fundamentals were sound and have the Indonesian economy "come crashing down around our ears." Economic Counselor Judith Fergin and her deputy, Pat Haslach, told us to dig deeper. Judith, working her huge network of contacts, began daily phone briefings back to State and Treasury. Banking contacts I had met a few months earlier now sounded worried. They said funds from abroad—which Indonesian firms relied on to keep rolling over short-term U.S. dollar loans—were drying up.

As things grew more uncertain, FSI economic course cochairman Barry Blenner was my lifeline. I often called him at night, taking advantage of the 12-hour difference, to talk through the worsening situation and prepare for the next day. For example, I once confidently briefed the ambassador and country team about the need for the government to sterilize the money supply, keeping the overall supply stable as foreign assets were increasingly withdrawn, based on Barry's explanation the night before.

By January 1998 there were no more illusions about Indonesia. The exchange rate, our main instability indicator, suddenly weakened to 12,000Rp/USD compared to just 2,400 in August. The crisis hit the real economy. Half-built skyscrapers in central Jakarta became deserted sites, and businesses shut down. Real GDP would decline by 13 percent that year. Ambassador Roy called us in again, saying that a senior Treasury official wanted his bottom-line assessment on where Indonesia was heading. He gave us until close of business.

Pat Haslach, running the section that day, gathered us in the common area and asked us each to write a short summary of the situation and our recommendations. A mid-level officer, I felt empowered, recognizing that other senior officers might have taken sole lead on such a high-priority project. We jointly described the situation as dire and government credibility as low. We suggested that a senior U.S. government official come meet with President Suharto to recommend that his government seek International Monetary Fund assistance. A few days



later, Secretary of the Treasury Larry Summers came, and Suharto reluctantly agreed to negotiate with the IMF.

Had the problems been solely economic in nature, the IMF intervention package agreed to in April may have righted the ship. But by then the crisis was political, too; and we worked with political section colleagues to convey the emerging reality to Washington. A front-page newspaper photo of IMF Chief Michel Camdessus standing over Suharto with his arms crossed signaled to many status-conscious Indonesians that their president had knuckled under. I called financial-sector contacts to ask questions about the economy, and they answered by saying that Suharto needed to go.

In early May 1998 riots that, in retrospect, appear to have been staged broke out across the Jakarta metro area and elsewhere in Indonesia. That was the beginning of the end. In late May, Suharto stepped down, resigning after his Cabinet and key military leaders abandoned him.

By then, my family and I had been evacuated back to Washington, out of concern about mounting street violence and an expected million-person march in front of the presidential palace near the embassy. We relied on management section colleagues to put us on chartered flights out of the panicky city. The crisis that began as a financial phenomenon developed into a political and security crisis that the whole mission needed to cope with.

In July 1998 my family and I returned to a different Indonesia. The worst of the financial crisis was over, as the controversial but effective IMF stabilization policies took effect. But Indonesia was knocked down and sobered, taking the better part of a decade to get back to 1997 economic levels.



*Brian McFeeters is a Senior Foreign Service officer currently serving as a senior adviser to the counselor of the State Department. He was previously principal deputy assistant secretary of the Bureau of Economic and Business Affairs, deputy chief of mission in Jakarta, and has served much of his career in Asia and Europe. He won the Salzman Award for Excellence in International Economic Performance in 1999.*



Ambassador David Gilmour (center), Alaffia CEO Olowo-n'djo Tchala (third from right) and a delegation of senior Whole Foods Market officials dedicate a partnership-financed primary school in rural northern Togo.



## Social Entrepreneurship Takes Center Stage

Togo, 2017  
By David Gilmour

In sub-Saharan Africa, U.S. embassies strengthen commercial ties and promote economic growth to achieve our national security goal of making African countries stable and reliable partners for the United States. That task is especially challenging in Francophone Africa, where the language barrier and obstacles in the operating environment can discourage American companies from investing.

In Togo, our embassy tackled the problem by creating partnerships with private-sector companies, civil society and the host government to promote education, environmental protection and public health, while working to improve the business climate and encourage trade with the United States.

A small post like Lomé with a limited foreign aid budget



COURTESY OF ALAFFIA

Ambassador David Gilmour visits the Olympia, Washington, headquarters of Alaffia, guided by CEO Olowo-n'djo Tchala and company staff.

might seem to have little to offer partners, but we crafted a unique approach to attract them. When Togo was selected for a Millennium Challenge Corporation Threshold program, a team of American and Togolese economists set out to identify the binding constraints in its economy. The embassy seized the opportunity of that MCC research project to significantly ramp up our contacts within the business community.

We launched a series of dialogues with businesspeople to learn about their challenges and listen to their ideas for improving Togo's investment climate. I stressed the need to improve the business environment in nearly every speech I gave, and we strongly promoted entrepreneurship programs. We initiated a public-private working group to promote English-language teaching, stressing the economic opportunities for young people and the benefits to a business community in search of talent.

Our team established a "U.S.-Togo Business Forum" of American-associated businesses and promoted the services of regional resources like the USAID West Africa Trade and Investment Hub and the Foreign Commercial Service. We also supported the government of Togo in hosting the 2017 African

Growth and Opportunity Act Forum, which brought together 39 AGOA-eligible African nations and the United States for this annual dialogue to foster increased U.S.-Africa trade and investment.

Using MCC and other activities like the AGOA Forum, we branded the embassy as the most prominent advocate for improving Togo's business climate. The private sector saw value in our activities and perceived us as an ally, and our enhanced convening authority brought numerous partners to the table.

With that support, we collaborated on projects that offered businesses the opportunity to demonstrate good corporate citizenship, while enriching Togo's human capital. To support educational advancement, local companies joined us to sponsor a national English-language competition in which more than 10,000 Togolese high school students from more than 600 schools participated. Students gained valuable skills, and businesses could recruit talented scholars when they graduated. The embassy collaborated with U.S. company Contour Global to outfit a donated bus with computer equipment and scientific gear, creating a mobile learning lab that visited

schools to offer hands-on experience with science, technology, engineering and math.

We also teamed up with American companies, U.S. alumni of exchange programs and the Togolese government to create a nonprofit organization to promote environmental education and carry out community cleanup activities, which regularly drew several hundred volunteers.

In health care, we enlisted an American company to pay the shipping costs of donated medical equipment from the United States to outfit hospitals in Togo's underdeveloped rural areas. We also leveraged U.S. Defense Department funding to attract an American company to help renovate and equip a health clinic in a populous Lomé neighborhood.

Our most fruitful partnership was with the Olympia, Washington-based company Alaffia, which makes natural skin and hair care products from African ingredients like shea butter and coconut oil. Founded by a returned Peace Corps Volunteer and her Togolese husband, Alaffia operates on a fair trade and social entrepreneurship model that emphasizes doing good works while generating jobs and making profits.

This "conscious capitalism" approach is rapidly gaining popularity in the United States, where American consumers increasingly demand products that are responsibly sourced and environmentally sustainable. For African countries with agriculture-based economies, fair trade and social entrepreneurship represent exciting new opportunities to supply natural and organic products, and to increase economic prosperity for their citizens.

Inspired by Alaffia's success, Embassy Lomé made social entrepreneurship a centerpiece of our trade promotion activities. I visited the company's Washington state headquarters to highlight both the creation of American jobs and the social impact in Africa. We organized a campaign to educate the Togolese about social entrepreneurship and opportunities in the fast-growing \$200 billion American market for natural, organic and fair-trade products.

We showcased American and Togolese social enterprises at the embassy's Independence Day celebration and organized a major conference on social entrepreneurship. Following that conference, the Togolese government established a special public-private task force to promote social enterprises and recommend policy changes to facilitate their formation.

We collaborated on projects that offered businesses the opportunity to demonstrate good corporate citizenship.

After we highlighted social entrepreneurship and fair trade at the AGOA Forum in Lomé, organic supermarket giant Whole Foods Market sent a delegation to Togo to deepen its supply chain connections with West Africa. The government of Togo is considering a "fair-trade friendly" marketing campaign for the country.

Embassy Lomé's business partnerships produced winning results for everyone involved. We helped American companies showcase their corporate citizenship while enhancing the business climate and demonstrated the tangible ways that diplomats assist U.S. businesses overseas. By promoting social entrepreneurship and fair trade, we enhanced America's image, communicating that U.S. consumers are responsible global citizens who care about the welfare of producers in developing countries.

We showed that fair trade raises rural incomes and reduces dependence on foreign aid by helping producers tap rapidly growing new markets. We helped change the Togolese mindset about the role of government, and proved that citizens can work with businesses to make positive changes in their community. Our embassy partnerships were a multiplier that vastly stretched our limited resources, inspired our staff members and improved morale.

The Secretary of State's Office of Global Partnerships recognized our efforts with its annual Partnership Excellence Award and cited Lomé as an "Embassy to Watch" in its 2018 annual report. Alaffia was the recipient of the 2018 Secretary of State's Award for Corporate Excellence for Women's Economic Empowerment.



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## Beer Diplomacy: Craft Brewing and U.S. Agricultural Export Promotion

Baja California, Mexico, 2018  
By Preeti Shah

Consulate General Tijuana applied an array of business promotion and public diplomacy tools to the growing craft beer industry in Baja California over four months last year to further three U.S. Mission Mexico goals: expansion of U.S. exports and business; development of local entrepreneurship, small businesses and the workforce; and promotion of gender equality. Working with our interagency partners from the Foreign Agricultural Service and the Foreign Commercial Service, we developed a multipronged program that pulled together experts and participants from each stage of beer brewing, including marketing and export, to promote U.S. economic growth while simultaneously supporting young, mostly female entrepreneurs in Mexico.

Mexico's craft brewing industry is rapidly expanding, and Baja California has the highest concentration of craft breweries in the country. U.S.-grown barley and hops and U.S.-manufactured brewing equipment are key to their success. Through sustained engagement with the brewing industry, we solidified the U.S. role as a key economic driver in the binational border region, and ensured U.S.-grown agricultural exports would be the preferred base ingredients to brewing craft beer in Mexico.

We also tapped into the Cicerone certification program, a U.S. business-sponsored initiative that educates and certifies beer servers, brewers and critics, much like the process a sommelier goes through to become a certified wine expert. Cicerone representatives were eager to gain a foothold in the Mexican market, and we connected them with representatives of the brewers' guild, Tijuana and

Ensenada restaurant associations, universities and large breweries.

As a result, Cicerone developed more than 10 new potential contracts in Baja California and a host of new contacts with whom to explore further business relationships. In addition, numerous Southern California and Baja California breweries have partnered to brew and distribute beer on both sides of the border, increasing their visibility and economic success in both consumer markets.

Women are underrepresented in the Mexican craft brewing industry. As part of the consulate's support to the Ensenada Beer Congress, we brought together female representatives from the agri-

culture, marketing, brewing, industry advocacy and certification parts of the industry.

In one of the best-attended sessions of a three-day conference in Ensenada in March 2018, we hosted a panel, "Women in Brewing," in which five women from both countries discussed inclusion, diversity and gender equality in the field of craft beer. Connecting female brewers from Southern California with Baja California female brewers facilitated business and mentoring relationships. One immediate result was that Baja California women

established the first Mexican chapter of the Pink Boots Society, a beer industry nonprofit designed to build mentorship opportunities for women in brewing.

This cross-border group also went a few steps further and brewed unique beers for the Ensenada BeerFest, using the profits from their sales to endow scholarships for young female brewers to get their brewing science certificates at Baja California universities. The group's binational board also established itself as a nonprofit in Mexico and plans to continue brewing together with the goal of supporting young female brewers.

Craft brewing was an ideal vehicle—especially in the border region that embraces U.S. trends and interests before the rest of Mexico—to showcase the benefits of export and business promotion, as well as to highlight U.S. commitment to entrepreneurship, gender equality and workforce development. (And we got to sample some terrific products along the way.)



Founding members of the U.S.-Mexico women's brewing nonprofit "Dos Californias Brewsters" at the Ensenada BeerFest last March.

U.S. CONSULATE TIJUANA/JOSE MARIA NORIEGA



*Preeti Shah joined the Foreign Service in 2004 and has served in Mexico, Afghanistan, Turkey, Nicaragua and several tours in Washington, D.C. She is a public diplomacy-coned officer and is headed next to Indonesia.*



## Open Skies, Open Markets

Brazil, 2018  
By Paul Brown  
and Naomi C. Fellows

In 2011 the United States and Brazil signed a bilateral Open Skies Air Transport Agreement to provide new market access options for the airlines of both countries. Open Skies agreements give the public expanded choices for flights and services and offer exporters more choices when they ship goods. These benefits would only become available once the agreement entered into force—but for that to happen, Brazil’s National Congress needed to ratify the agreement. From 2011 to 2016, however, the agreement remained with the Brazilian executive branch and legislature. In the meantime, air links between the two countries were limited, affecting both market entry and services.

Delay in reaching a new agreement imposed real costs on both countries. The United States is the biggest market for international flights with Brazil: U.S. air carriers transport more than 60 percent of the passengers between the two countries. But they could not reap the full benefits of their investment in Brazil or with Brazil-

ian airlines without Open Skies in place. Alliances and proposed joint ventures between U.S. and Brazilian airlines—the norm in the liberalized aviation markets of several other important Latin American partners—also remained at a standstill pending entry into force of the new agreement.

With the arrival in office of a new Brazilian president in 2016, U.S. Embassy Brasilia, working closely with the State Department and interagency colleagues, undertook a concerted campaign to put ratification of the agreement at the top of our bilateral economic agenda. The ambassador and country team members repeatedly raised the issue with Brazilian officials and legislators. The embassy facilitated a visit by Brazilian congressional leaders to Washington, D.C., where U.S. officials were able to stress the benefits of ratification. Senior

State Department officials raised the issue with their Brazilian counterparts to make clear the importance we placed on this agreement in the context of the overall bilateral relationship.

Embassy officers and Locally Employed staff intensively engaged Brazilian legislators and industry representatives. Over a five-month period, from October 2017 through February 2018, we strategized and executed a missionwide, vote-by-vote advocacy effort in Brazil’s Congress. We made the case for Open Skies with the Brazilian travel, tourism and business groups who would benefit from the agreement, encouraging them to advocate with their congressional representatives in favor of Open Skies ratification.

The embassy’s insight into the Brazilian Congress and its internal dynamics generated an effective advocacy effort. Our Open Skies ratification team held meetings—both group and individual—with legislators and staffers, using statistics to highlight the concrete results of successful Open Skies agreements signed with other countries and showing Open Skies as a win-win agreement for both parties. The team spent days

The team spent days on the floor of the Brazilian Congress tracking how members were voting and engaging congressional staff when the vote became close.

on the floor of the Brazilian Congress tracking how members were voting and engaging congressional staff when the vote became close. Weeks of patient, hands-on diplomacy led to the agreement’s ratification, first by the lower house in December 2017, then by the Federal Senate in February 2018. The embassy then worked with Brazilian counterparts to use

the visit of Deputy Secretary of State John Sullivan in May 2018 to finalize entry into force.

U.S. airlines celebrated Brazil’s entry into force of the Open Skies Agreement on May 23, 2018. One major U.S. airline will now be able to move plans forward on a joint venture with a Brazilian carrier. Combined, these two carriers transport more than 40 percent of all passengers traveling between the United States and Brazil. Another U.S. airline has since increased its investment in a Brazilian airline by more than \$100 million. As a result of the new agreement, these airlines and others will be able to offer new flight options for travelers and shippers in both countries.

To put these gains in context, the U.S. commercial aviation industry supports more than 5 percent of U.S. GDP and more

than 10 million jobs. Our dedicated team, both in Brazil and in Washington, made this important U.S. industry even stronger.



*Paul A. Brown is the director of the Office of Aviation Negotiations in the Bureau of Economic and Business Affairs. He joined the Foreign Service in 1988 and has served overseas in São Paulo, London, Manila, Singapore and Kuala Lumpur. His assignments in the department have focused on trade, nonproliferation, global health, climate change, anti-corruption and investment, among other issues. Mr. Brown served on a detail to the National Security Council as director for the Group of 8 and as senior adviser to the under secretary for economic, business and agricultural affairs.*



*Naomi C. Fellows is the deputy economic counselor in Brasilia, Brazil. She joined the Foreign Service in 1996 and has served in Conakry, Bogotá, Yaoundé, Managua and Moscow. Her domestic assignments include tours as staff assistant in the Bureau of Western Hemisphere Affairs; desk officer for Rwanda, Burundi and the Democratic Republic of the Congo; and deputy director for the AF/PD, INL/I Policy Program.*

*The authors would like to thank Gabriela Fontenele, Nathan Halat, Adedeji “Deji” Okedeji, Kevin O’Reilly, Francisco Sadeck, James Story and Ricardo Zuniga for their input and for their work on the Open Skies program.*



## Transforming the Agricultural Bank of Mongolia

Mongolia, 2003  
By Jonathan Addleton

Financial sector reform is not for the fainthearted. But the transformation of Mongolia’s Agricultural Bank is an inspiring example of what can happen when the embassy country team works together.

Ed Birgells, my predecessor as USAID mission director to Mongolia, was a major contributor, as was Pete Morrow, a financial

consultant and banker from Arizona. Ambassadors John Dinger and Pamela Slutz also supported this risky endeavor, one that could have blown up in our faces.

When I arrived at post in August 2001, Pete Morrow was already several months into his new job as Khan Bank CEO. At the time it was still referred to as the Agricultural Bank of Mongolia—Khan Bank came later, when Pete tapped into Mongolia’s history to rebrand the bank and give it a new name.

The bank had been launched during Soviet times to furnish credit to herders in Mongolia’s vast countryside. More recently, during the country’s democratic era, it had been bankrupted twice, in each case following elections. After he took over as CEO, Pete often showed visitors the relevant World Bank assessment from the time, which gave little cause for optimism: “No amount of financial remediation will save this bank,” it read. “The only thing to do is shut it down.”

After the bank’s second bankruptcy, the government of Mongolia had approached my predecessor at USAID in desperation, asking for help to select and fund a new senior management team—that’s how Pete came to join the bank.

I had a bird’s-eye view of what unfolded, both as a Khan Bank board member and as the new director of a five-person USAID mission (myself, three Mongolian office staff and a driver), possibly the smallest USAID mission in the world. USAID contributed \$2 million to \$3 million over 30 months to support this unlikely effort to save the bank.

USAID brought Morrow in, and he ran Khan Bank like a “real” bank, demanding staff accountability and scrutinizing loans to ensure viability. He was especially effective at resisting politically motivated lending and hiring.

Usually bank restructuring involves deep cutbacks. But Morrow increased the number of branches from 269 to more than 350. He also doubled the number of staff from 800 to more than 1,600. Many of his new hires were women, and the senior Khan Bank management team remained overwhelmingly Mongolian, not expatriate. He viewed Khan Bank’s human resources as its most important asset.

Morrow introduced new computers and financial products, including a creative new pension loan that ensured elderly herders only had to travel to town once or twice a year rather than monthly to collect their modest pension checks, thus reducing transactional costs.

Remarkably, the bank turned a profit after only six months, later emerging as one of the largest corporate taxpayers in the country. Rather than receiving subsidies, it contributed mightily to the national budget.



COURTESY OF JONATHAN ADDLETON

Khan Bank in downtown Ulaanbaatar.

The end game for Khan Bank was always privatization. Now that it was a successful bank, however, the government expressed interest in retaining it, at least through the next election, and some donors privately asked USAID to reconsider privatization.

But the embassy resisted this change, and we continued to work with the Mongolian State Property Committee to find a new owner. In March 2003 Khan Bank was sold to a joint Japanese-Mongolian consortium. Soon after, the new owners signed a management contract with our team, including Pete Morrow. The new owners, not U.S. taxpayers, would pay the bills. The bank sold for \$6.9 million, nearly twice its assessed value.

I left Mongolia in spring 2004, one year after privatization. Five years later, I returned to Mongolia, this time as ambassador. Pete Morrow, who has since passed away, was still in Ulaanbaatar, continuing to serve as CEO. I asked him how much he thought Khan Bank was now worth. He estimated \$100 million, nearly 15 times its selling price.

During the intervening years, Khan Bank had paid tens of millions of dollars in taxes. The number of bank branches now exceeded 500 and the number of employees, virtually all Mongolian, surpassed 5,000.

More importantly, Khan Bank had further expanded its loan portfolio in rural Mongolia, providing credit that helped

fund tens of thousands of new solar panels, satellite dishes and motorcycles. To cite one example, the percentage of herder families placing solar panels on their gers (yurts) increased from 15 percent to more than 75 percent, illustrating one way in which the steppe was changing.

USAID also worked with the economic section and front office to promote change in Mongolia's financial sector in other ways, including privatizing the country's Trade and Development Bank and establishing a new microfinance bank, XacBank, which was formed by consolidating two separate USAID and United Nations Development Programme informal microfinance programs. In yet another example of effective interagency cooperation, this effort was also supported by commodity proceeds from the U.S. Department of Agriculture.

All these efforts focused on financial-sector reform were largely successful, enhancing U.S. government credibility, moving Mongolia toward a market-based economy and strengthening economic and commercial ties between the two countries. They also provided unusual opportunities for USAID to work with three of the four largest private banks in Mongolia, demonstrating the success of a practical, hands-on approach to financial-sector reform in ways that benefited both the United States and Mongolia.

And this was just the beginning. The Khan Bank turnaround



An advertisement for Khan Bank over a busy thoroughfare in Ulaanbaatar.

strengthened positive perceptions of the U.S. government in a country living in the shadow of both Russia and China. More broadly, success at Khan Bank opened the door to expanded commercial relations with the United States, most notably on the part of Boeing, which sold its first aircraft to Mongolia as the national airline transitioned toward an all-Boeing fleet; General Electric, which exported medical equipment, locomotive engines and wind turbines; and Caterpillar, which supplied heavy equipment during the rapid expansion of Mongolia's mining sector.

Looking back, the engagement with Khan Bank remains in a special category, one that has been a point of pride on return trips to Mongolia, where the familiar green and white Khan Bank logo that was introduced by the USAID-funded management team is visible everywhere. Without a doubt, it was one small USAID mission, supported by a patient embassy country team willing to trust its USAID colleagues to take informed risks, that made this possible.



*A five-time USAID mission director (India, Pakistan, Cambodia, Mongolia and Central Asia), Jonathan Addleton also served as U.S. ambassador to Mongolia; USAID representative to the European Union in Brussels; and U.S. senior civilian representative for Southern Afghanistan in Kandahar. His most recent books include Mongolia and the United States: A Diplomatic History (Hong Kong University Press, 2013) and The Dust of Kandahar: A Diplomat Among Warriors in Afghanistan (Naval Institute Press, 2016). He retired from the Foreign Service in January 2017 and is now an adjunct professor at Mercer University in Macon, Georgia, where he also serves as executive director of the American Center for Mongolian Studies.*



## On the Economic Front Lines in the Vietnam War

Vietnam, 1964  
By Theodore (Ted) Lewis

I was assigned to the joint State-USAID economic section in Saigon from 1965, when the American military buildup in Vietnam got seriously underway, through 1967, the eve of the Têt Offensive. It was a dangerous and difficult assignment, but

the economic section team displayed the core disciplines of the Foreign Service: willingness to confront any challenge, no matter how daunting; readiness to accept any assignment, no matter how difficult; and determination to meet any deadline, no matter how short.

The 1954 defeat of the French at Dien Bien Phu had resulted in their withdrawal from Vietnam and the division of the country into North and South Vietnam. North Vietnam was left to the communist-inclined Viet Minh (later Viet Cong), with the anti-communist Ngo Dinh Diem as president of South Vietnam. For some years the South remained quiescent, but in the early 1960s the local Viet Cong, supported by the North, became increasingly active. When the South proved unable to contain them, American military support was extended, first with advisers and then with combat troops; American troop strength reached nearly 400,000 by the end of 1966.

The military buildup necessarily injected vast purchasing power into an economy in which production, especially agricultural production, had already been disrupted. Much more money was chasing far fewer goods, with a high potential for runaway inflation. The resulting general instability would undercut or even negate the military effort. The economic section's task was to work with the South Vietnam government to contain the inflation and assure a sufficient supply of basic goods, especially food, for the civilian population.

The pressures were unrelenting. We worked long hours, often seven days a week. Our assignments often involved the risk of being killed or captured. Yet, believing that the war's outcome might depend on what we did or failed to do, we persevered. And as brilliantly led by the economic counselor, we largely succeeded.

The staple Vietnamese food was rice. Prior to the war Vietnam had been a major producer and exporter of rice; but because of



the war rice production in South Vietnam—though the country was comprised largely of the fertile Mekong River Delta—had turned from surplus to deficit. Rural sections of the country were still self-sufficient. But the cities, especially Saigon with its two million people, were another matter. To meet their requirements, imports were needed.

The question was how much domestic production could be expected, leaving how large a gap to be filled by imports. Stock levels, both urban and rural, also had to be taken into account. We lacked reliable statistics, and with large sections of the Mekong Delta under Viet Cong control and travel in the countryside hazardous, answering this question was difficult. Yet we were able to do so with sufficient accuracy.

Pork came second only to rice in the Vietnamese diet, but supplies were easier to track: Most pigs were brought to the municipal slaughterhouse in Saigon, and figures could be obtained from its director. One of my jobs was to bicycle there once or twice a week, riding through Saigon's streets in the dim light of early morning (slaughtering was performed before dawn on account of lack of refrigeration).

In view of urban dependence on the countryside for rice, pork and other foodstuffs, members of the economic section were required to make frequent trips outside of the city to check on conditions. Travel was in almost all instances by air, the provincial roads being too insecure to drive on. Provincial cities like Can Tho were reasonably safe, but forays into their environs were dangerous. Still, this did not deter us.

Equally important was the demand side of the inflation equation, distorted by the massive purchasing power injected by the rapid American military buildup. There was not much scope for curbing inflationary pressures through fiscal policy. Collecting—let alone increasing—taxes in the midst of the war presented great difficulty for the South Vietnam government, which at the same time had to make large war expenditures. The principal instrument remaining to curb inflation was the exchange rate.

American spending meant that abundant dollars were available to finance imports. And when importers bought dollars with piasters (the local currency), the amount they paid was taken out of the money supply, thereby reducing domestic demand. These amounts depended on the piaster-dollar exchange rate: the higher the rate, the more piasters were removed. Devaluation of the piaster was therefore essential, but it would have to be coordinated with the South Vietnam government. Further, the discussions would have to be kept secret, so as not to tip off speculators. As negotiated by the section's leadership, both these conditions were met. Devaluation

of the piaster by a third in June 1966 was decisive in ensuring the country's economic stability and the welfare of its people.

Despite the efforts of the economic and other embassy sections, we lost the war. Were our section's efforts then wasted? Not entirely, for they remain a shining example of economic achievement through courage and commitment.



*The Reverend Theodore (Ted) Lewis is a retired FSO who worked for both USAID and State from 1951 to 1984. He served in Pakistan, the Democratic Republic of the Congo, Korea and Laos, and did three tours in Vietnam. His book, *Theology and the Disciplines of the Foreign Service*, was reviewed in the April 2015 FSJ.*



## Global Alliance for Trade Facilitation

Vietnam, 2015  
By Kimberly Rosen  
and Paul Fekete

For many years, USAID has supported global efforts to promote international trade and foster economic growth in developing countries. Since the early 2000s much of the focus has been on the reduction of “frictions” to trade flows—

those policies and practices that constrain the physical movement of goods. Trade facilitation, as it has come to be known, is based on the acknowledgement that policy liberalization alone cannot ensure the growth of trade if businesses continue to face barriers to the movement of their products into and out of other countries.

One of the most significant initiatives undertaken by USAID in this realm has been the 2015 creation of the Global Alliance for Trade Facilitation, a public-private partnership to develop effective, private sector-based solutions to trade problems. Established with four other donors and with such multinationals as Walmart, FedEx and UPS, GATF's objective has been to support the implementation of the World Trade Organization Trade Facilitation Agreement by making sure that the private sector is included in the development of commercially meaningful technical assistance interventions.

The WTO TFA, which entered into force in 2017, requires par-



COURTESY OF THE GLOBAL ALLIANCE FOR TRADE FACILITATION

Alliance Director Philippe Isler speaks at the launch of the GATF project in Morocco.

icipating countries to minimize bureaucratic delays by border control agencies (e.g., Customs, Agriculture, Standards) that constitute a costly burden on traders. The simplification, modernization and harmonization of export and import processes—trade facilitation—will reduce average costs to WTO members by 14.3 percent and could create 20 million new jobs, particularly in developing countries. It will have a greater effect on global GDP than the complete elimination of all trade tariffs.

Vietnam is the location of one of GATF’s flagship projects. There, working with the government and the private sector, the alliance is implementing a bond system that will yield significant benefits to the business community. Since Vietnam concluded a bilateral trade agreement with the United States in 2001 and joined the WTO in 2007, it has become an increasingly important market for U.S. companies. When Vietnam joined the WTO it committed to creating a regulatory environment conducive to the operation of competitive enterprises, including smooth importation and exportation across its borders.

The project aims to reduce “hold” rates for imports and exports through the establishment of a customs bond system. Vietnam’s hold rate—the time it takes for duties and taxes to be paid and certificates to be obtained, during which time Customs holds the shipment in its physical possession—has traditionally been among the highest in Asia. By reducing hold rates, Vietnam will be able to reach its goal of becoming a more efficient manufacturing platform for the region.

It can take days or even weeks for Customs officials to release shipments in Vietnam. Their understandable concern is that once goods are released, there is no way to ensure compliance with Vietnam’s laws and regulations. At the same time, importers and exporters are unable to predict when they will get their goods out of Customs, making it difficult to plan, let alone deliver, time-sensitive shipments to domestic and international customers.

Because it is working to correct this problem, the project enjoys the support of major U.S. firms such as UPS, Ford, Intel, Amazon and Walmart, as well as local Vietnamese entities such as the Vietnam Chamber of Commerce and Industry and the American Chamber of Commerce in Vietnam. The project will also positively benefit U.S. companies that already sell their products in Vietnam, such as General Electric and Caterpillar.

USAID’s support of GATF advances the agency’s mission of helping our partners

become self-reliant and capable of leading their own development journeys while also promoting American prosperity by strengthening and expanding markets for U.S. businesses. Reducing the time and cost of trade helps both local businesses seeking greater commercial opportunities through trade and U.S. firms that are pursuing opportunities in developing country markets such as those in Africa, Latin America, Eastern Europe and Asia.

Another significant, but underappreciated, benefit of enacting trade facilitation reforms is that international businesses are more likely to invest in places where they know that red tape will be minimized, making it easier to move their goods. This can have a positive effect on development and can make U.S. businesses more competitive in the global marketplace.



*Kimberly Rosen joined USAID as an FSO in 2000 and is currently a deputy assistant administrator in the Bureau for Economic Growth, Education and Environment. Previously, she served as the mission director in Kyrgyzstan, director of the West Africa Affairs Office in USAID’s Africa Bureau, deputy mission director in Liberia, director of the Economic Growth Office in USAID/Afghanistan and deputy office director of the Economic Growth Office in the Central Asia Republics Regional Mission.*



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## Commercially Viable, Conflict-Free Gold

Democratic Republic of the Congo, 2017  
By Kevin Fox

**“Private sector engagement is fundamental to our goal to end the need for foreign assistance.”**

—Mark Green, USAID Administrator

The Democratic Republic of the Congo is home to more than 1,100 mineral substances and a potential mineral wealth of \$24 trillion. However, almost all of the gold from the artisanal and small-scale mining (ASM) sector in the DRC is smuggled out of the country, and revenues are often laundered in illicit schemes in Uganda, Rwanda and the Middle East. Mineral smuggling finances armed groups and militia activity in the eastern DRC, perpetuating the wider conflict that has already claimed millions of victims. Although donors have spent tens of millions of dollars to stem the flow of conflict minerals, progress has been slow.

USAID development experts and State Department diplomats recognized that co-creation and a market-based approach was needed to finally break the link between conflict and the gold trade. Toward this end, USAID implementing partners on the ground worked with ASM cooperatives to build capacity, develop traceability and certification systems, and strengthen partnerships with Congolese market actors.

Success came in August 2018 after years of engaging with those involved in both the upstream and downstream supply-chain. A USAID pilot project was able to facilitate the first export of conflict-free gold to the United States from South Kivu province in the wartorn eastern DRC. It was the culmination of years of dedicated work by officers to build trust with the private sector, working jointly to develop a commercially viable solution to a seemingly intractable development challenge.

In an interagency effort, USAID and U.S. State Department FSOs collaborated in the field and back in Washington to cultivate partnerships with responsible American companies like Google, Richline, Signet and Asahi Refining. The clean gold was exported by Fair Congo, processed by Asahi Refinery in the United States, made into gold earrings by the Richline Group and sold by Signet Jewelers through brands like Zales and Kay Jewelers. This first-ever export of fully traced and clean gold was small, but it is



Two artisanal gold miners from the COOMIANGWE mining cooperative at Nyamurhale in the Democratic Republic of the Congo in 2017.

considered an important step in creating supply chains that are conflict-free and led by the private sector. This success led to positive press coverage from major media in the jewelry industry.

Looking to the future, USAID is working with the private sector to address the systematic challenges of conflict minerals that harm both business and the public. Within the field of international development, USAID created a more flexible procurement option that allows the government to work directly with potential collaborators and beneficiaries to “co-create” innovative approaches to tackling complex development challenges.

USAID held a co-creation workshop in Kinshasa that brought together more than 70 participants to tackle this complex challenge. Over a three-day period they developed more than 26 innovative concepts that used exciting technology like blockchain and blended tools to mobilize finance, and new approaches to encourage increased private sector engagement and co-investment to ensure conflict-free gold supply chains.

Private-sector representatives at the workshop helped develop



Aerial view of the artisanal and small-scale mining (ASM) community at Nyamurhale, South Kivu, DRC. Roughly 500,000 persons directly depend on ASM for survival income in eastern DRC, and it is estimated that this income indirectly benefits as many as three million family members. Inset: Conflict-free artisanal gold from eastern DRC. More than 95 percent of artisanal gold—estimated at 40 metric tons per year, with a value of \$1.8 billion—is mined illegally and smuggled out of the country.



An artisanal miner removes clay deposits using a manual hand-scrubbing method. Processing artisanal gold is very labor-intensive, and sometimes mechanization is not sustainable on small-scale sites.



## Convincing Nigerians to Buy American

Nigeria, 1981  
By George Griffin

and vet these new ideas alongside others representing civil society, donors and governments. One industrial miner even reported that he learned more about artisanal and small-scale mining in three days than he had learned in a 25-year career working in the DRC.

The new projects that will be awarded should be rolled out this winter, helping catalyze investment and financing from the private sector to increase exports of “clean” conflict-free gold and improve the livelihoods of miners. These collaborations will drive innovation at the intersection of business and development to reduce donor subsidization of responsible minerals trade and, hopefully, one day end the need for its existence.



*Kevin Fox currently serves in the Democratic Republic of the Congo as the director of the Economic Growth Office. He joined the Foreign Service in 2009 and previously served one tour in Jamaica and two tours with*

*USAID/West Bank and Gaza. He has a passion for developing market-driven solutions to development and has helped leverage more than \$100 million in private capital for USAID programs in the field during his career. Prior to USAID, he was an operations manager for a Fortune 500 company, managed construction projects in Costa Rica and the Dominican Republic, and was a Peace Corps Volunteer in Paraguay.*

I went to Lagos as commercial counselor in November 1981. At the time Nigeria was the source of our fourth-largest trade deficit because of our oil imports, and the United States was Nigeria’s second-largest export market. My job was to convince the Nigerians, since we were buying a lot of their oil, that they needed to reciprocate by buying more American goods. Competition was fierce, and the commercial section’s workload was huge.

Ambassador Tom Pickering viewed the commercial function of the embassy as one of the more important aspects of his job. He wanted a political officer as head of the commercial section, saying you can’t dissociate the two. I worked closely with the political and economic sections, and we formed a bilateral business council made up of business leaders from both countries who agreed to try to influence their governments to facilitate business. A year after the council was formed, Vice President George H.W. Bush came to Lagos to bless it.

Nigerians were not catalog or internet buyers. They wanted to touch, feel, drive or play with whatever was being sold. With this in mind, we organized big trade shows, sharing the cost with several other posts. Our primary focus was to help small American businesses who otherwise couldn’t afford to market their goods and services abroad.

Under the terms of the Foreign Corrupt Practices Act we worked with only the most trustworthy Nigerian businesspeople. I tried to convince the American business community that it was not a fatal blow to have to comply with the FCPA, while making clear what would happen to them if they got caught

violating it. We suggested firms should calculate what they would otherwise have spent on bribes and instead call it an immediate profit. We said the best approach was to shine a spotlight on their competitors' bribes, something we would help them with.

The new Foreign Commercial Service Director, Rick McIlhenny, convened an all-Africa/Middle East commercial counselors' conference in Nairobi. He insisted that we do a lot of reporting, something FCS officers were not used to doing. I calculated that during the course of my tour we facilitated \$20 billion worth of business, and our trade deficit with Nigeria dropped by \$2 billion in that time.



*George Griffin entered the Foreign Service in 1959 and retired after 40 years at 15 posts and several State Department offices. His last postings abroad were as deputy chief of mission in Nairobi and consul general in Milan. Primarily a political officer and South Asia expert, he also served as commercial minister in Lagos and in Seoul. He was the recipient of the 1982 James Clement Dunn Award for managerial excellence, especially in commercial and economic affairs.*

Nigerians were not catalog or internet buyers. They wanted to touch, feel, drive or play with whatever was being sold.

provincial capital of a province where Chevron had significant operations was briefly overrun. American petroleum companies actively participated in the frequent security meetings conducted by the embassy's regional security officer as we sought to keep each other safe and the companies sought to

protect their multimillion-dollar investments. I, as well as other embassy officers, traveled several times a year to Chevron's isolated offices and production facilities in the northern Cabinda province to meet and offer support and reassurance to the many Americans working there.

American company representatives consulted frequently with me and with the embassy's economic/commercial officer on their plans and operations. On issues where the embassy could assist, such as the renewal of Chevron's exploration and production lease, I advocated for the companies on behalf of the U.S. government with the Angolan government. During that same period, Exxon-Mobil consulted closely with the embassy and bid successfully on several major offshore petroleum exploration blocks. (It has since become a major producer of petroleum from its deepwater blocks in Angola.) In addition, the embassy offered advice and support as Chevron and other U.S. petroleum companies launched significant social responsibility activities in Angola.

The embassy and the oil industry worked together during this time, enabling the companies to maintain, even expand, operations and production through the most difficult and dangerous years. Since then, Chevron alone has surpassed five billion barrels of petroleum production from its fields in Angola, while Chevron and Exxon-Mobil each produce more than 100,000 barrels of petroleum a day from their Angolan operations.

U.S. Embassy Luanda supported American businesses to function in a difficult environment and worked very closely with American companies to help keep their employees and their facilities safe in the midst of a war.



*Joseph G. Sullivan served as the U.S. ambassador to Angola from 1998 to 2001. During 38 years as a Foreign Service officer, he also served as ambassador to Zimbabwe, chief of mission in Cuba and deputy assistant secretary for inter-American affairs. Ambassador Sullivan is retired and lives in California.*



## Keeping Americans Safe During a Civil War

Angola, 1999  
By Joseph Sullivan

U.S. petroleum companies have been exploring and producing oil from offshore sites in Angola for more than 60 years. Since its establishment in 1994, U.S. Embassy Luanda has worked closely with American petroleum companies as they expanded existing production, bid for newly opened exploration areas and established their operating conditions with the Angolan government.

During my time as ambassador to Angola, the final stage of the country's long civil war erupted and the embassy's relationship with Chevron, the largest U.S. petroleum producer in Angola, and other American petroleum companies was particularly intense on the security front. In early 1999, the



## NASA's New Horizons

Senegal, Colombia, South Africa,  
Argentina, U.S.A., 2016 – Present  
By John Fazio and Heath Bailey

Who does the National Aeronautics and Space Administration rely on to execute the most ambitious and challenging ground astronomy experiments ever conducted? The State Department, of course!

Over the past two years, teams of economic officers and their colleagues from missions in Dakar, Bogotá, Pretoria, Cape Town, and Buenos Aires worked day and (mostly) night to champion the cause of science diplomacy by supporting dozens of astronomers working on NASA's New Horizons mission.

Launched in 2006, NASA's New Horizons spacecraft encountered Pluto in 2015 and will soon—on New Year's Day 2019—fly by a Kuiper belt object nicknamed Ultima Thule, giving planetary scientists insight into the origins of our solar system. To optimize New Horizon's instrumentation and trajectory, NASA sent teams of astronomers overseas on five separate expeditions to collect data on Ultima Thule's size, shape and surface reflectivity. This information will also help to mitigate risks to New

Horizons on its six-billion-mile journey to the most distant part of the universe ever explored by a spacecraft.

Economic officers and other embassy personnel joined forces with NASA, coordinating logistics, addressing security issues and ensuring foreign government engagement. For example, General Services Office staff facilitated the import of telescopes and other sensitive equipment. Locally Employed staff arranged fleets of trucks and lodging for research teams in remote regions of Patagonia and Senegal, while regional security office colleagues worked with local law enforcement to ensure the safety of U.S. astronomers and their partners. Economic officers obtained host-country support and planned for future science collaboration. As New Horizons project leader Marc Buie remarked to U.S. Ambassador to Senegal Tulinabo Mushingi: "The expeditions simply could not have been executed without the flexibility of the U.S. embassy teams."

The astronomy expeditions faced unique challenges. The first hurdle was the need for a bilateral agreement between NASA and each host-country government to facilitate the import of equipment and data sharing. To speed up implementation in Senegal, Embassy Dakar—in close coordination with State's Office of the Legal Adviser—used an exchange of diplomatic notes, with NASA's standard agreement attached, to get all parties pointed in the same direction in record time. Early in the process, State's Senegal desk officer facilitated a meeting between NASA's Office of International Relations and the Senegalese ambassador in Washington, D.C., to secure support for the expedition. Together, these actions laid the diplomatic groundwork to ensure the telescopes and astronomers would arrive on time in Dakar.

No strangers to international exchanges, economic officers facilitated this multinational cooperation and helped build the capacity of our host country partners. In Argentina, the national space agency, CONAE, connected NASA to the local resources

and expertise of provincial governments, which was crucial to the success of the expeditions. The expeditions also benefited from security escorts, weather reports and the use of commercial trucks to shield the telescopes from the fierce Patagonian



New Horizons project lead Dr. Marc Boie (left), Dr. Adriana Ocampo of NASA (center) and Felix Menicocci of CONAE present occultation findings in Buenos Aires.

U.S. and Senegalese astronomers test a telescope prior to deployment.

wind. Provincial police even closed the national highway for two hours so that lights and vibrations from vehicular traffic would not affect data collection. As NASA's Adriana Ocampo stated: "The team succeeded, thanks to the help of institutions like CONAE, and all the goodwill of the Argentinian people. This is another example of how space exploration brings out the best in us."

In Senegal, embassy officers worked with the Ministry of Higher Education, Research and Innovation to coordinate the participation of 22 Senegalese scientists. While these scientists had solid theoretical training, this was the first opportunity many of them had ever had to join a field expedition using sophisticated observation equipment. Senegal's President Macky Sall also recognized the opportunity the expedition represented to build bridges of international science cooperation. Sall, a geologist by training, invited the entire expedition team to the presidential palace to celebrate this collaboration.

The New Horizons expeditions provided an unparalleled opportunity to promote U.S. leadership in science, technology and research. Local media treated NASA scientists like rock stars, highlighting their achievements through print, TV and radio interviews, as well as numerous public speaking engagements. This outreach connected NASA to local communities outside of the capital cities and influenced a diverse audience with the positive message of science diplomacy. In Dakar, the public affairs section organized a presentation on women in science by two New Horizons team members to introduce a screening of the movie "Hidden Figures," which tells the true story of three African-American female mathematicians who

made significant, but initially unrecognized, contributions to NASA's space program.

Having organized the New Horizons visits, embassy staff took full advantage of them to stimulate future U.S. science and technology collaboration with science ministries, universities and astronomers. In fact, NASA has offered to return to Senegal in mid-2019 to present the findings of the flyby and to conduct a workshop for Senegalese planetary scientists, while Argentina's space agency will pursue an expanded bilateral dialogue on space science. NASA plans to conduct similar astronomy expeditions in other countries over the next few years—and you can be sure the Foreign Service will be there to promote U.S. science agencies and ensure their continued global leadership role. ■



*John Fazio joined the State Department as an FSO in 2012 and currently serves in the Office of U.S. Foreign Assistance Resources. He previously covered science and technology issues for Embassy Buenos Aires and was the human rights officer in Manila. Before joining the Foreign Service, he was a Presidential Management Fellow with the U.S. Department of Housing and Urban Development and worked in the Chicago field office for six years. Prior to that, he was a Peace Corps Volunteer in Paraguay.*



*Heath Bailey is the economic section chief at Embassy Dakar. A member of the Foreign Service since 2007, his previous posts include Nairobi, Manila, Riga, and San Jose. He practiced law in Las Vegas for eight years before joining the Foreign Service.*

# EXCHANGE PROGRAMS

# PAY OFF FOR AMERICANS

**Exchange programs are a two-way street when it comes to commerce and industry.**

BY MARIE ROYCE

**E**conomic diplomacy works because of people. And the State Department's Bureau of Educational and Cultural Affairs is in the people business. We are making the connections that are helping solve the business problems of today and tomorrow, both abroad and in the United States.

Take, for example, Ange Noelle Mucro of Burundi and American Erica Hall, chief impact officer of the Akola Project, an international fashion design company with a flagship store in Dallas, Texas. On a recent State Department exchange for female entrepreneurs, the two women shared the story of how they connected their two supply chains at a critical time, benefiting both of their businesses. Ange and her fellow

international businesswomen were in Dallas on an International Visitor Leadership Program, "Alumni as Economic Multipliers." All of the participants had previously been on an exchange and were returning to the United States to make new connections. They met with U.S. companies in Dallas and several other U.S. cities, sharing best practices with American colleagues.

"I think we can be really self-focused if we don't expose ourselves to things that are different, and ideas that are different, and people that are different," says American Stephanie Giddens of Vickery Trading, which hires refugee women to assist with making their clothing line. "Until you get to know people, until they become your friends, and you do business with them, that makes all the difference in the world," says American Valerie Freeman, CEO of the Imprimus Group, also of Dallas. Both Stephanie and Valerie took time from their schedules to meet with the international women.

Ange and the women in her group join thousands of State Department exchange participants who return home with new ideas after meeting with Americans across our great country. However, there is another story that is less often told—but as important—regarding how exchange programs also help Ameri-



*Marie Royce was sworn in as assistant secretary of State for educational and cultural affairs in March 2018, following unanimous Senate confirmation. She is a businesswoman and former professor.*



can companies, like those of Erica, Stephanie and Valerie.

The U.S. National Security Strategy lays out four pillars, including the need to promote American prosperity. The strategy states that to succeed in this 21st-century geopolitical competition, America must lead in research, technology and innovation. And one way that American companies are achieving this goal is through connections made on exchange programs.

Take Mike Matesic from Idea Foundry in Pittsburgh, Pennsylvania, who participated in the State Department's Young Leaders of the Americas Initiative reverse exchange program for Americans who host international YLAI participants. After completing his nine-day visit in Santiago, Chile, he told us: "We have identified several potential partners which we are following up with to discuss collaboration. This will support the transfer of innovations and talent between Santiago and Pittsburgh, in both directions."

The economic benefit to Americans is also felt when participants come to the United States from other countries. On our Community Solutions program, Abdulsalam Mohammed of Ghana partnered with his host supervisor, Michelle Wilson from Global Ties in Akron, Ohio. Together they created the Accra-Akron Partnership Board, engaging the mayors of both cities to increase fair trade and collaborate to boost businesses in both cities.

One of the most powerful statements about exchange programs comes from Susan Cohig of the National Hockey League, who tells us that the espnW Global Sports Mentoring Program has helped her organization rethink their business challenges on a more global scale and take advantage of new opportunities. "It's helped make us better as an organization," she says. Her mentee Olga Dolinina returned to Ukraine to start "Break the Ice," which works with kids from war-torn areas to provide the support and training they need to succeed and contribute to society.

Each year 40,000 State Department-sponsored participants and more than 300,000 private sector sponsored participants, who are overseen by the State Department on programs like Camp Counselor and Summer Work Travel, bring direct economic benefits to the American people, while contributing to our nation's security. Well over 90 percent of ECA's appropriation is spent in the United States or invested directly in American citizens or American organizations.

We could not do the work we do without organizations like Global Ties, with their network of 100 organizations serving all 50 states. Mostly comprised of volunteers, these citizen diplomats make connections in their communities with businesses and organizations, then connect them to international participants. And I am proud that ECA is expanding our pool of U.S. private sector partners. These partners range from professionals



U.S. DEPARTMENT OF STATE

Olga Dolinina, second from right, a Ukrainian alumna from the 2014 U.S. Department of State and espnW Global Sports Mentoring Program, returned to the United States last March for a special one-week activity with the National Hockey League and U.S. Women's National Hockey Team. During the visit, Dolinina reunited with her mentor, NHL Senior Vice President Susan Cohig, second from left, who says the GSMP helped make the NHL a better organization. Dolinina and Cohig posed for this picture with NHL Counsel Nicole Allison, at left, and NHL Executive Vice President for Media and Business Affairs Elaina Lombardo, at right.

Dolinina participated in the 2014 GSMP as head of development for the Ukraine Athletics Federation. Since then she has established "Break the Ice," an after-school ice hockey, table hockey and therapy program to support children in Donetsk who have been affected by the conflict and violence in the region.

who share their specialized skills with foreign exchange participants, to schools and universities hosting educational exchanges and businesses that host foreign professionals who, in the process, contribute to Americans' international expertise and networks.

We expand economic prosperity by increasing the capability of Americans to operate internationally and furthering the reach of U.S. businesses and institutions. Acquiring the skills to work in the global economy is enhanced through foreign language learning and exposure to foreign cultures and professional opportunities abroad.

Thousands of businesses across this country tell us they are stronger because of exchange participants. Seasonal businesses in destinations like Ocean City, Maryland, and Santa

## Acquiring the skills to work in the global economy is enhanced through foreign language learning and exposure to foreign cultures and professional opportunities abroad.

Cruz, California, tell us that they would not be open without exchange participants on Summer Work Travel, who can work in late spring or early fall when American students are in school. These participants bring new perspectives to American businesses, while also allowing these businesses to stay open longer, after American

students return to school.

To increase global competitiveness, ECA helps to internationalize workplaces and U.S. campuses, supporting professionals and foreign students who study and work alongside Americans. State Department exchange programs are making a real difference in our economy and in our global economic and trade relationships—one exchange participant at a time. ■



Explore

### AFSPA's Ancillary Programs



To learn more, call **202.833.4910**  
or visit [www.afspa.org](http://www.afspa.org).

Follow us:  [facebook.com/afspacares](https://facebook.com/afspacares)



**Dental** AFSPA offers four dental plans to meet the needs of our worldwide membership - Cigna International, Cigna HMO, Cigna PPO, and Dominion National.



**Tax Consulting** offers AFSPA members a complimentary 20-minute consultation for all your tax questions and a 10% discount on standard hourly rates.



**Members of Household** Health coverage designed for family members – this includes domestic partners, parents, and dependent children who accompany the employee overseas, but who do not qualify for coverage under the Federal Employees Health Benefits Program (FEHB).



**Group Term Life Insurance** AFSPA's **NEW** policy offers a term life insurance that provides you and your family protection up to \$600,000. It now allows early access to a portion of your benefits to assist with long term care expenses.



**Group Disability Income Protection Insurance** AFSPA offers two Disability Plans to assist you during a time period when you are not bringing in any or very little income due to a medical disability. These plans provide stateside and international coverage.



**Financial / Long Term Care Planning** AFSPA members receive retirement analysis and long term care guidance.

*Some restrictions apply.*

## Call for Nominations: 2019-2021 AFSA Governing Board

Do you want to represent your colleagues and help ensure that the voice of the Foreign Service is heard on the Hill and around the country? Do you want to participate in the management and modernization of a multimillion-dollar organization with a large staff and real impact in Washington?

If so, consider joining the next AFSA leadership team by running for a position on the 2019-2021 AFSA Governing Board.

### Election Call

**Election of AFSA Officers and Constituency Representatives.** This election call, issued in accordance with Article VII(2)(a) of the AFSA bylaws, constitutes a formal notice to all AFSA members of the opportunity to participate in the nomination and election of a new Governing Board.

### Call for Nominations

#### Available Positions.

The following positions will be filled in this election:

#### Officers

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

#### Constituency Representatives

- State Department Representatives (6)

- USAID Representatives (1)
- Alternate FCS Representative (1)
- Alternate FAS Representative (1)
- USAGM Representative (1)
- APHIS Representative (1)
- Retired Member Representatives (2)

These positions have two-year terms beginning July 15, 2019. AFSA bylaws require that Governing Board members participate via in-person attendance at regularly scheduled meetings of the board within 60 days of taking office on July 15 or appointment to office thereafter, and throughout their term in office.

The president and State, USAID, FCS and FAS vice presidents are full-time positions detailed to AFSA. These employees are assigned over complement and are eligible for time-in-class extensions. The active-duty representative positions are not full time, but they are given a reasonable amount of official time to attend meetings regarding labor management issues.

Governing Board members are required to attend monthly lunchtime board meetings and may volunteer to serve on additional committees. To see

position descriptions for all officer positions, go to [www.afsa.org/board](http://www.afsa.org/board).

### Nomination Procedures Nominating Candidates.

Any AFSA regular member in good standing (i.e., a member whose dues are automatically deducted or who has paid dues as of Feb. 1, 2019) may nominate any person (including themselves) for any of the available positions for which the nominee is eligible. The following requirements apply to nominations:

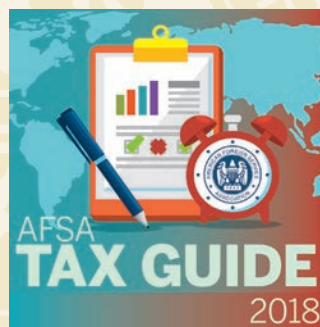
**1.** No member may nominate more than one person for each officer position or more than the number of representatives established for each constituency. No member's name may appear on the ballot for more than one position.

**2.** All nominations must be submitted in writing by letter, cable, fax or email. To be valid, they must, without exception, be received no later than 5 p.m. on Feb. 1, 2019. All written nominations must be addressed to the AFSA Committee on Elections, 2101 E Street NW, Washington, D.C., 20037. Members overseas can send "AFSA

*Continued on p. 64*

### Important Dates:

- |                |  |
|----------------|--|
| Feb. 1, 2019   | Deadline for nominations                           |
| Feb. 15, 2019  | Committee on Elections announces candidates' names |
| April 28, 2019 | Ballots and candidate statements mailed            |
| June 12, 2019  | Ballots counted                                    |
| July 15, 2019  | New Governing Board takes office                   |



## CALENDAR

January 1  
New Year's Day  
AFSA Offices Closed

January 14  
Deadline: Sinclair  
Language Award  
Nominations

January 15  
12-1:30 p.m.  
Panel Discussion:  
"Economic Diplomacy Works"  
U.S. Diplomacy Center

January 16  
12-1:30 p.m.  
AFSA Governing  
Board Meeting

January 21  
Martin Luther King Jr. Day  
AFSA Offices Closed

January 22  
12-1:30 p.m.  
"Retirement Planning  
5 to 10 Years Out"

February 5  
Webinar: "Reviewing  
Your Retirement Plan"

February 18  
Presidents Day  
AFSA Offices Closed

February 20  
12-1:30 p.m.  
AFSA Governing  
Board Meeting

February 27  
Time TBD  
Webinar: "The View  
from Washington"

March 15  
Deadline: AFSA  
Scholarship Applications



## Where Does the Econ Track Lead?

Before coming to State in January 2000, I'd spent about five years on Capitol Hill covering a range of legislative issues including trade, environmental protection, agriculture, transportation, intellectual property rights (IPR), water resources and, of course, foreign policy.

So when I was offered the opportunity to join the Foreign Service, I opted—after some thought—to become an economic officer. I'd enjoyed the areas I'd been covering for my congressional bosses, and it seemed a natural fit as my career in public service continued.

But somehow, as careers go, the opportunities to do a lot of substantive econ work seemed elusive. I did my consular tour, covered mainly political issues on the Greece and Turkey desk, and went to Baghdad after the “mission accomplished” photo op, where I managed the reconstruction of the Iraqi National Assembly building.

To get things back on track, I then took the challenging 10-month econ course at FSI. When I bid, I bid only on econ jobs, but when the handshake came, I got a pol/mil job in Berlin. Berlin was great, of course, and the portfolio was certainly interesting, but I'd just finished the econ course!

It wasn't until my next tour, in Sri Lanka, that I finally served in my cone,

as deputy economic chief, covering a range of issues including the environment, science, technology and health (ESTH) portfolio, narcotics, IPR, agriculture and commercial development. I loved it; but sadly, that was the last time I worked exclusively on econ issues full time.

When I started serving here at AFSA, my A-100 colleagues began to reach out to me with concerns about the slow rate of promotions. We all remember how awful the promotion rates were in 2017, especially for econ officers (who were, for the fifth year in a row, the least-promoted cone).

In 2018 we got hit again. The numbers were a smidge better, but with fewer than 6 percent of econ officers promoted from the FS-2 to FS-1 level, it was still tough going. Folks were getting worried, as was I. Would some run out of time, TIC out? Would others retire as FS-2s? This didn't make sense to any of us. The expectation is that a “normal” career path for tenured officers means reaching FS-1 within 20 years, give or take.

Last year I took a quick look at the “autobiography” book we were given at the start of A-100, and I noticed some interesting data points. About 25 percent of my A-100 colleagues have left the Foreign Service. We were a relatively small class

**As of June 2018, there were roughly 1,550 State FS economic officers, but only 700 econ positions by grade.**

for 2000, with only 59 members. Of those 59, four hit their mandatory retirement age and retired. Another 11, including nine women, left. The retention issues we hear about in the Foreign Service, especially for women, were certainly true for my class.

Of the 44 remaining officers, 17 are FS-2s—about 40 percent. I was shocked the numbers were so high. And of those 17 FS-2s, fully 15 are econ officers, and not even one of those 15 was promoted in 2018.

All of a sudden, that expectation of reaching FS-1 within 20 years starts to look doubtful—at least for econ officers. What's gone wrong? Why are so many strong officers stuck? Is this the new normal, or is the department just ignoring a growing problem?

I was still working on the Hill when the Newt Gingrich “Contract for America” revolution and the subsequent government shutdowns led to slashing budgets for our federal departments, including the Department of State. And while most departments opted for a reduction-in-force to shrink the size of government, State nobly refused. We reached our draconian reductions by

virtually halting hiring from 1995 to 1999.

In fact, the first “large” A-100 class of about 90 came on board in April 1999, with a second following in July. That means that in April 2019, and thereafter, the number of officers who will have completed 20 years of service will increase dramatically, and the number eligible to retire will jump as well. Will we see a spike in those leaving as FS-2s? Will we see a spike in those TICing out as FS-2s before reaching age 50?

As of June 2018, there were roughly 1,550 State FS economic officers, but only 700 econ positions by grade. In an up-or-out system, where in-cone experience is critical to promotion, how the heck are we supposed to get ahead when the opportunities are so sparse?

These are just a few of the questions we're raising with the department. We'll keep our members posted as we learn more about this, and as you'll read throughout this edition of the *Journal*, we'll continue pushing the department to reinvigorate the econ career path, and the career paths of all members of the Foreign Service. ■



## USAID's Economic Diplomacy Makes a Difference for U.S. Economic Growth

Over the past 10 years, almost two-thirds of the growth in U.S. goods exports was to major USAID partner countries. This powerful statistic, from a May 2018 USAID publication, "Shared Interest: How USAID Enhances U.S. Economic Growth," emphasizes the importance of USAID's work in raising up the economic prospects of the United States, as well as promoting peace and stability.

This month's *Foreign Service Journal* aims to show how economic diplomacy works. Every Foreign Service officer, past and present, should read this issue—and then give it to a friend or family member to read.

The state of the U.S. economy is an important issue for Americans, who are worried about China's expansion and growing economic influence around the world, and what that means for U.S. businesses and U.S. citizens.

Economic diplomacy overseas makes a difference for U.S. businesses at home by increasing access to markets and thereby increasing sales, leading to business growth and more U.S. jobs. During the 10 years referenced in "Shared Interest," the growth of U.S. exports of goods and services to Asia and the Pacific produced some 3.4 million American jobs. In Brazil, export growth during the same period added 137,000

U.S. jobs. Increased exports to a more distant and less well-known country, Indonesia, resulted in more than 20,000 U.S. jobs.

Why do USAID's programs and Foreign Service officers make such a difference to U.S. businesses and their exports? Don't U.S. businesses have the staff and business acumen to identify opportunities and conclude business deals in other countries without USAID's assistance?

As businesses will themselves tell you: without the opportunity and the framework to do business, the risks frequently outweigh the opportunities. This is especially true in the case of many of USAID's partner countries.

USAID's partner countries face a number of challenges in the areas of customs regimes, financial markets, infrastructure and governance, all of which combine to create a business environment that U.S. companies see as too risky. USAID's work makes a difference for U.S. businesses as they navigate these markets.

In 2008 USAID published its economic growth strategy, "Securing the Future." This strategy is complemented by focused guides on trade, developing a business-enabling environment, infrastructure, access to finance and more. USAID has also developed strategies

**Economic diplomacy overseas makes a difference for U.S. businesses at home by increasing access to markets and thereby increasing sales, leading to business growth and more U.S. jobs.**

and guidance on undertaking partnerships and alliances overseas.

Taken together, these guides give USAID FSOs, especially those working on economic diplomacy, the skills and competencies to succeed in building the trust, respect and mutual understanding that lead to needed changes in the business environment of our partner countries and to the kinds of results reported in "Shared Interests."

Like this issue of *The Foreign Service Journal*, "Shared Interests" points to many USAID success stories in economic development. A USAID guarantee for a loan from JP Morgan Chase to an African financial institution is both financing agribusinesses across East Africa and supporting JP Morgan Chase's business investment.

In India, a project directly assisted by USAID to build 46 megawatts of solar rooftop systems was awarded to the U.S. company Azure Power (so much for China always winning infrastructure contracts). "Shared Interests" notes that in 2015 U.S. exports of power generation infrastructure to USAID-assisted countries

totaled \$3.6 billion.

This is not to say that USAID's programs alone account for the almost two-thirds growth in U.S. goods exports to major USAID partner countries. USAID works collaboratively with Foreign Service officers in other parts of the U.S. government, as well as other donors, non-governmental organizations, the private sector and the countries themselves.

There is no denying that doing business in the countries where USAID works is riskier than doing business with, say, European countries. But as "Shared Interests" documents, the value-added support that USAID's economic diplomats provide in these tricky business environments makes all the difference.

The agency's "expert advice and support, tailored to country situations," the report concludes, "can bring huge economic dividends." Given the proven, positive effects our work has on the U.S. economy, how could we even consider reducing our commitment to keeping our USAID Foreign Service officers in the field? ■



## Feeding the World through Economic Diplomacy

The U.S. Department of Agriculture's economic diplomacy is as engaged as ever. The Foreign Agricultural Service expands and maintains access to foreign markets for U.S. agricultural products by removing trade barriers and enforcing U.S. rights under existing trade agreements. We work with foreign governments, international organizations and the Office of the U.S. Trade Representative to establish international standards and rules to improve accountability and predictability for agricultural trade.

And we develop markets by partnering with 75 cooperator groups representing a cross-section of the U.S. food and agricultural industry and managing a toolkit of market development programs to help U.S. exporters develop and maintain markets. We also support U.S. agricultural exporters through export credit guarantee programs and other types of assistance. We help developing countries improve their agricultural systems and build their trade capacity, thereby enabling their participation in the global economy.

Through FAS' global network of 93 offices covering 171 countries, we are the eyes, ears and voice of U.S. agriculture around the world. Our market intelligence helps American farmers, ranchers and exporters make informed decisions about how and where to

grow their businesses as we apprise them of foreign market opportunities, production and trade forecasts, and changes in policies affecting U.S. agricultural exports and imports.

U.S. Secretary of Agriculture Sonny Perdue has placed international trade front and center. Before Secretary Perdue came to USDA, FAS shared an under secretary with two dissimilar domestic agencies, and trade was often overshadowed by their issues. In keeping with a congressional directive in the 2014 Farm Bill, Secretary Perdue created an under secretary for trade and foreign agricultural affairs whose job is to "wake up every morning seeking to sell more American agricultural products in foreign markets."

Under Secretary Ted McKinney lives by that motto, and he has pushed ahead with a vision of "leaving no stone unturned." He has led a record number of trade delegations and seeks to broaden the reach of U.S. agricultural exporters by networking at the people-to-people level in difficult-to-reach markets such as Southern Africa, Central America's Northern Triangle, South China and India. Trade missions help generate sales by facilitating introductions and opening doors where language barriers and lack of familiarity obscure opportunity.

FAS recognizes that

### Our market intelligence helps American farmers, ranchers and exporters make informed decisions about how and where to grow their businesses.

exporting isn't as simple as putting our farm surplus on a boat for the next port. Although today's farmers produce more and feed more people than at any other time in history, feeding our growing planet remains a challenge. Fortunately, FAS doesn't have to confront these challenges alone. In addition to our collaboration with numerous other U.S. government and USDA agencies, we partner with more than 70 U.S. nonprofit trade associations, called "cooperators," that represent producers of myriad food and agricultural products.

This public/private partnership ensures that FAS understands and advocates the whole-of-industry interests of U.S. agricultural sectors, and both parties benefit from each other's knowledge and experience. A cooperator may seek guidance from FAS on how to best enter a new market, including introductions to major players, knowledge of the market and relevant regulations, and advice or warnings on approaches or pitfalls. At the same time, some cooperators have decades of experience in foreign markets, and provide similar guidance to our attachés and staff. In all cases,

cooperators provide FAS with a wealth of knowledge and technical support on how to promote their commodities.

FAS' global network of agricultural attachés and Locally Employed staff, coupled with our strategic partnerships with U.S. agricultural associations, is the envy of other nations. We use this advantage to increase U.S. agricultural exports, boost employment and incomes in the U.S. agricultural and export sectors, and support American farmers and ranchers.

The best part of our jobs as agricultural attachés is being able to witness the fruits of our labor. It might be in the form of a thank-you email from a small U.S. business that is exporting for the first time; or seeing an American product on a grocery store shelf overseas that did not or could not enter the country before; or witnessing the passage of trade-enabling legislation that we helped create.

Every day, we recognize why and how economic diplomacy makes a difference for U.S. agriculture. Are you convinced that FAS has the best jobs in the government? We are! Come join us at <https://usajobs.gov>. ■



## Showing the New Congress that Economic Diplomacy Works

AFSA's economic diplomacy works (EDW) initiative includes a line of effort focused on convincing Congress that the U.S. Foreign Service is a vital part of the solution to competition from China and other countries on political, commercial and economic fronts.

Throughout the fall, AFSA's EDW initiative generated bipartisan support in both congressional chambers and kept the work of the Foreign Service on the minds of Capitol Hill staff during election season. This was critical as Fiscal Year 2019 State/USAID funding reached a decision point—and congressional work on FY20 appropriations is not far away.

As part of this initiative, AFSA hosted an event for Senate staff on Oct. 12 in conjunction with the Senate Foreign Service Caucus. We brought in retired Foreign Service officers to present

their experiences of successful economic diplomacy, and AFSA was able to reach 25 percent of Senate offices with our EDW message in one go!

AFSA was delighted to share with those Senate offices a letter signed by 96 business associations that rallied behind the EDW effort, asking Secretary of State Mike Pompeo to send more FSOs abroad and linking the Foreign Service to their own prosperity. The letter bolstered our advocacy efforts on the Hill by demonstrating support from the business community, which regularly influences Congress.

AFSA continued its EDW efforts despite the uncertainty that plagued the congressional schedule leading into the 116th Congress. On the Hill, legislators faced a longer-than-usual fall session, midterm elections, congressional leadership elections and, finally, the expiration of

a continuing resolution that included State/USAID funding. We also spent the weeks after the midterm elections analyzing the implications of the newly elected member class for our future efforts.

With a new congressional landscape forming in 2019, AFSA will pivot its advocacy strategy to match the environment and focus on creating new supporters. AFSA currently has champions on the Hill who are supportive of the Foreign Service regardless of their committee assignments, and we seek to replicate this support with the new class in the 116th Congress.

In 2018 AFSA was able to demonstrate for current members of Congress that a field-forward Foreign Service posture is a highly cost-effective way to counter competition and retain American global leadership; we must now replicate this effort with about 100 new members.

As Democrats take the majority in the House of Representatives and Republicans keep their majority in the Senate, political gridlock in a split Congress is inevitable—and likely not much will become law in the next two years.

This is especially important to consider when looking at the timeline for FY20 appropriations bills. Remember that Congress was the authoritative voice in rejecting the administration-proposed cuts to the State/USAID budget.

As 2019 begins, AFSA is calling on new members of Congress to support the U.S. Foreign Service and help make economic diplomacy work for the American people by putting an increased number of Foreign Service positions in the field. This show of support can help create a firewall that protects the Foreign Service once again, as Congress rejects any deep funding and personnel cuts proposed by the administration going into the FY20 appropriations cycle. ■



## Getting the Most Out of Your Social Security

On Nov. 6, AFSA welcomed Ed Zurndorfer of EZ Accounting and Financial Services. Mr. Zurndorfer, an expert on Social Security, presented updated strategies to more than 60 members to help them understand and maximize their Social Security benefits. He discussed marriage, divorce, death and taxes as they affect benefits and took questions from audience members.

Did you miss this presentation? You can watch the video at [www.afsa.org/video](http://www.afsa.org/video).

*Call for Nominations Continued from p. 59*

Channel” cables marked for delivery to the AFSA Elections Committee. Email nominations can be sent to [election@afsa.org](mailto:election@afsa.org). Faxed nominations can be sent to (202) 338-8244.

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

### **Qualifications for Governing Board Membership.**

Individuals meeting the following qualifications are eligible for nomination to one of the available positions:

1. The individual must be an AFSA regular member in good standing by Feb. 1, 2019 and remain in good standing through the election process and, if elected, for his or her term of office.

2. The individual must not have a conflict of interest as defined in Section 1017(e) of the Foreign Service Act. Please see the “Conflicts of Interest” section below for more information.

3. Active duty members presenting themselves as candidate for president or constituency vice president must hold an active security clearance.

**Conflicts of Interest.** Section 1017(e) of the Foreign Service Act restricts employees serving in certain positions within their agencies from participating in labor-management issues while serving on the Governing Board. Manage-

ment officials and confidential employees, as well as those in positions that may raise or appear to raise a conflict of interest (as defined below) when the new Governing Board takes office on July 15, may not participate in Governing Board discussion, deliberations or decisions relating to labor-management issues. They may participate in AFSA Board activities that do not relate to labor-management issues. The Foreign Service Act also imposes a two-year pre- and post-AFSA “cooling off” period on employees who occupied or will occupy positions within their agency that involve labor-management relations or the formulation of personnel policies and programs of a foreign affairs agency.

a. Section 1017(e) of the Act, 22 USC 4117(e) states: “Participation in labor organizations restricted. (1) Notwithstanding any other provision of this subchapter (A) participation in the management of a labor organization for purposes of collective bargaining or acting as a representative of a labor organization for such purposes is prohibited under this subchapter (i) on the part of any management official or confidential employee; (ii) on the part of any individual who has served as a management official or confidential employee during the preceding two years; or (iii) on the part of any other employee if the participation or activity would result in a conflict of interest or would otherwise be incompatible with law or with the official functions of such employee; and (B) service as a manage-

ment official or confidential employee is prohibited on the part of any individual having participated in the management of a labor organization for purposes of collective bargaining or having acted as a representative of a labor organization during the preceding two years. (2) For the purposes of paragraph (1)(A) (ii) and paragraph (1)(B), the term “management official” does not include (A) any chief of mission; (B) any principal officer or deputy principal officer; (C) any administrative or personnel officer abroad; or (D) any individual described in section 4102(12)(B), (C), or (D) of this title who is not involved in the administration of this subchapter or in the formulation of the personnel policies and programs of the Department.”

b. Section 1002 (12), 22 USC 4102(12) of the Act defines a management official as “an individual who: is a chief of mission or principal officer; occupies a position of comparable importance to chief of mission or principal officer; is serving as a deputy to the foregoing positions; is assigned to the Office of the Inspector General; or is engaged in labor-management relations or the formulation of personnel policies and programs of a foreign affairs agency.”

c. Section 1002 (6), 22 USC 4102(6) of the Act defines a confidential employee as “an employee who acts in a confidential capacity with respect to an individual who formulates or effectuates management policies in labor-management relations.” Employees who

may have a conflict of interest or potential conflict of interest include those who are “engaged in personnel work in other than a purely clerical capacity” (for example, employees assigned to nonclerical positions within the HR Bureau) and “employees engaged in criminal or national security investigations of other employees or who audit the work of individuals to ensure that their functions are discharged honestly and with integrity” (such as employees assigned to DS investigative units or those assigned to the OIG). See Section 1012(1) and (2), 22 USC 4112(1) and (2) of the Foreign Service Act.

As discussed above, the Foreign Service Act precludes these categories of individuals from participating in labor-management issues while serving on the Governing Board.

The Foreign Service Act also imposes a two-year pre- and post- “cooling-off period” which restricts the movement of Foreign Service employees between certain positions on the AFSA Governing Board and certain Washington-based positions.

• **Pre-AFSA restrictions:** Any individual who has served: 1) in a management position in Washington in which he or she has engaged in labor-management relations or the formulation of personnel policies and programs; or 2) as a confidential employee to one of these management officials within two years prior to taking office in AFSA, is precluded from participating in labor-management issues while serving on the Governing Board.



### • **Post-AFSA restrictions:**

Employees who have participated in collective bargaining while serving on the AFSA Governing Board may not serve: 1) in a management position in Washington that involves labor-management relations or the formulation of personnel policies and programs; or 2) as a confidential employee to such management positions, for two years after leaving AFSA. Members should consider these restrictions before deciding whether to run for AFSA Governing Board positions covered by these restrictions.

Please direct questions regarding this issue to Sharon Papp, General Counsel, by email: PappS@state.gov. All other election-related queries should be addressed to the Committee on Elections by email at election@afsa.org.

In addition to the above, due to AFSA efforts to educate Congress on issues related to Foreign Service conditions of employment, legislative proposals and other issues directly impacting the Foreign Service, employees serving in congressional fellowships may not serve on the AFSA Governing Board. A conflict or potential conflict of interest exists between their position in AFSA and their official duties. AFSA members serving as congressional fellows may run for the AFSA Governing Board provided their fellowship ends before the incoming board takes office on July 15, 2019.

### **Accepting a Nomination**

1. A nominee can indicate his or her acceptance of a nomination by written response to the Commit-

tee on Elections (using the same addresses indicated above under "Nominating Candidates"). Following receipt of nominations, an authorized representative of the Committee on Elections will promptly communicate with each nominee (excluding members who nominate themselves) to confirm their willingness to be a candidate. Nominees must confirm their acceptance in writing (using the same addresses indicated above under "Nominating Candidates") to the Committee on Elections no later than 5 p.m. EST on Feb. 5, 2019. Any nominee whose written acceptance of nomination is not received by the Committee on Elections by this time will be considered to have declined candidacy.

2. All candidates accepting a nomination must identify the position or positions they have filled for the past two years prior to accepting the nomination. All candidates not seeking a full-time AFSA position (President, State VP, USAID VP, FCS VP, FAS VP) must also identify the agency position they will be serving in beginning on July 15, 2019, when the Board takes office. This information is necessary to ensure compliance with section 1017(e) of the Foreign Service Act.

### **Campaigning**

#### **1. Campaign Statements.**

All candidates will be given the opportunity to submit campaign statements for dissemination to AFSA members with the election ballots. Further information regarding such statements and editorial deadlines will be contained in

the "Instructions to Candidates," which will be posted by the Committee on Elections at [www.afsa.org/elections](http://www.afsa.org/elections) by Dec. 14, 2018.

**2. Supplementary Statements.** Should candidates wish to mail supplementary statements to the membership, AFSA will make its membership mailing list or address labels available to the candidate upon request and at their expense. Further information on this and other campaign procedures will be included in the "Instructions to Candidates" mentioned above.

**3. Other Methods of Communication.** Department of Labor requirements prohibit individuals from using government or employer resources (including email accounts) to campaign for AFSA positions.

### **Voting**

Ballots will be distributed on or about April 28, 2019, to each regular AFSA member as of March 28, 2019. Candidates or their representatives may observe the ballot distribution process if they so desire. Each member may cast one vote for President, Secretary, Treasurer and, in addition, one vote for a constituency Vice President and each Representative position in the member's constituency.

Regular members may cast their votes for candidates listed on the official ballot, or by writing in the name(s) of member(s) eligible as of Feb. 1, 2019, or by doing both. To be valid, a ballot must be received by 8 a.m. on June 12, 2019, either (i) at the address indicated on the envelope

accompanying the ballot or (ii) by online vote. More detailed balloting instructions will accompany the ballots.

### **Vote Counting and Announcement of Results**

On or about June 12, 2019, the Committee on Elections will oversee ballot tabulation and declare elected the candidate receiving the greatest number of votes for each position. Candidates or their representatives may be present during the tally and may challenge the validity of any vote or the eligibility of any voter. The committee will inform candidates individually of the election results by the swiftest possible means and will publish the names of all elected candidates in the next issue of *The Foreign Service Journal*. Elected candidates will take office on July 15, 2019, as provided in the bylaws.

The Committee on Election members and supporting staff members may be reached at [election@afsa.org](mailto:election@afsa.org).

### **Committee on Elections Members**

Nan Fife, Chair (State)  
Candice Bruce (FAS)  
Linda Caruso (FCS)  
Jorge Dulanto-Hassenstein (USAID)  
Mort Dworken (Retiree)  
Michael Riley (State)

### **Staff Members**

Russ Capps,  
Chief Operating Officer  
Sharon Papp,  
General Counsel  
TBD,  
Election Coordinator ■

## AFSA Dues Change for 2019

AFSA has increased dues for 2019 by 2.3 percent for all individual membership categories. In concrete terms, this amounts to an increase of between nine and 37 cents per pay period, depending on an individual's membership category.

In accordance with Article IV of the AFSA bylaws, the Governing Board can choose to increase dues by no more than the cumulative increase in the national Consumer

Price Index, published by the Department of Labor, since the effective date of the previous dues increase. AFSA last increased its membership dues rate in January 2018.

This increase will provide the association with a stable and predictable income source, which allows AFSA to continue offering excellent member services and advancing member priorities.

Active-duty and retired members paying dues via payroll and annuity deduction will see a small increase in the amount automatically deducted from their

paychecks and annuities. Those paying annually will be billed the new rate on their regularly scheduled renewal date. ■

### Active Duty

Foreign Service Grade	2018 Annual	2018 Bi-Weekly	2019 Annual	2019 Bi-Weekly
SFS	\$412.43	\$15.86	\$421.91	\$16.23
FS 1, 2, 3	\$318.86	\$12.26	\$326.20	\$12.55
FS 4, 5, 6	\$182.58	\$7.02	\$186.78	\$7.18
FS 7, 8, 9	\$96.53	\$3.71	\$98.75	\$3.80

### Retiree

Annuity Level	2018 Annual	2018 Bi-Weekly	2019 Annual	2019 Bi-Weekly
Annuity under \$25K	\$70.82	\$5.90	\$72.45	\$6.04
Annuity of \$25k-50K	\$111.30	\$9.27	\$113.86	\$9.49
Annuity of \$50k-75K	\$148.65	\$12.39	\$152.07	\$12.67
Annuity over \$75K	\$186.11	\$15.51	\$190.39	\$15.87
Retiree Spouse	\$55.65	\$4.64	\$56.93	\$4.74

### Associate

Category	2018 Annual	2019 Annual
Associate Membership	\$114.36	\$116.99

## ANNOUNCEMENT

### ACCEPTING NOMINATIONS FOR SINCLAIRE LANGUAGE AWARD

AFSA is now accepting nominations for the 2018 Matilda W. Sinclair Language Award. The deadline is Jan. 14, 2019.

Thanks to a generous bequest from the late Foreign Service officer Matilda W. Sinclair, AFSA spotlights members of the U.S. Foreign Service from any of the foreign affairs agencies who have excelled in their study of a Category III or IV language and its associated culture.

Mastery of foreign languages and knowledge of the culture of the host country are critical skills in today's diplomacy. Candidates may be nominated by their language training supervisors at the Foreign Service Institute, by instructors in field schools or by post language officers.

Awardees receive a \$1,000 prize and certificate of recognition. For information about the 2018 winners, check out the May edition of *The Foreign Service Journal*.

For further information, please contact AFSA Awards Coordinator Perri Green at [green@afsa.org](mailto:green@afsa.org) or (202) 719-9700. Read more about the Sinclair Awards at [www.afsa.org/sinclair](http://www.afsa.org/sinclair). ■



## USAID VP Participates in Blacks in Government Panel Discussion



COURTESY OF JEFFREY LEVINE

On Oct. 16, the USAID chapter of Blacks in Government (BIG) held a panel discussion, “Tackling Workplace Bullying and Harassment: #OurProblem,” to raise awareness of the individual and organizational impacts of workplace bullying and harassment. Panel members discussed the varying roles of leaders, supervisors and other employees when bullying becomes an issue in the workplace and talked about the effects bullying and harassment have on workplace productivity and employee retention.

Panel members included Sylvia Joyner, vice president USAID AFGE (above left); AFSA USAID VP Jeffrey Levine (right); Erin Brown, president of USAID-BIG; Gary Juste of the SDAA Bureau for Human Capital and Talent Management; and Rachel Kaul, USAID Staff Care.



## AFSA Governing Board Meeting, November 14, 2018

**Membership Committee:** The Governing Board must review each request for associate membership. By unanimous consent, the board approved one such request.

**Treasurer:** It was moved and seconded that the board adopt the proposed 2019 budget as presented. The motion was approved.

**Governance Committee:** By unanimous consent, the board voted to send proposed AFSA bylaw amendments to the Committee on Elections. These proposed amendments will be published in full in the March issue of AFSA News. ■

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## 2018 Federal and State Tax Provisions for the Foreign Service

The American Foreign Service Association is pleased to release this year's Tax Guide. The annual AFSA Tax Guide is designed as an informational and reference tool. This 2018 guide summarizes many of the tax laws that members of the Foreign Service community will find useful, including changes mandated by the Tax Cuts and Jobs Act of 2017.

Although we try to be accurate, many of the new provisions of the tax code and the implications of Internal Revenue Service regulations have not been fully tested. Therefore, use caution and consult with a tax adviser if you have specific questions or an unusual or complex situation.

For 2018, "all income from whatever source derived" must be reported by U.S. taxpayers worldwide. Adjustments, deductions and credits remain matters of "legislative grace." It is important to know more about those statutes, regulations, forms and instructions, which are almost always more technical than this summary.

Accordingly, AFSA recommends following up with IRS product pages for each form and publication mentioned within this guide. The IRS designed these as extensions

of the PDF forms and instructions, and they include links to prior versions. Always check the applicability and "last reviewed" dates of these resources. Even then, some credits, deductions or other calculations (e.g., depreciation, foreign asset reporting, or a 1031 exchange) should only be done by a professional competent in that area.

We begin with the April 15, 2019, deadline for filing 2018 individual income tax returns (Form 1040 plus applicable schedules, worksheets and other necessary forms). A discussion of extensions and the new, shorter 1040 follows. Next, we provide the marginal tax brackets and rates for 2018 income, standard deduction and personal exemption. We've added a section on the child tax credit to complete the story about the increase of the standard deduction and elimination of the personal exemption.

Readers will also find information about relocation expenses, the foreign earned income exclusion and foreign asset reporting. There have been changes to the law regarding various itemized (and other separately claimed) deductions. The qualified business interest deduction is new to the tax code. Personal residence-related tax benefits have also changed; a more general discussion of "basis" should help readers with any large assets, not only houses. News about gifts, retirement and estate tax planning, as well as a full Circular 230 notice, round out the federal section. That is followed by the state-by-state guide, which includes information on state domicile, income tax rates and retirement incentives.

AFSA Senior Labor Management Adviser James Yorke (YorkeJ@state.gov), who compiles the Tax Guide, would like to thank Sam Schmitt, Esq., of the EFM Law Company, for preparing the section on federal tax provisions; and Christine Elsea-Mandojana, CPA, of Brenner & Elsea-Mandojana, LLC, along with Shannon Smith, Esq., and Hallie Aronson, Esq., of Withers Bergman, for their contributions to the section on foreign accounts and asset reporting.

### Filing Deadlines and Extensions

The deadline for filing 2018 individual income tax returns is April 15, 2019. Anyone posted abroad is allowed an automatic two-month extension to file. To use it, write "taxpayer abroad" at the top of your 1040 and attach a statement explaining that you are living outside of the United States, and that your main place of business or post of duty is also outside the United States and Puerto Rico. An additional automatic extension may be obtained by filing Form 4868. There are no late-filing or late-payment penalties for returns filed and taxes paid by the respective extension dates (June 17 and Oct. 15), but the IRS will charge interest on any amount owed from April 15 to the date it receives payment and late payment fees.

## The New 1040 Is Much Shorter ... But One of Six New Schedules May Be Required

IRS Form 1040 appears to be much shorter this year. The new form is sufficient for taxpayers who only need to report W-2 income and will only claim the standard deduction. It is so simple that the 1040-A or 1040-EZ from past years has been abolished. However, one of six schedules will be necessary for taxpayers in several circumstances. The new numbered schedules are required for:

(1) Those with other income, such as capital gains or Schedules C or E business income, or for taxpayers who can claim certain deductions like educator expenses, health savings accounts or student loan interest deduction;

(2) Those who owe tax on a child's unearned income or the alternative minimum tax (AMT);

(3) Those who can claim nonrefundable credits such as foreign tax credits, the standard child tax credit or education credits (Form 8863);

(4) Those who owe other taxes such as self-employment, unpaid Social Security and Medicare taxes, or household employment taxes;

(5) Those who can claim certain refundable credits, including overpayments of estimated tax, net premium tax credits and the health coverage tax credit; or

(6) A taxpayer who has a foreign address.

The familiar, lettered schedules may also still be necessary to calculate:

(A) Itemized Deductions. Schedule A has been changed to account for the cap on state and local taxes, home mortgage interest limits and the removal of miscellaneous itemized deductions. There is no longer an overall cap on itemized deductions, but miscellaneous itemized deductions have been eliminated;

(C) Profit or Loss from a Sole Proprietorship;

(D) Capital Gains & Losses; and

2018 Individual Income Tax Rates & Brackets				
Unmarried Filers				
Bracket	Lower Limit	Upper Limit	Max Tax Per Individual Bracket	Max Possible Incremental Tax for Income Within Bracket Range
10%	\$0	\$9,525	\$952.50	\$952.50
12%	\$9,526	\$38,700	\$3,501	\$4,453.50
22%	\$38,701	\$82,500	\$9,636	\$14,089.50
24%	\$82,501	\$157,500	\$18,000	\$32,089.50
32%	\$157,501	\$200,000	\$13,600	\$45,689.50
35%	\$200,001	\$500,000	\$105,000	\$150,689.50
37%	\$500,001	-	37% of Income over \$500k	\$151k + 37% of Income over \$500k
Married Filing Jointly				
Bracket	Lower Limit	Upper Limit	Max Tax Per Individual Bracket	Max Possible Incremental Tax for Income Within Bracket Range
10%	\$0	\$19,050	\$1,905	\$1,905
12%	\$19,051	\$77,400	\$7,002	\$8,907
22%	\$77,401	\$165,000	\$19,272	\$28,179
24%	\$165,001	\$315,000	\$36,000	\$64,179
32%	\$315,001	\$400,000	\$27,200	\$91,379
35%	\$400,001	\$600,000	\$70,000	\$161,379
37%	\$600,001	-	37% of Income over \$600k	\$161k + 37% of Income over \$600k
Head of Household				
Bracket	Lower Limit	Upper Limit	Max Tax Per Individual Bracket	Max Possible Incremental Tax for Income Within Bracket Range
10%	\$0	\$13,600	\$1,360	\$1,360
12%	\$13,601	\$51,800	\$4,584	\$5,944
22%	\$51,801	\$82,500	\$6,754	\$12,698
24%	\$82,501	\$157,500	\$18,000	\$30,698
32%	\$157,501	\$200,000	\$13,600	\$44,298
35%	\$200,001	\$500,000	\$105,000	\$149,298
37%	\$500,001	-	37% of Income over \$500k	\$149k + 37% of Income over \$500k

(E) Supplemental Profit or Loss from Realty, Partnerships or LLCs, S-Corporations, trusts or estates.

Note that the standard deduction, qualified business income deduction (QBI), child tax credit and credit for other dependents are still reported on the 1040. The 1040 instructions and relevant IRS product pages explain more about each of these schedules and worksheets. Taxpayers who use software or pay a preparer should compare their completed returns with the respective blank forms and schedules to check for errors or missed forms.

### Standard Deduction

The Tax Cuts and Jobs Act of 2017 raised the standard deduction amounts:

- \$12,000 for individuals filing separately;
- \$24,000 married filing jointly;
- \$18,000 for heads of household.

Small additional amounts are allowed for dependents, the elderly and blind taxpayers.

### Personal Exemption

The Tax Cuts and Jobs Act eliminated the personal exemption. Beginning in 2019, the IRS will issue a revised W-4 that will no longer offer withholding exemptions.

### Child Tax Credit, Additional Credit and Dependent Credit

Any lost benefits from the reduced personal exemption are partially made up for by the increased child tax credit—now \$2,000 per qualifying child up to age 17. This includes:

- (1) A taxpayer's child, sibling, stepsibling, half-sibling or their descendant;
- (2) With the same principal place of abode for half the tax year;
- (3) Who meets certain age requirements (i.e., minors);
- (4) Does not provide more than half their own support; and
- (5) Does not file a joint return with their spouse.

The \$2,000 credit per qualifying child begins to phase out for those with a modified adjusted gross income of \$200,000 (\$400,000 for married filing jointly). Similarly, a nonrefundable credit of up to \$500 is available for eligible dependents who do not qualify as children. Both are calculated on the IRS Child Tax Credit and Credit for Other Dependents Worksheet. The worksheet, along with a flow chart for determining “Who Qualifies as Your Dependent,” can be found in the 1040 instructions.

### Official Relocation Expenses Paid by the State Department under IRC Sec. 912 Remain

In April 2018, Charleston General Financial Services (CGFS) advised AFSA that, based on an unofficial opinion from the IRS, all travel authorized under Section 901 of the Foreign Service Act, which includes Permanent Change of Station (PCS), R&R, emergency visitation travel and medevacs, is exempt from taxation under the terms of IRC Section 912.

### Foreign Earned Income Exclusion

The Tax Cuts and Jobs Act of 2017 did not change the laws governing the FEIE. As such, taxpayers living and working overseas may be eligible for this exclusion, but not if they are employees of the U.S. government. In 2018, the first \$103,900 earned overseas as a (non-USG) employee or self-employed person may be exempt from income taxes but not self-employment taxes.

To receive this exclusion the taxpayer must:

(1) Establish a tax home in a foreign country, which is the general area of the taxpayer’s “main place of business, employment or post of duty.” (In other words, where the taxpayer is “permanently or indefinitely engaged to work as an employee or self-employed individual.”) and

(2) Either (a) meet the “bona-fide residence” test, which requires that the taxpayer has been a bona-fide resident of a foreign country for an uninterrupted period that includes an entire tax year, or (b) meet the “physical presence” test, which requires the taxpayer to be present in a foreign country for at least 330 full (midnight-to-midnight) days during any 12-month

### CHILD CARE TAX CREDIT WHEN OVERSEAS

To claim the child care tax credit while serving overseas, you must submit IRS Form 2441. Pursuant to the 2441 instructions: “If you are living abroad, your care provider may not have, and may not be required to get, a U.S. taxpayer identification number (e.g., SSN or Employer Identification Number). If so, enter ‘LAFCP’ (Living Abroad Foreign Care Provider) in the space for the care provider’s taxpayer identification number.”

period (the period may be different from the tax year).

AFSA understands that IRS auditors have denied the FEIE for Foreign Service spouses and dependents for failing to meet the bona fide residence or tax home elements of this test.

The U.S. Tax Court has explained that the congressional purpose of the FEIE was to offset duplicative costs of maintaining distinct U.S. and foreign households. Increasing ties to the foreign country by personally paying for a foreign household, paying local taxes, waiving diplomatic immunity for matters related to your job, paying for vacation travel back to the United States, becoming a resident of the foreign country and working in the foreign country over the long term are other factors the federal courts have cumulatively recognized as establishing a foreign tax home.

The physical presence test, which requires that 330 full days during a calendar year are spent physically in a foreign country (not just outside the United States, so travel time does not count), has successfully been used by members to meet the second element of the test where bona fide residence cannot be established. If relying on physical presence, you are advised to record all your travel carefully and to keep copies of visas and tickets to substantiate the 330 days if audited.

The U.S. Tax Court took up three FEIE cases in 2018, of which the most relevant to the Foreign Service was *O’Kagu v. IRS*, 151 T.C. No. 6 (Sept. 19, 2018). There, a binding D.C. Circuit Court precedent required the Tax Court to conclude that Sidney O’Kagu was an employee of the U.S. government for tax purposes. As such, he did not qualify for the FEIE, despite his argument that the Office of Management and Budget categorized him as a contractor under 22 USC Sec. 2669(c). All three cases are available via Google Scholar by searching “foreign earned” income.

Important note on claiming FEIE: Taxpayers must add the amount excluded under the FEIE back to AGI to figure what their tax liability would be, then exclude the tax that would have been due on the excludable income alone, to properly calculate their tax liability with an FEIE exclusion. For example: A Foreign Service employee earns \$80,000 and their teacher spouse earns \$30,000. All else being equal, tax liability on \$110,000 gross income is \$16,079; tax on \$30,000 foreign income is \$3,219; and, therefore, net tax liability is \$16,079 minus \$3,219, or \$12,860.

### Foreign Accounts & Asset Reporting

When a U.S. person (defined as a citizen, resident or green card holder) has offshore income, assets, accounts and/or entities, their U.S. income tax and reporting obligations can become a minefield of potential penalties. Many additional reporting forms apply to such taxpayers, but only a handful of accountants have the expertise to identify which forms need



to be completed and how to complete them correctly. The penalties for mistakes and missing forms can be astronomical.

U.S. persons are taxed on their worldwide income. Members of the Foreign Service must report a wide variety of offshore assets and transactions pertaining to offshore activities on specific U.S. reporting forms, even if they are stationed abroad. For example, the Foreign Bank and Financial Accounts Report (FBAR), which is filed separately from the tax return, must be filed by U.S. persons with bank accounts and other reportable offshore financial interests (including some life insurance policies and pensions) that have an aggregate value exceeding \$10,000 for any moment during the year. A misstatement on Schedule B can be used against a taxpayer.

Failing to report an account on an FBAR, intentionally or unintentionally, can lead to penalties from \$12,459 per account, per year (for conduct that is deemed non-willful) to the greater of \$124,588 or 50 percent of account balances per account, per year (for conduct that is deemed willful), along with a host of other criminal penalties up to and including jail time. To make matters worse, FBAR penalties can be greater than the value of the asset.

In a similar vein, U.S. persons with ownership or signature authority over a foreign bank account of any value must include this in Part III of Schedule B of Form 1040. This often-overlooked section is critically important and lets the IRS know whether it can expect an FBAR filing for a taxpayer in a given year. Since Form 1040 is signed by the taxpayer under penalty of perjury, a misstatement on this schedule can be used against a taxpayer.

Taxpayers with interests in some foreign financial assets must also file Form 8938 if the total value of such assets exceeds the applicable statutory reporting threshold (i.e., for unmarried persons living in the United States, more than \$50,000 on the last day of the tax year or more than \$75,000 at any time during the tax year). Errors relating to this form may result in a penalty in excess of \$10,000. In addition, the statute of limitations for assessment on a foreign asset reporting form (including, but not limited to, Form 8938) remains open for three years after the date on which the form is ultimately filed.

There are also specific reporting forms for taxpayers who:

- 1) have interests in or engage in transactions with offshore entities, trusts and pensions;
- 2) have investments in foreign mutual funds;
- 3) receive substantial gifts from non-U.S. persons; and
- 4) wish to claim the benefit of a treaty-based return position.

Many of these reporting forms must be filed even if they have no impact on tax liability.

Taxpayers with foreign assets may want to work with a qualified tax professional, experienced in the realm of foreign asset

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### **Itemized Deductions, Particularly Disallowed Miscellaneous Deductions**

Although the overall limit on specific itemized deductions does not apply for 2018, miscellaneous itemized deductions have been eliminated for 2018. Travel expenses for a job, union dues, professional education, tax preparation fees, investment expenses and other expenses for the production of taxable income are among the miscellaneous itemized deductions for individuals that can no longer be deducted (compare 2017 with 2018 Schedule A). For Foreign Service members, unreimbursed employee expenses (which include home leave expenses) will not be deductible on Schedule A in 2018. One silver lining is that W-2 employees probably will not have to complete a Schedule A, while contractors and small businesses operating as sole proprietors, LLCs or S-corporations can deduct many of these same expenses on Schedules C and E.

### **A New Deduction: QBID**

The 2017 tax reform legislation left us with this new deduction, the qualified business income deduction (QBID), deemed important enough to be included on the revised 1040. While it may be very attractive to deduct up to 20 percent of qualified income from a qualified trade or business in addition to 20 percent of qualified real estate investment trust (REIT) income or qualified publicly traded partnership (PTP) income, the devil is in the details.

All caveats for the four separate legal definitions can be found in IRC Sec. 199A, which is long, complex and difficult to understand. Start instead by reading the instructions for 1040 line 9 and the simplified QBID worksheet to determine if you qualify. Tax services and software companies are also publishing more reader-friendly information on this topic with varying degrees of reliability (and terms of service disclaimers). Publication 535 will likely be useful after it is revised for 2018. If after studying these resources you still believe you qualify for the QBID, contact a tax preparer competent in this area.

### **Itemized Deductions That Are Still Allowed Taxes, Including State & Local Real Property & Income Taxes**

There are only four kinds of deductible nonbusiness taxes: (1) State and local real property taxes; (2) State and local personal property taxes; (3) State, local and foreign income, war profits and excess profits taxes; and (4) generation-skipping transfer tax on income distributions. State and local general sales taxes may be deducted in lieu of (not in addition to) income taxes.

Foreign sales tax (Value Added Tax) is not deductible.

In 2018, the aggregate amount of taxes 1, 2 and 3 and sales taxes deducted in lieu of income taxes is capped at \$10,000 for married filing joint or individual returns (\$5,000 per person if married filing separately). Foreign real and personal property taxes may not be deducted. State and local income taxes for 2018 are treated as if they were paid that year, even if they were paid in 2017. Finally, there is no \$10,000 limit for these taxes if they are paid while carrying on a trade or business. AFSA recommends that taxpayers wishing to claim this deduction read IRS tax topic 503 and IRC Section 164.

### **Medical & Dental Expenses**

In 2018, taxpayers can deduct medical expenses to the extent they exceed 7.5 percent of their adjusted gross income (AGI), including health and long-term care insurance, but not health insurance premiums deducted from government salaries. The current law increases this floor to 10 percent of AGI in 2019 (filed April 2020). AFSA recommends that members claiming these deductions read IRS publication 502, tax topic 502 and IRC Section 213.

### **Charitable Contributions**

Up to 60 percent of a taxpayer's income base can be deducted for charitable contributions. Common issues include contributing to a qualified organization, properly documenting contributions of \$250 or more, accounting for benefits received in return for donations and calculating the income base. AFSA recommends Publication 526 and IRC Section 170.

### **Home Mortgage Interest**

The cost of personal borrowing is not usually deductible. However, qualifying mortgage interest on loan balances of up to \$750,000 of for acquisition debt for married filing jointly or individual returns (\$375,000 per person for married filing separately) and up to \$100,000 home equity debt (\$50,000 married filing separately) for loans secured by a primary or secondary residence that are also used to improve that residence may qualify for a deduction. Home equity debt used to fund any purpose other than to purchase or improve the qualifying residence is no longer deductible. AFSA recommends IR 2018-32, Publication 936, and IRC Sections 163(h) and 163(h)(3)(F) for further reading on this and on the deductibility of "points" on a mortgage.

### **Business Use of Home & U.S. Real Property Held for the Production of Income**

Taxpayers may still be entitled to deductions for the business use of part of a home.

When income is earned by renting out the home, for





example, deductions the taxpayer claims for mortgage interest remain deductible beyond the limits discussed above; however, they become an expense for the production of rental income instead of a personal deduction under the mortgage interest expense provisions (Schedule E rather than Schedule A).

This distinction has new significance due to the limits on the cost of mortgage interest for personal use and the cap on state and local taxes. Amounts in excess of these limits may be deductible, as are depreciation, repairs and operating expenses beyond the above limits.

Note that depreciation of business property must be accounted for and claimed in the tax year it occurs. Failure to do so will result in the loss of the deduction during the rental period of the property, but the taxpayer will still have to pay the IRS back for a depreciated basis when they eventually sell.

AFSA recommends consulting a professional in addition to Topic 509, Publication 587, the instructions for Form 8829, and IRC Sections 162, 212 and associated regulations. Professional assistance will also be necessary for a possible IRC Section 1031 Exchange of like-kind, real property located in the United States, which is held for the production of income (not a personal residence).

### **Selling a Principal Residence**

A taxpayer may still exclude up to \$250,000 (\$500,000 if married filing jointly) of long-term capital gain (but not the aforementioned repayment of unclaimed rental depreciation) from the sale of a principal residence. To qualify for the full exclusion amount, the taxpayer: (1) must have owned the home and lived there for at least two of the last five years, beginning on the date first occupied, before the date of the sale (but see Military Families Relief Act, below); (2) cannot have acquired the home in a 1031 exchange within the five years before the date of the sale; and (3) cannot have claimed this exclusion during the two years before the date of the sale.

An exclusion of gain for a fraction of these upper limits may be possible if one or more of the above requirements are not met. Taxpayers who sell their principal residence for a profit of more than \$250,000 (\$500,000 for married filing jointly) will owe capital gains tax on the excess. AFSA recommends Topic 701, Publication 523, IRC Sec. 121 and related regulations.

**Circular 230 Notice:** Pursuant to U.S. Treasury Department Regulations, all tax advice herein is not intended or written to be used, and may not be used, for the purposes of avoiding tax-related penalties under the Internal Revenue Code or promoting, marketing or recommending advice on any tax-related matters.

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Please send cover letter and CV to  
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### **Military Families Tax Relief Act of 2003**

According to the Military Families Tax Relief Act of 2003, the five-year period described above, beginning on the date you first occupy your residence, may be suspended for members of the Foreign Service for any 10-year period during which the taxpayer has been away from the area on a Foreign Service assignment, up to a maximum of 15 total years.

Failure to meet all of the requirements for this tax benefit (points (1) through (3) in the Selling a Principal Residence section above) does not necessarily disqualify the taxpayer from claiming the exclusion. However, the services of a tax professional will probably be necessary if one of these requirements is not met. In addition to the recommended reading from the previous section, AFSA recommends IRC Sec. 121(d)(9) and 26 CFR Sec. 1.121-5.

### **Adjustments & Basis in Your Property**

Tracking a property's basis begins with its cost (either to purchase or build). Taxpayers most commonly want to track the basis of their home. This calculation encompasses cash paid, money borrowed to purchase, debt forgiven in lieu of cash given and the fair market value of property or services exchanged as part of the transaction. Associated taxes, commissions and mortgage settlement fees also form part of the initial cost basis. When building, some investments in construction, improvements during ownership and improvements over the life of the asset (new rooms and fixed structures like decks, windows, roofs, and siding) must be added to the basis of the home.

Basis might be reduced (adjusted downward) for casualty losses, outstanding debt forgiven or dispositions of the property. The basis of depreciable property (structures, not land) that has been converted for business use (like renting out a home) must be recovered by depreciation and amortization each year. Note the availability of "bonus depreciation" for capital assets used in business, subject to wear and tear, that are acquired from 2018 through the end of 2025. Failing to depreciate still reduces basis at the time of the sale (though the tax benefit of depreciation cannot then be recovered).

Capital outlays and expenses of selling the home will also offset any gain from a sale. That gain includes cash and the fair market value of other property received or debt discharged. The legal and financial effects of various home uses, investments and costs can be less than intuitive, which is one reason AFSA recommends the services of a tax professional.

Foreign Service members should track the basis, adjustments and financial effects of legal acts like gifting, inheritance or business use of major assets (like your home).

Read Tax Topic 703, Publication, 551, 1040 Schedule D with instructions, IRC Sections 1011, 1012 and 1014 through 1017 and associated tax regulations beginning at 26 CFR Sec. 1.1012-1.

Recent iterations of the annual tax seminar offered by Christine Elsea-Mandojana through the Foreign Service Institute have illustrated how mistakes in tracking basis can result in incorrectly reported gain or loss from the sale of a principal residence.

### **Federal Estate & Gift Taxes**

In 2018, the first \$11.2 million of a decedent's aggregate estate was exempt from the federal estate tax. That amount will increase to \$11.4 million for decedents (up to \$22.8 million for the surviving spouse with a portability election on Form 1041) who pass away in 2019. The same amounts would apply to (and are reduced by) lifetime gift-giving over the annual tax-free gift exclusion. The limit on the exclusion for gifts given in 2019 remains \$15,000 (\$30,000 for gifts split by married couples).

### **Retirement Savings**

Finally, in 2019 the limit on contributions to 401(k)s and the Thrift Savings Plan will increase to \$19,000 for individuals. The limit on IRA contributions will increase to \$6,000 per person.

### **Conclusion**

The 2018 tax year is the first to be affected by the Tax Cuts and Jobs Act of 2017 and administrative reforms by the IRS. Some reforms, such as combining the personal exemption with the standard deduction and augmenting the child tax credit will further improve the W-2 beginning in 2019. Other changes, like adding six new schedules to make good on a campaign promise about filing taxes on a post card, are less exciting and may actually make filing taxes more complicated.

The effect of all this appears to be an overall reduced tax bill for most Americans and businesses with income taxed in the United States. This occurs in the context of a 2017 bull market, 2018 bear market, improved consumer confidence and a moderate rebalance in the midterm. AFSA hopes the advice and references here educate members as they determine the extent of their tax liability under the current law and as we await further changes in 2019. ■

## 2018 STATE TAX PROVISIONS

### Liability

Every employer, including the State Department and other foreign affairs agencies, is required to withhold state taxes for the location where the employee either lives or works. Employees serving overseas, however, must maintain a state of domicile in the United States where they may be liable for income tax; the consequent tax liability that employees face will vary greatly from state to state.

Further, the many laws on taxability of Foreign Service pensions and annuities also vary by state. This section briefly covers both those situations; in addition, see the separate box on state tax withholding for State employees. We also encourage you to read the CGFS Knowledge Base article on the Tax Guide page of the AFSA website.

### Domicile and Residency

There are many criteria used in determining which state is a citizen's domicile. One of the strongest determinants is prolonged physical presence, a standard that Foreign Service personnel frequently cannot meet due to overseas service. In such

cases, the states will make a determination of the individual's income tax status based on other factors, including where the individual has family ties, has been filing resident tax returns, is registered to vote, has a driver's license, owns property or where the person has bank accounts or other financial holdings.

In the case of Foreign Service employees, the domicile might be the state from which the person joined the Service, where his or her home leave address is or where he or she intends to return upon separation. For purposes of this article, the term "domicile" refers to legal residence; some states also define it as permanent residence. "Residence" refers to physical presence in the state. Foreign Service personnel must continue to pay taxes to the state of domicile (or to the District of Columbia) while residing outside of the state, including during assignments abroad, unless the state of residence does not require it.

Members are encouraged to review the Overseas Briefing Center's Guide to Residence and Domicile, available on AFSA's website at [www.afsa.org/domicile](http://www.afsa.org/domicile).

### Domestic Employees in the D.C. Area

Foreign Service members residing in the metropolitan Washington, D.C., area are generally required to pay income tax to the District of Columbia, Maryland or Virginia, in addition to paying tax to the state of their domicile.

Virginia requires tax returns from most temporary residents.

## TAX WITHHOLDING WHEN ASSIGNED DOMESTICALLY

The State Department withholds an employee's state taxes according to his or her "regular place of duty" when assigned domestically—for details, see "New Procedures for Withholding and Reporting Employees' State and District of Columbia Income Taxes," Announcement No. 22394 (Nov. 4, 2014; available via the intranet). This reflects some jurisdictions' imposition of income taxes on nonresidents who derive income within their boundaries despite residence or domicile elsewhere.

Members residing or domiciled in a jurisdiction other than the one in which they earn income may need state taxes to be withheld for their residence and domicile jurisdictions. If you reside or are domiciled in a jurisdiction other than that of your regular place of duty, you may secure an exemption from this withholding method by satisfying the requirements detailed by CGFS Knowledgebase (available via the intranet at <http://kb.gfs.state.gov/>) Issue 39479.

Note that the Bureau of the Comptroller and Global

Financial Services does not adjudicate state income tax elections when you are serving overseas, since in those circumstances, it is the employee's responsibility to accurately designate a state for which income taxes will be withheld. However, on the employee's return to a domestic assignment, CGFS will evaluate the employee's state tax withholding election based on his or her new official domestic duty station pursuant to Announcement No. 22394.

Finally, this determination does not mean that you must relinquish your state of domicile if it is different than your official duty station. "Domicile" and "residence" are different from "regular place of duty." As long as you maintain your ties to your home state you will be able to change your withholdings, if you so wish, back to your home state when you go overseas. See the Overseas Briefing Center's guide to Residence and Domicile, available on AFSA's website at [www.afsa.org/domicile](http://www.afsa.org/domicile).

Most states allow a credit, however, so that the taxpayer pays the higher tax rate of the two states, with each state receiving a share.

We recommend that you maintain ties with your state of domicile—by, for instance, continuing to also file tax returns in that state if appropriate—so that when you leave the D.C. area for another overseas assignment, you can demonstrate to the District of Columbia, Virginia or Maryland your affiliation to your home state.

Also, if possible, avoid using the D.C. or Dulles, Va., pouch Zip code as your return address on your federal return because, in some cases, the D.C. and Virginia tax authorities have sought back taxes from those who have used this address.

### States That Have No Income Tax

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 earned income, but do tax profits from the sale of bonds and property.

### States That Do Not Tax Nonresident Domiciliaries

There are 10 states that, under certain conditions, do not tax income earned while the taxpayer is outside the state: California, Connecticut, Idaho, Minnesota, Missouri, New Jersey, New York, Oregon, Pennsylvania (but see entry for that state below) and West Virginia.

The requirements for all except California, Idaho and Oregon are that the individual should not have a permanent “place of abode” in the state, should have a permanent “place of abode” outside the state, and should not be physically present for more than 30 days during the tax year. California allows up to 45 days in the state during a tax year.

All 10 states require the filing of nonresident returns for all income earned from in-state sources. Foreign Service employees should also keep in mind that states could challenge the status of overseas government housing in the future.

“State Overviews” below gives brief state-by-state information on tax liability, with addresses provided to get further information or tax forms. Tax rates are provided where possible.

As always, members are advised to double-check with their state’s tax authorities. While AFSA makes every attempt to provide the most up-to-date information, readers with specific questions should consult a tax expert in the state in question. We provide the website address for each state’s tax authority in the state-by-state guide, and an email address or link where available. Some states do not offer email customer service.

We also recommend the Tax Foundation website at [www.tax-foundation.org](http://www.tax-foundation.org), which provides a great deal of useful information, including a table showing tax rates for all states for 2018.

## STATE OVERVIEWS

### 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 individual income tax rates range from 2 percent on taxable income over \$500 for single taxpayers and \$1,000 for married filing jointly, to 5 percent over \$3,000 for single taxpayers and \$6,000 for married filing jointly.

Write: Alabama Department of Revenue, 50 N. Ripley, Montgomery AL 36104.

Phone: (334) 242-1170

Website: <https://revenue.alabama.gov>

Email: Link through the website, “About Us,” then “email us.”

### ALASKA

Alaska does not tax individual income or intangible or personal property. It has no state sales and use, franchise or fiduciary tax. However, some municipalities levy sales, property and use taxes.

Write: Tax Division, Alaska Department of Revenue, P.O. Box 110420, Juneau AK 99811-0420.

Phone: (907) 465-2320

Website: [www.tax.state.ak.us](http://www.tax.state.ak.us)

### ARIZONA

Individuals domiciled in Arizona are considered residents and are taxed on any income that is included in the Federal Adjusted Gross Income, regardless of their physical presence in the state. Arizona’s tax rate ranges in five brackets from a minimum of 2.59 percent to a maximum of 4.54 percent of taxable income over \$310,317 married filing jointly or \$155,159 for single filers.

Write: Arizona Department of Revenue, Customer Care, P.O. Box 29086, Phoenix AZ 85038-9086.

Phone: (602) 255-3381

Website: [www.azdor.gov](http://www.azdor.gov)

Email: [taxpayerassistance@azdor.gov](mailto:taxpayerassistance@azdor.gov)

### ARKANSAS

Individuals domiciled in Arkansas are considered residents and are taxed on their entire income, regardless of their physical presence in the state. The Arkansas tax rate ranges in six brackets from a minimum of 2.4 percent to a maximum of 6.9 percent of net taxable income over \$82,600.

Write: Department of Finance and Administration, Income Tax Section, P.O. Box 3628, Little Rock AR 72203-3628.

Phone: (501) 682-1100

Website: [www.arkansas.gov/dfa](http://www.arkansas.gov/dfa)

Email: Use Contact Form on “Contact Us” page of the website.

## CALIFORNIA

Foreign Service employees domiciled in California must establish non-residency to avoid liability for California taxes (see Franchise Tax Board Publication 1031). However, a “safe harbor” provision allows anyone who is domiciled in state but is out of the state on an employment-related contract for at least 546 consecutive days to be considered a nonresident. This applies to most FS employees and their spouses, but members domiciled in California are advised to study FTB Publication 1031 for exceptions and exemptions. The California tax rate for 2018 ranges in eight brackets from 1 percent of taxable income under \$8,544 for singles and \$17,088 for joint filers, to a maximum of 12.3 percent on taxable income over \$572,980 for singles and \$1,145,960 for joint filers. Nonresident domiciliaries are advised to file on Form 540NR.

Write: Personal Income Taxes, Franchise Tax Board, P.O. Box 942840, Sacramento CA 94240-0040.

Phone: (800) 852-5711 (inside the U.S.); (916) 845-6500 (outside the U.S.)

Website: [www.ftb.ca.gov](http://www.ftb.ca.gov)

Email: Link through the website’s “Contact Us” tab.

## 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 4.63 percent of federal taxable income, plus or minus allowable modifications.

Write: Department of Revenue, Taxpayer Service Division, P.O. Box 17087, Denver CO 80217-0087.

Phone: (303) 238-7378

Website: [www.colorado.gov/revenue](http://www.colorado.gov/revenue)

Email: Link through the website’s “Contact Us” tab on the “Taxation” page.

## CONNECTICUT

Connecticut domiciliaries may qualify for nonresident tax treatment under either of two exceptions as follows: Group A—the domiciliary 1) did not maintain a permanent place of abode inside Connecticut for the entire tax year; and 2) maintains a permanent place of abode outside the state for the entire tax year; and 3) spends not more than 30 days in the aggregate in the state during the tax year.

Group B—the domiciliary 1) in any period of 548 consecutive days, is present in a foreign country for at least 450 days;

and 2) during the 548-day period, is not present in Connecticut for more than 90 days; and 3) does not maintain a permanent place of abode in the state at which the domiciliary’s spouse or minor children are present for more than 90 days.

Connecticut’s tax rate for married filing jointly rises from 3 percent on the first \$20,000 in six steps to 6.9 percent of the excess over \$500,000, and 6.99 percent over \$1,000,000. For singles it is 3 percent on the first \$10,000, rising in six steps to 6.9 percent of the excess over \$250,000 and 6.99 percent over \$500,000.

Write: Department of Revenue Services, 450 Columbus Blvd, Suite 1, Hartford CT 06103.

Phone: (860) 297-5962

Website: [www.ct.gov/drs](http://www.ct.gov/drs)

Email: Contact through the “Contact us” page on the website.

## 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 graduated tax rate rises in six steps from 2.2 percent of taxable income under \$5,000 to 6.6 percent of taxable income over \$60,000.

Write: Division of Revenue, Taxpayers Assistance Section, State Office Building, 820 N. French St., Wilmington DE 19801.

Phone (302) 577-8200

Website: [www.revenue.delaware.gov](http://www.revenue.delaware.gov)

Email: [personaltax@state.de.us](mailto:personaltax@state.de.us)

## 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. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the District for 183 days or more. The District’s tax rate is 4 percent if income is less than \$10,000; \$400 plus 6 percent of excess over \$10,000 if between \$10,000 and \$40,000; \$2,200 plus 6.5 percent of excess over \$40,000; \$3,500 plus 8.5 percent of the excess over \$60,000; \$28,150 plus 8.75 percent of any excess above \$350,000; and 8.95 percent over \$1,000,000.

Write: Office of Tax and Revenue, Customer Service Center, 1101 4th St. SW, Suite 270 West, Washington DC 20024.

Phone: (202) 727-4829

Website: [www.otr.cfo.dc.gov](http://www.otr.cfo.dc.gov)

Email: [taxhelp@dc.gov](mailto:taxhelp@dc.gov)

**FLORIDA**

Florida does not impose personal income, inheritance, gift or intangible personal property taxes. Property tax (homestead) exemptions are only available if you own and permanently reside on the property. Sales and use tax is 6 percent. There are additional county sales taxes which could make the combined rate as high as 9.5 percent.

Write: Taxpayer Services, Florida Department of Revenue, 5050 W. Tennessee St., Bldg. L, Tallahassee FL 32399-0100.

Phone: (850) 488-6800

Website: [floridarevenue.com/taxes](http://floridarevenue.com/taxes)

Email: Link through the website, go to "Taxes," then "Tax Information," then "Questions?"

**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 has a graduated tax rate rising in six steps to a maximum of 6 percent of taxable income over \$10,000 and above for joint married filers and \$7,000 for single filers.

Write: Georgia Department of Revenue, Taxpayer Services Division, 1800 Century Blvd. NE, Atlanta GA 30345-3205.

Phone: (877) 423-6711, Option #2; or contact through Georgia Tax Center (login required).

Website: <http://dor.georgia.gov/taxes>

**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. For tax year 2018, Hawaii's tax rate rises in 12 steps from 1.4 percent on taxable income below \$2,400 for single filers and \$4,800 for joint filers, to a maximum of 11.00 percent for taxable income above \$200,000 for single filers and \$400,000 for joint filers.

Write: Oahu District Office, Taxpayer Services Branch, P.O. Box 259, Honolulu HI 96809-0259.

Phone: (800) 222-3229 or (808) 587-4242

Website: <http://tax.hawaii.gov>

Email: [Taxpayer.Services@hawaii.gov](mailto:Taxpayer.Services@hawaii.gov)

**IDAHO**

Individuals domiciled in Idaho for an entire tax year are considered residents and are subject to tax on their entire income. However, you are considered a nonresident if: 1) you are an Idaho resident who lived outside of Idaho for at least 445 days in a 15-month period; and 2) after satisfying the 15-month period, you spent fewer than 60 days in Idaho during the year; and 3) you did not have a personal residence in Idaho for yourself or your family during any part of the

calendar year; and 4) you did not claim Idaho as your federal tax home for deducting away-from-home expenses on your federal return; and 5) you were not employed on the staff of a U.S. senator; and 6) you did not hold an elective or appointive office of the U.S. government other than the armed forces or a career appointment in the U.S. Foreign Service (see Idaho Code Sections 63-3013 and 63-3030). In 2018 Idaho's tax rate rises in six steps from a minimum of 1.125 percent to a maximum of 6.925 percent on the amount of Idaho taxable income over \$11,2793 for singles and \$22,558 for married filers. A nonresident must file an Idaho income tax return if his or her gross income from Idaho sources is \$2,500 or more.

Write: Idaho State Tax Commission, P.O. Box 36, Boise ID 83722-0410.

Phone: (800) 972-7660 or (208) 334-7660

Website: [www.tax.idaho.gov](http://www.tax.idaho.gov)

Email: [taxrep@tax.idaho.gov](mailto:taxrep@tax.idaho.gov)

**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. Effective for income received after June 30, 2017, Illinois Public Act 100-0022 increased the Illinois income tax rate for individuals from a flat rate of 3.75 percent to a flat rate of 4.95 percent of net income.

Write: Illinois Department of Revenue, P.O. Box 19014, Springfield IL 62794-9014.

Phone: (800) 732-8866 or (217) 782-3336

Website: [www.revenue.state.il.us](http://www.revenue.state.il.us)

Email: Link through the website, "Contact Us," then "Taxpayer Answer Center."

**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 is a flat 3.23 percent of Federal Adjusted Gross Income. Several counties also charge a county income tax.

Write: Indiana Department of Revenue, Individual Income Tax, P.O. Box 40, Indianapolis IN 46206-0040.

Phone: (317) 232-2240

Website: [www.in.gov/dor](http://www.in.gov/dor)

Email: Link through the website's "Contact Us" tab.

**IOWA**

Individuals domiciled in Iowa are considered residents and are subject to tax on their entire income to the extent that income is taxable on the person's federal income tax returns. Iowa's 2018 tax rate rises in eight steps from 0.36 percent to a maximum 8.98 percent of taxable income over \$71,910, for

both single and joint filers.

Write: Taxpayer Services, Iowa Department of Revenue,  
 P.O. Box 10457, Des Moines IA 50306-0457.  
 Phone: (800) 367-3388 or (515) 281-3114  
 Website: <https://tax.iowa.gov>  
 Email: Use email form on "Contact Us" page of the website.

## KANSAS

Individuals domiciled in Kansas are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. In 2018 the tax rate is 3.1 percent on Kansas taxable income under \$15,000 for single filers and under \$30,000 for joint filers, rising to 5.7 percent on income over \$30,000 for single filers and \$60,000 for joint filers.

Write: Kansas Taxpayer Assistance Center, Scott State Office Building, 120 SE 10th Street, Topeka, KS 66612-1103.  
 Phone: (785) 368-8222  
 Website: [www.ksrevenue.org](http://www.ksrevenue.org)  
 Email: [kdor\\_tac@ks.gov](mailto:kdor_tac@ks.gov)

## KENTUCKY

Individuals domiciled in Kentucky are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Kentucky's tax rate ranges from 2 percent on the first \$3,000 of taxable income rising in five steps to 6 percent on all taxable income over \$75,000 for both single and joint filers.

Write: Kentucky Department of Revenue, 501 High Street, Frankfort KY 40601.  
 Phone: (502) 564-4581  
 Website: [www.revenue.ky.gov](http://www.revenue.ky.gov)  
 Email: Link through the website's "Contact Us" tab.

## LOUISIANA

Individuals domiciled in Louisiana are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Louisiana's tax rate is 2 percent for the first \$12,500 for single filers or \$25,000 for joint filers, 4 percent over \$12,500 for singles and over \$25,000 for joint filers, and 6 percent for over \$50,000 for single filers or \$100,000 for joint filers.

Write: Taxpayer Services Division, Individual Income Tax Section, Louisiana Department of Revenue, P.O. Box 201, Baton Rouge LA 70821-0201.  
 Phone: (225) 219-0102  
 Website: [www.revenue.louisiana.gov](http://www.revenue.louisiana.gov)  
 Email: Link through the website's "Contact LDR Online tab" on the "Contact Us" page.

## MAINE

Individuals domiciled in Maine are considered residents and are subject to tax on their entire income. Since Jan. 1, 2007, however, there have been "safe harbor" provisions. Under the General Safe Harbor provision, Maine domiciliaries are treated as nonresidents if they satisfy all three of the following conditions: 1) they did not maintain a permanent place of abode in Maine for the entire taxable year; 2) they maintained a permanent place of abode outside Maine for the entire taxable year; and 3) they spent no more than 30 days in the aggregate in Maine during the taxable year. Under the Foreign Safe Harbor provision, Maine domiciliaries are also treated as nonresidents if they are present in a foreign country for 450 days in a 548-day period and do not spend more than 90 days in Maine during that period. Maine's tax rate in 2018 is 5.8 percent on Maine taxable income below \$21,450 for singles and \$42,900 for joint filers, 6.75 percent up to \$50,750 for singles and \$101,550 for married filing jointly, and 7.15 percent over those amounts.

Write: Maine Revenue Services, Income Tax Assistance, P.O. Box 9107, Augusta ME 04332-9107.  
 Phone: (207) 626-8475  
 Website: [www.maine.gov/revenue](http://www.maine.gov/revenue)  
 Email: [income.tax@maine.gov](mailto:income.tax@maine.gov)

## MARYLAND

Individuals domiciled in Maryland are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the state for an aggregated total of 183 days or more. Maryland's tax rate is \$90 plus 4.75 percent of taxable income over \$3,000 up to \$100,000 if filing singly and \$150,000 if filing jointly. It then rises in four steps to \$12,760 plus 5.75 percent of the excess of taxable income over \$250,000 for singles or \$15,072 plus 5.75 percent of the excess over \$300,000 for married filers. In addition, Baltimore City and the 23 Maryland counties impose a local income tax, which is a percentage of the Maryland taxable income, using Line 31 of Form 502 or Line 9 of Form 503. The local factor varies from 1.75 percent in Worcester County (and for nonresidents) to 3.2 percent in Baltimore City, and in Montgomery, Prince George's, Queen Anne's, Wicomico and Howard counties (see website for details for all counties).

Write: Comptroller of Maryland, Revenue Administration Center, Taxpayer Service Section, 110 Carroll Street, Annapolis MD 21411-0001.  
 Phone: (800) 638-2937 or (410) 260-7980  
 Website: [www.marylandtaxes.com](http://www.marylandtaxes.com)  
 Email: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

**MASSACHUSETTS**

Individuals domiciled in Massachusetts are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Salaries and most interest and dividend income are taxed at a flat rate of 5.10 percent for 2018. Some income (e.g., short-term capital gains) remains taxed at 12 percent.

Write: Massachusetts Department of Revenue, Taxpayer Services Division, P.O. Box 7010, Boston MA 02204.

Phone: (617) 887-6367

Website: <http://www.mass.gov/dor>

Email: Link through the website's "Contact Us" tab.

**MICHIGAN**

Individuals domiciled in Michigan are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Michigan's tax is 4.25 percent. Some Michigan cities impose an additional 1- or 2-percent income tax. Detroit imposes an additional 2.4 percent income tax.

Write: Michigan Department of Treasury, Lansing MI 48922.

Phone: (517) 636-4486

Website: [www.michigan.gov/treasury](http://www.michigan.gov/treasury)

Email: [treasIndTax@michigan.gov](mailto:treasIndTax@michigan.gov)

**MINNESOTA**

Individuals domiciled in Minnesota are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Minnesota's tax rate in 2018 is 5.35 percent on taxable income up to \$25,890 for singles or \$37,850 for married joint filers, rising in three steps to a maximum of 9.85 percent on taxable income over \$160,020 for single filers or \$266,700 for married filing jointly.

Write: Minnesota Department of Revenue, 600 North Robert St., St. Paul MN 55146-5510.

Phone: (800) 652-9094 or (651) 296-3781

Website: [www.taxes.state.mn.us](http://www.taxes.state.mn.us)

Email: Use button under "Contact Us."

**MISSISSIPPI**

Individuals domiciled in Mississippi are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Mississippi's tax rate is 3 percent on the first \$5,000 of taxable income (first \$1,000 exempt), 4 percent on the next \$5,000 and 5 percent on taxable income over \$10,000 for all taxpayers, whether filing singly or jointly.

Write: Department of Revenue, P.O. Box 1033, Jackson MS 39215-1033.

Phone: (601) 923-7700

Website: [www.dor.ms.gov](http://www.dor.ms.gov)

Email: Link through the website's "Contact Us" tab.

**MISSOURI**

An individual domiciled in Missouri is considered a nonresident and is not liable for tax on Missouri income if the individual has no permanent residence in Missouri, has a permanent residence elsewhere and is not physically present in the state for more than 30 days during the tax year. Missouri calculates tax on a graduated scale up to \$9,072 of taxable income. Any taxable income over \$9,072 is taxed at a rate of \$315 plus 6 percent of the excess over \$9,072.

Write: Individual Income Tax, P.O. Box 2200, Jefferson City MO 65105-2200.

Phone: (573) 751-3505

Website: <https://dor.mo.gov/contact>

Email: [income@dor.mo.gov](mailto:income@dor.mo.gov)

**MONTANA**

Individuals domiciled in Montana are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. Montana's tax rate for 2018 rises in six steps from 1 percent of taxable income under \$3,000 to a maximum of 6.9 percent of taxable income over \$17,900. See the website for various deductions and exemptions.

Write: Montana Department of Revenue, P.O. Box 5805, Helena MT 59604-5805.

Phone: (866) 859-2254 or (406) 444-6900

Website: <https://mtrevenue.gov>

Email: Link through the website's "Contact Us" tab.

**NEBRASKA**

Individuals domiciled in Nebraska are considered residents and are subject to tax on their entire income regardless of their physical presence in the state. For 2017 the individual income tax rates range in four steps from a minimum of 2.46 percent to a maximum of 6.84 percent of the excess over \$30,420 for singles and \$60,480 for joint filers. If AGI is over \$261,500 for single filers or \$313,800 for joint filers an additional tax of between 0.438 and 0.183 percent is imposed.

Write: Department of Revenue, 301 Centennial Mall South, P.O. Box 94818, Lincoln NE 68509-4818.

Phone: (402) 471-5729

Website: [www.revenue.state.ne.us](http://www.revenue.state.ne.us)

Email: Link through the website's "Contact Us" tab.

**NEVADA**

Nevada does not tax personal income. Sales and use tax varies from 6.85 percent to 8.1 percent depending on local jurisdiction. Additional ad valorem personal and real property taxes are also levied.

Write: Nevada Department of Taxation, 1550 College Pkwy,



Suite 115, Carson City NV 89706.

Phone: (866) 962-3707 or (775) 684-2000

Website: [www.tax.state.nv.us](http://www.tax.state.nv.us)

## NEW HAMPSHIRE

The state imposes no personal income tax on earned income and no general sales tax. The state does levy, among other taxes, a 5 percent tax on interest and dividend income of more than \$2,400 annually for single filers and \$4,800 annually for joint filers, and an 8.5 percent tax on business profits, including sale of rental property. There is no inheritance tax. Applicable taxes apply to part-year residents.

Write: Taxpayer Services Division, P.O. Box 637, Concord NH 03302-0637.

Phone: (603) 230-5000

Website: [www.revenue.nh.gov](http://www.revenue.nh.gov)

## NEW JERSEY

A New Jersey domiciliary is considered a nonresident for New Jersey tax purposes if the individual has no permanent residence in New Jersey, has a permanent residence elsewhere and is not physically in the state for more than 30 days during the tax year. Filing a return is not required (unless the nonresident has New Jersey-source income), but it is recommended in order to preserve domicile status. Filing is required on Form 1040-NR for revenue derived from in-state sources. Tax liability is calculated as a variable lump sum plus a percentage from a minimum of 1.4 percent of taxable gross income up to \$20,000, in three steps to 6.37 percent between \$75,000 and \$500,000, and a maximum of 8.97 percent on taxable gross income over \$500,000 for both single and joint filers.

Write: New Jersey Division of Taxation, Technical Services Branch, P.O. Box 281, Trenton NJ 08695-0281.

Phone: (609) 292-6400

Website: [www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)

Email: Link through the website's "Contact Us" tab.

## NEW MEXICO

Individuals domiciled in New Mexico are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. The basis for New Mexico's calculation is the Federal Adjusted Gross Income figure. Rates rise in four steps from a minimum of 1.7 percent to a maximum of 4.9 percent on New Mexico taxable income over \$16,000 for single filers and \$24,000 for married filing jointly.

Write: New Mexico Taxation and Revenue Department, 1100 South St. Francis Drive, Santa Fe NM 87504.

Phone: (505) 827-0700

Website: [www.tax.newmexico.gov](http://www.tax.newmexico.gov)

Email: Link through the website's "Email Us" tab.

## NEW YORK

There is no tax liability for out-of-state income if you have no permanent residence in New York, have a permanent residence elsewhere and are not present in the state more than 30 days during the tax year or you were in a foreign country for at least 450 days during any period of 548 consecutive days; and you, your spouse and minor children spent 90 days or less in New York State during this 548-day period. Filing a return is not required, but it is recommended to preserve domicile status. The tax rate for 2018 rises in six steps from a minimum of 4.5 percent to 6.33 percent of taxable income over \$21,400 for single filers and \$43,000 for married filing jointly; 6.57 percent on taxable income over \$80,650 for single filers and \$161,550 for joint filers; 6.85 percent on taxable income over \$215,400 for single filers or \$323,200 for joint filers; and 8.82 percent over \$1,077,550 for single filers and over \$2,155,350 for joint filers. In New York City the maximum rate is 3.876 percent over \$90,000 for joint filers and over \$50,000 for single filers. Filing is required on Form IT-203 for revenue derived from New York sources.

Foreign Service employees assigned to USUN for a normal tour of duty are considered to be resident in New York state for tax purposes. See TSB-M-09(2)I of Jan. 16, 2009 at [http://www.tax.ny.gov/pdf/memos/income/m09\\_2i.pdf](http://www.tax.ny.gov/pdf/memos/income/m09_2i.pdf)

Write: New York State Department of Taxation and Finance, Personal Income Tax Information, W.A. Harriman Campus, Albany NY 12227.

Phone: (518) 457-5181

Website: [www.tax.ny.gov](http://www.tax.ny.gov)

Email: Link through the website's "Answer Center" tab.

## NORTH CAROLINA

Individuals domiciled in North Carolina are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. North Carolina's flat tax rate is 5.499 percent for 2018. (For 2019 it will be 5.25 percent.) Residents must also report and pay a "use tax" on purchases made outside the state for use in North Carolina.

Write: North Carolina Department of Revenue, P.O. Box 25000, Raleigh NC 27640-0640.

Phone: (877) 252-3052 or (919) 707-0880

Website: [www.dornc.com](http://www.dornc.com)

## NORTH DAKOTA

Individuals domiciled in North Dakota and serving outside the state are considered residents and are subject to tax on their entire income. For the 2018 tax year, the tax rate ranges in four steps from 1.1 percent on North Dakota taxable income up to \$38,700 for singles and \$64,650 for joint filers to a

maximum of 2.90 percent on taxable income over \$424,950 for singles and joint filers.

Write: Office of State Tax Commissioner, State Capitol, 600 E. Boulevard Ave., Dept. 127, Bismarck ND 58505-0599.

Phone: (701) 328-1247.

Website: [www.nd.gov/tax](http://www.nd.gov/tax)

Email: [individualtax@nd.gov](mailto:individualtax@nd.gov)

## OHIO

Individuals domiciled in Ohio are considered residents and their income is subject to tax, using the Federal Adjusted Gross Income figure as a starting base. Ohio's 2018 tax rate starts at a minimum of 1.98 percent on taxable income over \$10,650, rising in six steps to a maximum of 4.997 percent on taxable income over \$213,350 for single and joint filers. Ohio also charges a school district income tax of between 0.5 and 2 percent, depending on jurisdiction.

Write: Ohio Department of Taxation, Taxpayer Services Center, P.O. Box 530, Columbus OH 43216-0530.

Phone: (800) 282-1780 or (614) 387-0224

Website: [www.tax.ohio.gov](http://www.tax.ohio.gov)

Email: Link through the website's "Contact Us" tab.

## OKLAHOMA

Individuals domiciled in Oklahoma are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Oklahoma's tax rate for 2018 rises in eight stages to a maximum of 5 percent on taxable income over \$7,200 for single filers and \$12,200 for married filing jointly.

Write: Oklahoma Tax Commission, Income Tax, P.O. Box 26800, Oklahoma City OK 73126-0800.

Phone: (405) 521-3160

Website: [www.tax.ok.gov](http://www.tax.ok.gov)

Email: [otcmaster@tax.ok.gov](mailto:otcmaster@tax.ok.gov)

## OREGON

Individuals domiciled in Oregon are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. For 2017, Oregon's tax rate rises from 5 percent on taxable income over \$3,450 for single filers and \$6,900 for married filing jointly, in three steps to 9.9 percent on taxable income over \$125,000 for single filers and \$250,000 for joint filers. Oregon has no sales tax.

Write: Oregon Department of Revenue, 955 Center St. NE, Salem OR 97301-2555.

Phone: (800) 356-4222 or (503) 378-4988

Website: [www.oregon.gov/DOR](http://www.oregon.gov/DOR)

Email: [questions.dor@state.or.us](mailto:questions.dor@state.or.us)

## PENNSYLVANIA

Pennsylvania's tax rate is a flat 3.07 percent. Pennsylvania tax authorities have ruled that Pennsylvania residents in the U.S. Foreign Service are not on active duty for state tax purposes, and thus their income is taxable compensation. For non-Foreign Service state residents, there is no tax liability for out-of-state income if the individual has no permanent residence in the state, has a permanent residence elsewhere and spends no more than 30 days in the state during the tax year. However, Pennsylvania does not consider government quarters overseas to be a "permanent residence elsewhere." Filing a return is not required, but it is recommended to preserve domicile status. File Form PA-40 for all income derived from Pennsylvania sources.

Write: Commonwealth of Pennsylvania, Department of Revenue, Taxpayer Services Department, Harrisburg PA 17128-1061.

Phone: (717) 787-8201

Website: [www.revenue.pa.gov](http://www.revenue.pa.gov)

Email: Link through the website's "Contact Us" tab.

## PUERTO RICO

Individuals who are domiciled in Puerto Rico are considered residents and are subject to tax on their entire income, regardless of their physical presence in the Commonwealth. Normally, they may claim a credit with certain limitations for income taxes paid to the United States on any income from sources outside Puerto Rico. Taxes range from 7 percent of taxable income up to \$25,000 to 33 percent of the taxable income over \$61,500 for all taxpayers.

Write: Departamento de Hacienda, P.O. Box 9024140, San Juan PR 00902-4140.

Phone: (787) 622-0123, Option 8

Website: [www.hacienda.gobierno.pr](http://www.hacienda.gobierno.pr)

Email: [infoserv@hacienda.gobierno.pr](mailto:infoserv@hacienda.gobierno.pr)

## RHODE ISLAND

Individuals domiciled in Rhode Island are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. The 2018 Rhode Island tax rate is 3.75 percent of taxable income up to \$62,550 for all filers, 4.75 percent for income over \$62,550 and 5.99 percent of taxable income over \$149,150 for all filers. Also, a 2010 change treats capital gains as ordinary taxable income. Refer to the tax division's website for current information and handy filing hints, as well as for forms and regulations.

Write: Rhode Island Division of Taxation, Taxpayer Assistance Section, One Capitol Hill, Providence RI 02908-5801.

Phone (401) 574-8829, Option 3

Website: [www.tax.state.ri.us](http://www.tax.state.ri.us)

Email: [Tax.Assist@tax.ri.gov](mailto:Tax.Assist@tax.ri.gov)

## SOUTH CAROLINA

Individuals domiciled in South Carolina are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. South Carolina's 2018 tax rates rise in six steps from 3 percent on the first \$5,940 of South Carolina taxable income to a maximum of 7 percent of taxable income over \$14,860 for all filers.

Write: South Carolina Tax Commission, P.O. Box 125, Columbia SC 29214.

Phone: (844) 898-8542 Option 3, or (803) 898-5000

Website: [www.sctax.org](http://www.sctax.org)

Email: [iitax@dor.sctax.gov](mailto:iitax@dor.sctax.gov) or through the "Contact Us" tab on the website.

## SOUTH DAKOTA

There is no state income tax and no state inheritance tax. State sales and use tax is 4.5 percent; municipalities may add up to an additional 2.75 percent.

Write: South Dakota Department of Revenue, 445 East Capitol Ave., Pierre SD 57501-3185.

Phone: (605) 773-3311.

Website: <http://dor.sd.gov>

Email: Link through the website's "Contact Us" tab.

## TENNESSEE

Salaries and wages are not subject to state income tax, but for 2018 Tennessee imposes a 3 percent tax on most dividends and interest income of more than \$1,250 (single filers) or \$2,500 (joint filers) in the tax year. This is planned to be reduced by 1 percent per year until elimination on Jan. 1, 2021.

Write: Tennessee Department of Revenue (Attention: Taxpayer Services), 500 Deaderick St., Nashville TN 37242.

Phone: (615) 253-0600

Website: [www.tn.gov/revenue](http://www.tn.gov/revenue)

Email: [TN.Revenue@tn.gov](mailto:TN.Revenue@tn.gov)

## TEXAS

There is no state personal income tax. State sales tax is 6.25 percent, with local additions adding up to 2 percent.

Write: Texas Comptroller, P.O. Box 13528, Capitol Station, Austin TX 78711-3528.

Phone: Customer Service Liaison (888) 334-4112

Website: [www.comptroller.texas.gov](http://www.comptroller.texas.gov)

Email: Use email options on "Contact Us" page of the website.

## UTAH

Utah has a flat tax of 5 percent on all income. Individuals domiciled in Utah are considered residents and are subject to Utah state tax. Utah requires that all Federal Adjusted Gross

Income reported on the federal return be reported on the state return regardless of the taxpayer's physical presence in the state. Some taxpayers will be able to claim either a taxpayer tax credit or a retirement tax credit, or both (see website for explanation).

Write: Utah State Tax Commission, Taxpayer Services Division, 210 North 1950 West, Salt Lake City UT 84134.

Phone: (800) 662-4335, Option 0, or (801) 297-2200, Option 0

Website: [www.tax.utah.gov](http://www.tax.utah.gov)

Email: Link through the website's "Contact Us" tab.

## VERMONT

Individuals domiciled in Vermont are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. The 2018 tax rate ranges from 3.35 percent on taxable income under \$38,700 for singles and \$64,600 for joint filers to a maximum of 8.75 percent on taxable income over \$195,450 for singles and \$237,950 for joint filers.

Write: Vermont Department of Taxes, Taxpayer Services Division, 133 State St., Montpelier VT 05633-1401.

Phone: (802) 828-2505

Website: [www.tax.vermont.gov](http://www.tax.vermont.gov)

Email: [tax.individualincome@vermont.gov](mailto:tax.individualincome@vermont.gov) or through the website's "Contact Us" tab.

## VIRGINIA

Individuals domiciled in Virginia are considered residents and are subject to tax on their entire income, regardless of their physical presence in the state. Individuals domiciled elsewhere are also considered residents for tax purposes for the portion of any calendar year in which they are physically present in the state for 183 days or more. These individuals should file using Form 760. In addition, Virginia requires nonresidents to file Form 763 if their Virginia Adjusted Gross Income (which includes any federal salary paid during time they are residing in Virginia) exceeds \$11,950 for single filers and married filing separately, or \$23,900 for married filing jointly.

Individual tax rates are: 2 percent if taxable income is less than \$3,000; \$60 plus 3 percent of excess over \$3,000 if taxable income is between \$3,000 and \$5,000; \$120 plus 5 percent of excess over \$5,000 if taxable income is between \$5,000 and \$17,000; and \$720 plus 5.75 percent if taxable income is over \$17,000. In addition, using Form R-1H, Virginia allows employers of household help to elect to pay state unemployment tax annually instead of quarterly.

Write: Virginia Department of Taxation, Office of Customer Services, P.O. Box 1115, Richmond VA 23218-1115.

Phone: (804) 367-8031

Website: [www.tax.virginia.gov](http://www.tax.virginia.gov)

Email: Link through the website's "Contact Us" tab.

**WASHINGTON**

There is no state income tax and no tax on intangibles such as bank accounts, stocks and bonds. Residents may deduct Washington sales tax on their federal tax returns if they itemize deductions. State tax rate is 6.5 percent; local additions can increase that to 10.4 percent in some areas.

Write: Washington State Department of Revenue, Taxpayer Services, P.O. Box 47478, Olympia WA 98504-7478.  
Phone: (800) 647-7706  
Website: [www.dor.wa.gov](http://www.dor.wa.gov)  
Email: Link through the website's "Contact Us" tab.

**WEST VIRGINIA**

There is 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. However, nonresident domiciliaries are required to file a return on Form IT-140 for all income derived from West Virginia sources. Tax rates rise in four steps from 4 percent of taxable income over \$10,000 for joint and single filers, to 6.5 percent of taxable income for joint and single filers over \$60,000.

Write: Department of Tax and Revenue, The Revenue Center, 1001 Lee St. E., Charleston WV 25337-3784.  
Phone: (800) 982-8297 or (304) 558-3333  
Website: [www.wvtax.gov](http://www.wvtax.gov)  
Email: [TaxHelp@WV.Gov](mailto:TaxHelp@WV.Gov)

**WISCONSIN**

Individuals domiciled in Wisconsin are considered residents and are subject to tax on their entire income, regardless of where the income is earned. Wisconsin's 2018 tax rate rises in four steps from 4 percent on income up to \$11,450 for single filers or \$15,270 for joint filers to a maximum of 7.65 percent on income over \$252,150 for single filers or \$336,200 for joint filers.

Write: Wisconsin Department of Revenue, Customer Service Bureau, P.O. Box 8949, Madison WI 53708-8949.  
Phone: (608) 266-2486  
Website: [www.revenue.wi.gov](http://www.revenue.wi.gov)  
Email: Through the "Contact Us" link on the website.

**WYOMING**

There is no state income tax and no tax on intangibles such as bank accounts, stocks or bonds. State sales tax is 4 percent. Local jurisdictions may add another 2 percent sales tax and 4 percent for lodging.

Write: Wyoming Department of Revenue, Herschler Building, 122 West 25th St., Cheyenne WY 82002-0110.  
Phone: (307) 777-5200  
Website: <http://revenue.wyo.gov/>  
Email: [dor@wyo.gov](mailto:dor@wyo.gov)

**2018 STATE PENSION AND ANNUITY TAX**

The laws regarding the taxation of Foreign Service annuities vary greatly from state to state. In addition to those states that have no income tax or no tax on personal income, there are several states that do not tax income derived from pensions and annuities. For example, Idaho taxes Foreign Service annuities while exempting certain categories of Civil Service employees. Several websites provide more information on individual state taxes for retirees, but the Retirement Living Information Center at [www.retirementliving.com/taxes-by-state](http://www.retirementliving.com/taxes-by-state) is one of the more comprehensive and is recommended for further information.

**ALABAMA**

Social Security and U.S. government pensions are not taxable. The combined state, county and city general sales and use tax rates range from 7 percent to as much as 8.65 percent. See also [www.revenue.alabama.gov/taxpayerassist/retire.pdf](http://www.revenue.alabama.gov/taxpayerassist/retire.pdf).

**ALASKA**

No personal income tax. Most municipalities levy sales and/or use taxes of between 2 and 7 percent and/or a property tax. If over 65, you may be able to claim an exemption.

**ARIZONA**

Up to \$2,500 of U.S. government pension income may be excluded for each taxpayer. There is also a \$2,100 exemption for each taxpayer age 65 or over. Social Security is excluded from taxable income. Arizona state sales and use tax is 5.6 percent, with additions depending on the county and/or city.

**ARKANSAS**

The first \$6,000 of income from any retirement plan or IRA is exempt (to a maximum of \$6,000 overall). Social Security is excluded from taxable income. There is no estate or inheritance tax. State sales and use tax is 6.5 percent; city and county taxes may add another 5.5 percent.

**CALIFORNIA**

Pensions and annuities are fully taxable. Social Security is excluded from taxable income. The sales and use tax rate varies from 7.25 percent (the statewide rate) to 11 percent in some areas. CA Pub 71 lists all rates statewide.

**COLORADO**

Up to \$24,000 of pension or Social Security income can be excluded if the individual is age 65 or over. Up to \$20,000 is exempt if age 55 to 64. State sales tax is 2.9 percent; local additions can increase it to as much as 11.2 percent.

## CONNECTICUT

Pensions and annuities are fully taxable for residents. Social Security is exempt if Federal Adjusted Gross Income is less than \$50,000 for singles or \$60,000 for joint filers. Statewide sales tax is 6.35 percent. No local additions.

## DELAWARE

Government pension exclusions per person: \$2,000 is exempt under age 60; \$12,500 if age 60 or over. There is an additional standard deduction of \$2,500 if age 65 or over if you do not itemize. Social Security is excluded from taxable income. Delaware does not impose a sales tax.

## DISTRICT OF COLUMBIA

Pensions and annuities are fully taxed for residents. Social Security is excluded from taxable income. Sales and use tax is 5.75 percent, with higher rates for some commodities (liquor, meals, etc.).

## FLORIDA

There is no personal income, inheritance, gift tax or tax on intangible property. The state sales and use tax is 6 percent. There are additional county sales taxes, which could make the combined rate as high as 9.5 percent.

## GEORGIA

Up to \$35,000 of retirement income may be excludable for those aged 62 or older or totally disabled. Up to \$65,000 of retirement income may be excludable for taxpayers who are 65 or older. Social Security is excluded from taxable income. Sales tax is 4 percent statewide, with additions of up to 3 percent depending on jurisdiction.

## HAWAII

Pension and annuity distributions from a government pension plan are not taxed in Hawaii. Social Security is excluded from taxable income. Hawaii charges a general excise tax of 4 percent instead of sales tax.

## IDAHO

If the individual is age 65 or older, or age 62 and disabled, Civil Service Retirement System and Foreign Service Retirement and Disability System pensions qualify for a deduction in 2018 of a maximum of \$32,244 for a single return and up to \$48,366 for a joint return. Federal Employees Retirement System and Foreign Service Pension System pensions do not qualify for this deduction. The deduction is reduced dollar for dollar by Social Security benefits. Social Security itself is not taxed. Idaho state sales tax is 6 percent; some local jurisdictions add as much as another 3 percent.

## ILLINOIS

Illinois does not tax U.S. government pensions, TSP distributions or Social Security. State sales tax is 6.25 percent. Local additions can raise sales tax to 11 percent in some jurisdictions.

## INDIANA

If the individual is over age 62, the Adjusted Gross Income may be reduced by the first \$2,000 of any pension, reduced dollar for dollar by Social Security benefits. There is also a \$1,000 exemption if over 65, or \$1,500 if Federal Adjusted Gross Income is less than \$40,000. There is no pension exclusion for survivor annuitants of federal annuities. Social Security is excluded from taxable income. Sales tax and use tax is 7 percent.

## IOWA

Generally taxable. A married couple with an income for the year of less than \$32,000 may file for an exemption, if at least one spouse or the head of household is 65 years or older on Dec. 31, and single persons who are 65 years or older on Dec. 31 may file for an exemption if their income is \$25,000 or less. Social Security is excluded from taxable income. Statewide sales tax is 6 percent; local taxes can add up to another 7 percent.

## KANSAS

U.S. government pensions are not taxed. There is an extra deduction of \$850 if over 65. Social Security is exempt if Federal Adjusted Gross Income is under \$75,000. State sales tax is 6.5 percent, with additions of between 1 and 4 percent depending on jurisdiction.

## KENTUCKY

Government pension income is exempt if retired before Jan. 1, 1998. If retired after Dec. 31, 1997, pension/annuity income up to \$41,110 remains excludable for 2018. Social Security is excluded from taxable income. Sales and use tax is 6 percent statewide, with no local sales or use taxes.

## LOUISIANA

Federal retirement benefits are exempt from state income tax. There is an exemption of \$6,000 of other annual retirement income received by any person age 65 or over. Married filing jointly may exclude \$12,000. Social Security is excluded from taxable income. State sales tax is 5 percent with local additions up to a possible total of 10.75 percent. Use tax is 8 percent regardless of the purchaser's location.

**MAINE**

Recipients of a government-sponsored pension or annuity who are filing singly may deduct up to \$10,000 (\$20,000 for married filing jointly) on income that is included in their Federal Adjusted Gross Income, reduced by all Social Security and railroad benefits. For those aged 65 and over, there is an additional standard deduction of \$1,600 (filing singly) or \$2,600 (married filing jointly). General sales tax is now 5.5 percent; 8 percent on meals and liquor.

**MARYLAND**

Those over 65 or permanently disabled, or who have a spouse who is permanently disabled, may under certain conditions be eligible for Maryland's maximum pension exclusion of \$30,600 in tax year 2018. Also, all individuals 65 years or older are entitled to an extra \$1,000 personal exemption in addition to the regular \$3,200 personal exemption available to all taxpayers. Social Security is excluded from taxable income. See the worksheet and instructions in the Maryland Resident Tax Booklet. General sales tax is 6 percent; 9 percent on liquor.

**MASSACHUSETTS**

Federal pensions and Social Security are excluded from Massachusetts gross income. Each taxpayer over age 65 is allowed an additional \$700 exemption on other income. Sales tax is 6.25 percent.

**MICHIGAN**

Federal and state/local government pensions may be partially exempt, based on the year you were born and the source of the pension.

(a) If born before 1946, private pension or IRA benefits included in AGI are partially exempt; public pensions are exempt.

(b) If born after Jan. 1, 1946 and before Dec. 31, 1952, the exemption for public and private pensions is limited to \$20,000 for singles and \$40,000 for married filers.

(c) If born after 1952, not eligible for any exemption until reaching age 67.

Social Security is excluded from taxable income. Full details at: <https://www.michigan.gov/taxes/0,4676,7-238-459647--,00.html>.

Michigan's state sales tax rate is 6 percent. There are no city, local or county sales taxes.

**MINNESOTA**

Social Security income is taxed by Minnesota to the same extent it is on your federal return. If your only income is Social Security, you are not required to file an income tax return. All federal pensions are taxable, but single taxpayers who are over 65 or disabled may exclude some income if Federal Adjusted Gross Income is under \$33,700 and nontaxable Social Security is under \$9,600. For a couple who are both over 65, the limits are \$42,000 for Adjusted Gross

Income and \$12,000 for nontaxable Social Security. Statewide sales and use tax is 6.875 percent; a few cities and counties also add a sales tax, which can be as high as 8.375 percent.

**MISSISSIPPI**

Social Security, qualified retirement income from federal, state and private retirement systems, and income from IRAs are exempt from Mississippi tax. There is an additional exemption of \$1,500 on other income if over 65. Statewide sales tax is 7 percent.

**MISSOURI**

Up to 65 percent of public pension income may be deducted if Missouri Adjusted Gross Income is less than \$100,000 when married filing jointly or \$85,000 for single filers, up to a limit of \$36,442 for each spouse. The maximum private pension deduction is \$6,000. You may also deduct 100 percent of Social Security income if over age 62 and Federal Adjusted Gross Income is less than the limits above. Sales tax is 4.225 percent; local sales and use tax additions may raise the total to 10.1 percent.

**MONTANA**

There is a \$4,110 pension income exclusion if Federal Adjusted Gross Income is less than \$34,260. Those over 65 can exempt an additional \$800 of interest income for single taxpayers and \$1,600 for married joint filers. For taxpayers with an AGI income under \$25,000 (single filers) or \$32,000 (joint filers), all Social Security retirement income is deductible. For taxpayers above those limits but below \$34,000 (single filers) or \$44,000 (joint filers), half of Social Security retirement income is deductible. Above those second-level limits, 15 percent is deductible. Montana has no general sales tax, but tax is levied on the sale of various commodities.

**NEBRASKA**

U.S. government pensions and annuities are fully taxable. Social Security is taxable. State sales tax is 5.5 percent, with local additions of up to 2 percent.

**NEVADA**

No personal income tax. Sales and use tax varies from 6.85 to 8.1 percent, depending on local jurisdiction.

**NEW HAMPSHIRE**

No personal income tax and no inheritance tax. There is a 5 percent tax on interest/dividend income over \$2,400 for singles (\$4,800 married filing jointly). A \$1,200 exemption is available for those 65 or over. No general sales tax.

## NEW JERSEY

Pensions and annuities from civilian government service are subject to state income tax, with exemptions for those aged 62 or older or totally and permanently disabled. However, see this link for the distinction between the “Three-Year Method” and the “General Rule Method” for contributory pension plans: <http://www.state.nj.us/treasury/taxation/njit6.shtml>. For 2018, qualifying singles and heads of households may be able to exclude up to \$45,000 of retirement income; those married filing jointly up to \$60,000; those married filing separately up to \$30,000 each. These exclusions are eliminated for New Jersey gross incomes over \$100,000. Residents over 65 may be eligible for an additional \$1,000 personal exemption. Social Security is excluded from taxable income. State sales tax is 6.675 percent.

## NEW MEXICO

All pensions and annuities are taxed as part of Federal Adjusted Gross Income. Taxpayers 65 and older may exempt up to \$8,000 (single) or \$16,000 (joint) from any income source if their income is under \$28,500 (individual filers) or \$51,000 (married filing jointly). The exemption is reduced as income increases, disappearing altogether at \$51,000. New Mexico has a gross receipts tax, instead of a sales tax, of 5.125 percent; county and city taxes may add another 3.9375 percent.

## NEW YORK

Social Security, U.S. government pensions and annuities are not taxed. For those over age 59½, up to \$20,000 of other annuity income (e.g., Thrift Savings Plan) may be excluded. See N.Y. Tax Publication 36 at <https://www.tax.ny.gov/pdf/publications/income/pub36.pdf> for details. Sales tax is 4 percent statewide. Other local taxes may add up to an additional 5 percent.

## NORTH CAROLINA

Pursuant to the “Bailey” decision (see <http://dornc.com/taxes/individual/benefits.html>), government retirement benefits received by federal retirees who had five years of creditable service in a federal retirement system on Aug. 12, 1989, are exempt from North Carolina income tax. Those who do not have five years of creditable service on Aug. 12, 1989, must pay North Carolina tax on their federal annuities. In tax year 2014 and later, the \$4,000 deduction is no longer available. For those over 65, an extra \$750 (single) or \$1,200 (couple) may be deducted. Social Security is excluded from taxable income. State sales tax is 4.75 percent; local taxes may increase this by up to 3 percent.

## NORTH DAKOTA

All pensions and annuities are fully taxed. Social Security is excluded from taxable income. General sales tax is 5 percent; 7 percent on liquor. Local jurisdictions impose up to 3 percent more.

## OHIO

Retirement income is taxed. Taxpayers 65 and over may take a \$50 credit per return. In addition, Ohio gives a tax credit based on the amount of the retirement income included in Ohio Adjusted Gross Income, reaching a maximum of \$200 for any retirement income over \$8,000. Social Security is excluded from taxable income. State sales tax is 5.75 percent. Counties and regional transit authorities may add to this, but the total may not exceed 8.75 percent.

## OKLAHOMA

Individuals receiving FERS/FSPS or private pensions may exempt up to \$10,000, but not to exceed the amount included in the Federal Adjusted Gross Income. Since 2011, 100 percent of a federal pension paid in lieu of Social Security (i.e., CSRS and FSRDS—“old system”—including the CSRS/FSRDS portion of an annuity paid under both systems) is exempt. Social Security included in FAGI is exempt. State sales tax is 4.5 percent. Local and other additions may bring the total up to 9.5 percent.

## OREGON

Generally, all retirement income is subject to Oregon tax when received by an Oregon resident. However, federal retirees who retired on or before Oct. 1, 1991, may exempt their entire federal pension; those who worked both before and after Oct. 1, 1991, must prorate their exemption using the instructions in the tax booklet. If you are over age 62, a tax credit of up to 9 percent of taxable pension income is available to recipients of pension income, including most private pension income, whose household income was less than \$22,500 (single) and \$45,000 (joint), and who received less than \$7,500 (single)/\$15,000 (joint) in Social Security benefits. The credit is the lesser of the tax liability, or 9 percent of taxable pension income. Social Security is excluded from taxable income. Oregon has no sales tax.

## PENNSYLVANIA

Government pensions and Social Security are not subject to personal income tax. Pennsylvania sales tax is 6 percent. Other taxing entities may add up to 2 percent.

**PUERTO RICO**

The first \$11,000 of income received from a federal pension can be excluded for individuals under 60. For those over 60, the exclusion is \$15,000. If the individual receives more than one federal pension, the exclusion applies to each pension or annuity separately. Social Security is excluded from taxable income.

**RHODE ISLAND**

U.S. government pensions and annuities are fully taxable. However, effective the 2017 tax year, taxpayers eligible for Social Security may take a \$15,000 exemption on their retirement income. This applies to single taxpayers with FAGIs of up to \$80,000 and to joint taxpayers up to \$100,000 that are otherwise qualified. Social Security is taxed to the extent it is federally taxed. Sales tax is 7 percent; meals and beverages, 8 percent.

**SOUTH CAROLINA**

Individuals under age 65 can claim a \$3,000 deduction on qualified retirement income; those age 65 or over may claim a \$15,000 deduction on qualified retirement income (\$30,000 if both spouses are over 65) but must reduce this figure by any other retirement deduction claimed. Social Security is excluded from taxable income. Sales tax is 6 percent plus up to 3 percent in some counties. Residents age 85 and over pay 5 percent.

**SOUTH DAKOTA**

No personal income tax or inheritance tax. State sales and use tax is 4.5 percent; municipalities may add up to an additional 2.75 percent. Residents who are age 66 and older and have a yearly income of under \$10,250 (single) or in a household where the total income was under \$13,250 are eligible for a sales tax or a property tax refund.

**TENNESSEE**

Social Security, pension income and income from IRAs and TSP are not subject to personal income tax. In 2018, most interest and dividend income is taxed at 3 percent if over \$1,250 (single filers) or \$2,500 (married filing jointly). However, for tax year 2015 and subsequently, those over 65 with total income from all sources of less than \$37,000 for a single filer and \$68,000 for joint filers are completely exempt from all taxes on income. State sales tax is 5 percent on food; 7 percent on other goods, with between 1.5 and 2.75 percent added, depending on jurisdiction.

**TEXAS**

No personal income tax or inheritance tax. State sales tax is 6.25 percent. Local options can raise the rate to 8.25 percent.

**UTAH**

Utah has a flat tax rate of 5 percent of all income. For taxpayers over 65 there is a retirement tax credit of \$450 for single filers and \$900 for

joint filers. This is reduced by 2.5 percent of income exceeding \$25,000 for single filers and \$32,000 for joint filers. See the state website for details. State sales tax ranges from 5.95 percent to 8.60 percent, depending on local jurisdiction.

**VERMONT**

U.S. government pensions and annuities are fully taxable. Social Security is taxed to the extent it is federally taxed. State general sales tax is 6 percent; local option taxes may raise the total to 7 percent (higher on some commodities).

**VIRGINIA**

Individuals over age 65 can take a \$12,000 deduction. The maximum \$12,000 deduction is reduced by one dollar for each dollar by which Adjusted Gross Income exceeds \$50,000 (for single) and \$75,000 (for married) taxpayers. All taxpayers over 65 receive an additional personal exemption of \$800. Social Security is excluded from taxable income. The estate tax was repealed for all deaths after July 1, 2007. The general sales tax rate is 5.3 percent (4.3 percent state tax and 1 percent local tax, with an extra 0.7 percent in Northern Virginia).

**WASHINGTON**

No personal income tax. Retirement income is not taxed. State sales tax is 6.5 percent; rates are updated quarterly. Local taxes may increase the total to 10.4 percent.

**WEST VIRGINIA**

\$2,000 of any civil or state pension is exempt. Social Security income is taxable only to the extent that the income is includable in Federal Adjusted Gross Income. Taxpayers 65 and older or surviving spouses of any age may exclude the first \$8,000 (individual filers) or \$16,000 (married filing jointly) of any retirement income. Out-of-state government pensions qualify for this exemption. State sales tax is 6 percent, with additions of between 0.5 and 1 percent in some jurisdictions.

**WISCONSIN**

Pensions and annuities are fully taxable. Social Security is excluded from taxable income. Those age 65 or over may take two personal deductions totaling \$950. Benefits received from a federal retirement system account established before Dec. 31, 1963, are not taxable. Those over 65 and with a FAGI of less than \$15,000 (single filers) or \$30,000 (joint filers) may exclude \$5,000 of income from federal retirement systems or IRAs. Those over 65 may take an additional personal deduction of \$250. State sales tax is 5 percent; most counties charge an extra 1.5 percent.

**WYOMING**

No personal income tax. State sales tax is 4 percent. Local taxes may add up to 2 percent on sales and 4 percent on lodging. ■



■ **James L. (Jim) Culpepper III**, 90, a retired Foreign Service officer with the U.S. Information Agency, died on Oct. 16, 2018, in Berlin, Germany, from complications of pneumonia.

Mr. Culpepper was born in San Francisco on Feb. 26, 1928, and grew up in Ross, Marin County, California. He graduated in 1945 from Tamalpais High School, where he was student body president. He served as a paratrooper in the U.S. Army before enrolling at the University of California at Berkeley. He was awarded a Fulbright scholarship to study in Denmark as a graduate student.

Mr. Culpepper joined USIA in 1958. He was posted to Sweden, Nigeria, Kenya, Vietnam, Brazil, India and Indonesia. Fluent in Vietnamese, he served three times in South Vietnam and was among the last to be evacuated by helicopter from the roof of the U.S. embassy in Saigon in 1975.

During his Washington assignments, he travelled extensively as an inspector and worked at the Voice of America.

A lifelong student of languages—he once studied Old Icelandic—Mr. Culpepper studied and became fluent in German and French after his retirement in 1988 at the age of 60.

Mr. Culpepper is survived by his wife, Christa Mayer; two daughters, Leigh Culpepper and Nikki Culpepper of San Francisco; four grandchildren, Eli and Theo Socks and Maya and Makayla Fuges; as well as his former wife, retired FSO Donna Millons Culpepper.

Memorial contributions may be made to Peace Trees Vietnam.

■ **Allen Clifford Hansen**, 93, a retired Foreign Service officer with the U.S. Information Agency, passed away on Sept. 16, 2018, after suffering a stroke.

Mr. Hansen was born on Sept. 23, 1924, in Plainfield, N.J. He and his parents, Gun-

nar Winding and Mary Margaret, and his brother Henrik, settled in Metuchen, N.J., in 1931, where Mr. Hansen was active with the Boy Scouts.

At age 18, he joined the Navy during World War II and served aboard the USS *Alsea*, a sea-going tug that hauled targets for destroyers to practice firing and towed damaged U.S. warships through mine-infested waters.

In 1946 he enrolled at Triple Cities College of Syracuse University in Endicott, N.Y., on the G.I. bill, graduating from Syracuse University in 1950 with a bachelor's degree in political science.

After graduation, Mr. Hansen covered Metuchen as a reporter for *The Perth Amboy Evening News*. He was recalled to active duty in 1951 during the Korean War and served as a naval intelligence officer until 1954.

After working briefly in Spain, he returned to the United States when notified that his application for a job as a Foreign Service officer with the newly established United States Information Agency was approved.

Mr. Hansen spent 32 years with USIA, working in nine countries and Washington, D.C. He experienced civil unrest in the Dominican Republic, survived a terrorist kidnapping plot in Uruguay (only because he was away on vacation) and served in Bolivia during the 1971 coup d'état.

In Venezuela in 1956, on his first assignment with USIA, he met and married Charmaine Rostant of Trinidad and Tobago. They went on to serve in Mexico (1956-1958), Guyana (formerly British Guiana, 1958-1960) and Spain (1960-1962).

In 1963 Mr. Hansen received a master's degree in American studies from the University of Pennsylvania. He then served as the press attaché in Uruguay (1967-1970), director of USIA operations in Bolivia (1970-1972) and Peru (1976-1980), and

deputy public affairs officer in Pakistan (1981-1984).

Mr. Hansen took part in organizing President Dwight Eisenhower's visit to Spain, President Lyndon B. Johnson's trip to Uruguay and Vice President George H.W. Bush's visit to Pakistan. He spent a night at the piano as Duke Ellington played, joked with Danny Kaye, hung out with Lowell Thomas and organized Kirk Douglas' visit to refugee camps in Pakistan.

He was a technical adviser on the first-ever USIA anti-narcotics film, "The Trip," about drug trafficking in Latin America.

Mr. Hansen also took his family on car trips across South America; his children say the trips gave them an appreciation for local cultures and the world around them.

His Washington, D.C., assignments include: Caribbean desk officer for USIA during the Dominican crisis (1963-1966); USIA policy officer for Latin America (1972-1976); and chief of the Latin American branch of the Office of Research (1980-1981).

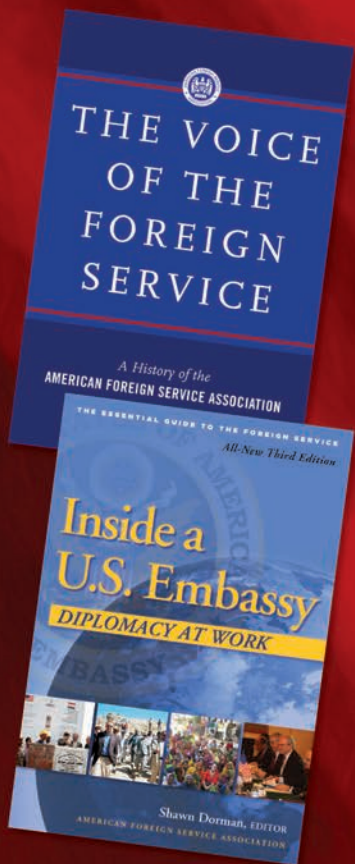
After retiring from USIA in 1987, Mr. Hansen kept busy writing his memoirs. He was the originator of an internet site sponsored by the USIA Alumni Association and the Public Diplomacy Foundation and served as its webmaster for several years.

For more than a decade, Mr. Hansen volunteered at the AAFSW Bookstore and the annual book fair; his family believes that his volunteer position at the bookstore makes him the oldest person ever to work at the State Department.

Mr. Hansen is survived by his wife of 62 years, Charmaine, and five children: Robert (and spouse Nancy); Annette; Katherine Freeman (and spouse Daniel); Alicia Hatcher (and spouse Monte); Mark (and spouse Dahlia). He has 12 grandchildren: Lindsay, Charlie, Kevin, Caroline, Joseph, Nicole, Gwennie, Joshua, Jason, Chris, Savannah Rose and Zachary; and

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four great-grandchildren, Christian, Mason, Hudson and Layla.

Donations in memory of Mr. Hansen may be made in support of Dr. Hugh Calkin's research on atrial fibrillation at The Johns Hopkins Heart and Vascular Institute Development Office, 600 N Wolfe Street, Blalock 536, Baltimore MD 21287. Please include "In memory of Allen C. Hansen" on the memo line.

■ **Raymond Wai-man Lau**, 45, an active-duty information management officer with the Department of State, died on May 4, 2018, after battling plasma cell leukemia.

Mr. Lau was born on June 1, 1972, to Allen and Shirley Lau in Alhambra, Calif., where he attended Marguerita Elementary School, Alhambra High School and California State Polytechnic University, Pomona.

Prior to joining the Department of State, Mr. Lau served for six years in the U.S. Air Force as a medical laboratory specialist, during which he was awarded multiple certificates of achievement. After leaving the Air Force, Mr. Lau returned to Los Angeles to work in the gaming industry, his lifelong passion, rising to brand manager and game designer at Alderac Entertainment Group in Ontario, Calif.

Mr. Lau met FSO Maureen Yates at AEG, and they were married. Soon thereafter, Mr. Lau began his nomadic life in the Foreign Service, first as a trailing spouse and then as an officer in his own right, joining the State Department in 2013 as an information management specialist.

Mr. Lau was posted in Armenia, Angola, Niger, Singapore and Germany, receiving numerous Superior and Meritorious Honor Awards in his all-too-brief career. He and Maureen had many adventures crisscrossing the globe for their assignments and exploring many countries in between.

His greatest adventure, however, was becoming a father to daughter Emma Peggy in July 2010. Family and friends recall his infectious humor, professionalism and never-ending supply of snacks, and say his philosophy was to always leave a job better than he found it, whether through improvements, mentoring or morale.

Mr. Lau's passions included gaming, photography, cooking and his family. Family members recall him as caring, kind, hilarious, intelligent and a devoted son, husband, father and friend.

Mr. Lau is survived by his wife, FSO Maureen Yates; daughter Emma Peggy; parents Allen and Shirley Lau; brother Edmond (and sister-in-law Linda); nieces Cali and Clara; and his in-laws, Ambassador John M. Yates and Ambassador Mary Carlin Yates; along with a host of friends worldwide.

■ **Robert J. Martens**, 92, a retired Foreign Service officer, died on Sept. 18, 2018, in Silver Spring, Md.

Born to John and Esther Martens on Nov. 24, 1925, Mr. Martens spent his childhood in Kansas City, Kan., with frequent visits to Concordia, the family's town of origin. During the Depression he shined shoes, delivered newspapers and joined his father as a house painter.

At age 15, he enlisted in the army during World War II. A veteran of the Field Artillery and the Infantry, Martens marched through France and Germany with the Allied liberating forces. Later, he attended the National War College on the G.I. Bill, followed by law school at the University of Southern California, from which he graduated in 1949.

Mr. Martens entered the Foreign Service in 1951, serving in Italy, occupied Austria, the Soviet Union, Indonesia, Burma (now Myanmar), Romania and

Sweden, as well as on domestic tours with the Department of State. He spoke Russian, German, Italian, Romanian and Indonesian.

In the late 1950s, Mr. Martens attended the Russian Institute at Columbia University. In New York City he met Patricia Glavin, a Broadway dancer and member of the June Taylor Dancers, and they married in 1958.

While posted in Moscow during the late 1950s, he led initial implementation of the U.S.-Soviet Cultural Exchanges program. In the 1960s, his tours included posts in communist Indonesia during the Sukarno regime, and in Burma following General Ne Win's establishment of a socialist state.

In the early 1970s, Mr. Martens served

as chargé d'affaires in Romania; in 1973 he escorted dictator Nicolae Ceausescu on a state visit to the United States. He also served as office director of the State Department's East Asia Bureau under Assistant Secretary of State Philip Habib. In the late 1970s, he acted as deputy chief of mission and chargé d'affaires in Sweden.

Following several years as a Foreign Service chief inspector, Mr. Martens retired in 1982, but soon returned to diplomatic work. He ran crisis management exercises at embassies in the Middle East until 2000, followed by other consulting work for the State Department.

In retirement, he served as vice president of an academic institute addressing European security issues, and as a regular participant in the annual Global War

Game at the Naval War College.

Mr. Martens twice received the State Department's Superior Honor Award. He is the author of *The Indonesian Turning Point 1965-66* (2012), a book about the 1965 failed coup attempt.

Mr. Martens is survived by his children: Anne, John and Tom; and by his sister Beverly. ■



*If you would like us to include an obituary in In Memory, please send text to journal@afsa.org. Be sure to include the date, place and cause of death, as well as details of the individual's Foreign Service career. Please place the name of the AFSA member to be memorialized in the subject line of your email.*



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## Pursuing Peace with Proactive Diplomacy

### Peace Works: America's Unifying Role in a Turbulent World

Rick Barton, Rowman & Littlefield Publishers, 2018, \$35/Hardcover; \$17.82/Kindle, 312 pages.

REVIEWED BY J. R. BULLINGTON

Rick Barton is passionate about peace. Yet he is no pacifist. His lengthy career has been focused on conflicts and how American diplomacy, economic development and humanitarian aid can be used to avoid them, if possible, or bring them to a successful end and build long-term stability to preclude their recurrence.

That's what this book is about. It uses stories, history and analysis to develop lessons and policy prescriptions for American involvement—or its avoidance—in foreign conflicts.

First, in the spirit of full disclosure, my Foreign Service career was also in large measure focused on conflict—from my first overseas assignment, in wartime Vietnam from 1965 to 1968, to my post-retirement recall to active duty as a special envoy in Senegal to help end a 30-year secessionist insurgency in the southern part of that country, the Casamance, from 2012 to 2014.

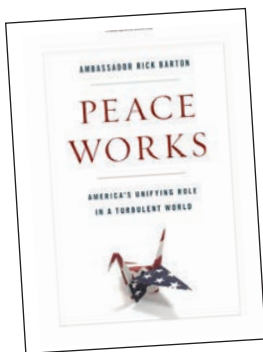
In the latter assignment, Rick Barton was my boss, as assistant secretary of the Bureau of Conflict and Stabilization Operations to which I reported. He was a good boss, both empowering and supportive, and I hold him in high regard.

Born in Buenos Aires, Rick accompanied his Foreign Service family on several assignments. After graduating from Harvard, he became a congressional staffer, ran unsuccessfully for a Maine congressional seat and was chairman of

the Maine Democratic Party.

He began his international career in 1990 as an election trainer and observer with the National Democratic Institute. He then served as founding director of USAID's Office of Transition Initiatives, promoting democratic change in conflict-prone countries; deputy high commissioner of the United Nations refugee agency, UNHCR; co-director of a post-conflict reconstruction project with the Center for Strategic and International Studies, where he led conflict-related studies on Iraq, Afghanistan, Sudan and Pakistan; and U.S. Representative to the U.N. Economic and Social Council.

Barton brought this rich and relevant



experience to his next job, as Secretary Hillary Clinton's pick to head the newly created State Department Bureau of Conflict and Stabilization Operations (CSO) in 2012.

The latest organizational result of a recurrent struggle within the State Department over the nature and structure of the U.S. civilian response to foreign conflicts and unstable countries, CSO became operational in 2011. On taking office there, Barton writes, he "believed that the new structure could gain traction and drive convergence of policy and practice in conflict settings."

He decided to refocus the bureau on five engagements deemed to be impor-

tant but of manageable size, and that could achieve visible results in a year:

- Supporting the then-emerging Syrian opposition to Assad with nonlethal aid and government transition training;
- Preventing widespread violence that seemed likely to accompany the 2013 national election in Kenya;
- Reducing the sabotage and civil conflict plaguing the oil-rich Niger Delta region of Nigeria;
- Calming the longstanding ethnic conflict in the Kayah state of Burma; and
- Countering gang violence in Honduras that was driving refugees to the United States.

In addition to these top-priority

**The Bureau of Conflict and Stabilization Operations' most enduring and influential accomplishment, though, may be the development of sophisticated research and analysis on conflicts and planning tools to address them.**

projects, Barton agreed that CSO could also take on a few smaller projects elsewhere—among them, my Casamance project.

"The immensity of starting something new in a recalcitrant organization," Barton writes, "showed up on a daily basis." Also, although he does not explicitly address this issue in the book, the departure at the end of 2012 of Secretary of State Hillary Clinton, who had championed the concept of building a more effective conflict response capacity and the creation of CSO, seemed to result in a loss of direction for the bureau.

Despite these problems, CSO produced several small-scale successes.

Perhaps the most publicly heralded was the funding in Syria of the “White Helmets,” a volunteer rescue organization that has saved thousands of civilians injured in the fighting.

CSO also helped reduce election violence in Kenya and conflict in the Niger Delta, catalyze land-mine removal in Burma and strengthen peacebuilding organizations in Honduras.

Its most enduring and influential accomplishment, though, may be the development of sophisticated research and analysis on conflicts and planning tools to address them.

In *Peace Works*, Barton draws on his experience to analyze how many American conflict interventions have failed and how they could have succeeded. He develops a number of guidelines for such interventions. Among them are the following:

- Timely preparation for conflict response does not necessarily lead to intervention, but it provides a broader range of potential responses.
- The focus must always be on the people we want to help, who should be engaged as partners in both planning and implementation.
- America should practice humility in any interventions and always act as a catalyzing (not colonizing) force.
- We have to recognize that operations in conflict zones are inherently risky, and be prepared to accept those risks if we undertake the operations.
- Before deciding to intervene in foreign conflicts, we must consider these questions: Does it truly matter to the United States? Is the timing right? Will delay clarify the choice, or worsen prospects for success? Can we make a difference to the main drivers of the conflict? Are viable local partners available?

These are sound principles, on which

most conflict professionals, military as well as civilian, would likely agree.

What is the future of CSO and, more generally, American capacity to provide leadership in addressing global conflicts with diplomacy and development assistance?

A joint State Department-USAID-DoD Stabilization Assistance Review was completed and released to Congress in April 2018. Though not yet public, it is reportedly intended to be a guide for U.S. operations in conflict zones and fragile states. It remains unclear whether this plan will be implemented under Secretary of State Mike Pompeo, or if such operations will be funded by Congress.

Does peace *really* work, in the sense Rick Barton means, to enhance American security in a turbulent world? In this book he makes a good case that proactive efforts to prevent or ameliorate conflicts, along with post-conflict stabilization programs to prevent recurrence, can work if done selectively and skillfully.

In practice, however, efforts to enhance U.S. civilian conflict response capacity have been weak and faltering for the past quarter century, and conflict interventions have become increasingly militarized. Prospects that this trend will be reversed under the Trump administration appear dim.

And yet, those who want increased American security in a more peaceful world must continue efforts to improve our peacebuilding and peacekeeping capabilities. Rick Barton’s book provides reasonable guidance for doing so.

---

*Jim Bullington is a retired Foreign Service officer and former ambassador who served in Southeast Asia and sub-Saharan Africa throughout his career. He resides in Williamsburg, Virginia and has written three books: Global Adventures on Less-Traveled*

Roads: A Foreign Service Memoir (2017); Expeditionary Diplomacy in Action: Supporting the Casamance Peace Initiative (2015); and Adventures in Service with Peace Corps in Niger (2007).

## A Pivotal Moment in U.S.-Philippine Relations

### Rampage: MacArthur, Yamashita and the Battle of Manila

James M. Scott, W.W. Norton & Company, 2018, \$32.95/hardcover; \$16.86/Kindle, 635 pages.

REVIEWED BY ALOYSIUS M. O’NEILL III

In his third book on World War II in the Pacific, James Scott describes in arresting detail the horrific 29-day battle to wrest Manila from Japanese control in 1945. Scott is a fluid writer who did a prodigious amount of research in U.S. and Japanese records and in survivors’ accounts. He also interviewed many Filipino witnesses and victims of the battle.

General Douglas MacArthur led the U.S. invasion force. General Tomoyuki Yamashita, the “Tiger of Malaya” who had vanquished the British in Singapore in 1942, was his opponent, although Yamashita was in the northern Philippines during the entire battle.

MacArthur’s connections to the Philippines were deep. His father had been the military governor when the United States subdued the archipelago starting in 1899; the son had not only served there as a lieutenant, but his mother also died in Manila, and his only child was born there.

By 1937 Douglas MacArthur had become field marshal of the fledgling Philippine Army. In 1942 President Roosevelt ordered him to escape ahead of the invading Japanese, and all during World War II, MacArthur was obsessed with retaking the islands.

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For the Americans, Manila was a new kind of war. Suddenly, veterans of jungle battles were confronted with the alien environment of close combat in a major city. The population was crushed between the Japanese, who went on a murderous rampage while also fighting to the death, and American forces that had no choice but to employ heavy artillery to end the slaughter.

Scott makes clear how devastating the results were for the inhabitants, both Filipinos and the rest of the city's cosmopolitan population. Probably 100,000 died in that month, and 613 blocks containing about 11,000 buildings were flattened.

One has to look back to Japan's war in China to see a similar level of atrocities. In parts of China, the Japanese had pursued a policy known as "Three Alls: Kill All, Burn All, Loot All." In 1945 they brought that homicidal mindset to the streets of Manila. The combat photos in the book highlight the destructive power of the fighting and amplify the author's descriptions.

Japanese rage at Filipinos was intense, not only because of the numerous guerrilla groups that had plagued them all across the country, but also because ordinary Filipinos continued to put their faith in an eventual U.S. liberation to give them their promised independence. That infuriated the Japanese, who expected all Asians to buy their "Asia for the Asians" propaganda.

In 1946 Yamashita was hanged for the war crimes his forces committed in Manila. That controversial verdict—over how much blame should have been apportioned to a commander who was well north of Manila during the bloodbath and who did not order those atrocities—went all the way to the U.S. Supreme Court. However, as Scott points out, had the United States not executed Yamashita, the British or Australians would have condemned him

for his forces' war crimes in Malaya.

Although there is an overview map of the city on page 59, the book would have benefited

from additional maps focused on individual districts like the Spanish walled city of Intramuros, the scene of some of the bitterest combat and worst atrocities.

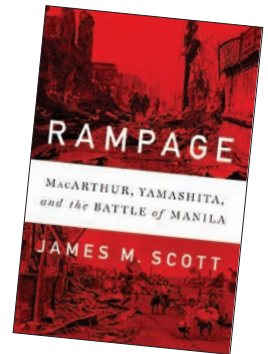
There is a Foreign Service connection to this history. Embassy Manila's present chancery opened in 1940 as the office and residence of the newly installed U.S. High Commissioner to the Philippine Islands when the president of the new Philippine Commonwealth moved into the Malacanang Palace.

In September 1945, Yamashita surrendered at what was the high commissioner's summer residence in Baguio, later the summer residence of the U.S. ambassador. In 1945 and 1946, his war crimes trial took place in the ballroom of the chancery. The building is close to the scenes of some of the worst combat, and its flagpole still bears scars from the fighting.

I am happy to recommend *Rampage* to Foreign Service readers, especially those who have served or will serve in Manila or, indeed, anywhere in Asia. It recounts a pivotal moment in the U.S. relationship with our oldest Asian ally on the verge of its independence, and is a vivid account of a relatively lesser known battle of World War II. ■

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*Retired FSO Aloysius O'Neill served from 1976 to 2000. In addition to assignments in Seoul, Tokyo, Rangoon and Okinawa, he was political counselor in Manila from 1997 to 2000.*



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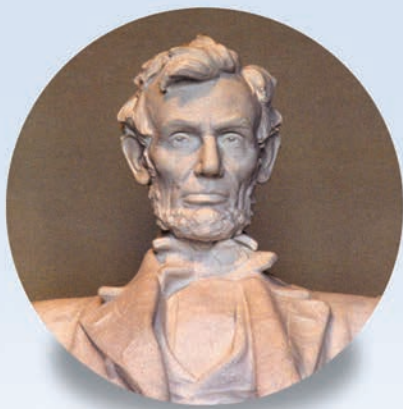
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# The Way We Were—State and the New Commercial Service

BY HARRISON SHERWOOD

Not long after I had taken up my duties as deputy senior commercial officer in Bonn, West Germany, in 1981, the new U.S. ambassador, Arthur F. Burns, arrived. My boss was Walter Stadler, an old friend, who had decided to remain in the State Department rather than transfer into the Foreign Commercial Service, which had recently come into being.

Shortly before Walter left, he was asked to brief the new ambassador on the embassy's commercial operation and invited me to join him. As Walter described the organization and functions of the U.S. commercial section, then the largest in the world, Ambassador Burns waited semi-patiently, sucking noisily on his ever-present pipe. As soon as Walter paused for breath, he pounced.

"Do you people really think you make any difference to U.S. exports?" Burns asked. Walter's answer was typical Foreign Service: "On the one hand, this, and on the other hand, that..." I could see our proud operation going up in smoke.

"Of course, we don't make sales for American exporters," I interjected. "U.S. businesses would never allow bureaucrats into their sales offices, but we do inform the market. We study German industry

sectors and identify potential German buyers and representatives. We then make this intelligence available to U.S. exporters."

Not a fan of political appointees, I mischievously added: "A well-informed market is a more efficient market, I believe I read in some dusty economics textbook somewhere."

Arthur Burns, a two-time chairman of the Federal Reserve, was quite familiar with that maxim, of course. Though he did not deign to reply, the dirty look he gave me could only mean one thing: "Smart ass!"

## Turf War

When Walter left in late 1981, I became the acting commercial counselor in Bonn and soon found myself at loggerheads with Amb. Burns. But first, a little background.

The basic document defining the role of the Foreign Commercial Service is a memorandum of understanding between the under secretaries of State and Commerce dated Sept. 26, 1979. As it happened, while on home leave in late 1978 and early 1979, I had assisted in drafting that MOU.

I had done my best to eliminate loopholes and ambiguities, an effort that continued via two explanatory cables sent jointly by State and Commerce. As a result,

there could be no question about the intent of the agreement: The FCS was to have the same autonomous status within embassies and consulates that defense attaché offices have.

Rick McElheny, Director General of the Foreign Commercial Service at the time, had used a recent tour of Western Europe to reinforce that message. Personally confronting Charles T. York, head of Embassy Bonn's economic section, over his refusal to stop presenting himself as "Minister for Economic and Commercial Affairs," Rick had threatened to remove the sign on York's door himself if it weren't gone the next day.

The sign disappeared, but the battle was far from over.

On Feb. 8, 1982, Ambassador Burns issued a memorandum to Mr. York in which he referred to an arrangement made by his predecessor, Ambassador Walter J. Stoessel Jr., to keep the commercial function within the "supervision and control of the economic section." He then sent a copy of that memo to yours truly, to ensure that "Mr. Sherwood is aware of my instructions."

Well, Mr. Sherwood was certainly aware of those instructions. He also knew that they were improper and illegal.



*Harrison Sherwood joined the State Department Foreign Service in 1960, serving in Cali, Helsinki, Stockholm, Santiago, Madrid, Bonn and Washington, D.C. After transferring to the newly created Foreign Commercial Service in 1983, he served as deputy assistant secretary for foreign operations at the Department of Commerce, commercial counselor to The Hague, minister counselor for commercial operations in Mexico City and commercial counselor in Stockholm. Since retiring from the Service in 1993, he has lived in Cambridge, England.*

## Grievance Therapy

In an earlier life, I had been a grievance counselor and chief steward of a labor union in the State Department. In that capacity, I initiated a number of grievances based on the department's violations of its own written regulations, procedures and policy statements. (Among other cases I handled was the EEO complaint filed in 1968 by the women's rights pioneer FSO Alison Palmer, the first of its kind in the State Department.)

Institutionally, I believe the Foreign Service generally tries to do the right thing. But when the right thing runs into the cost of compliance, informal practices or other challenges to Foreign Service folkways, managers may resort to guerrilla warfare and outright stonewalling to avoid it.

Having become well acquainted with these tactics during my 22 years in the Foreign Service, I was ready to take on the front office. Conversations with pals back in Washington confirmed my understanding that no one at FCS had any objection to my proceeding—as long as I did it on my own hook.

Following the dictates of the Foreign Affairs Manual, I duly sent a memorandum of grievance to the embassy's deputy chief of mission (DCM), requesting that the ambassador's February 1982 memo to Economic Counselor York be recalled and rendered null and void.

Three days later, I received a call from the embassy's front office summoning me for a chat. Amb. Burns was initially amicable, asking why I had gone to the extraordinary length of filing a grievance over such a trivial matter as internal embassy organization. I referred to the MOU and expressed concerns that without autonomy, Commerce would be handicapped in carrying out its mis-

sion in the country of its most extensive operations.

The ambassador fixed me in his steely gaze, relit his very smelly pipe and delivered this verdict: "You're just trying to gain turf, aren't you?"

I observed that the same logic applied to his argument for the status quo.

He sucked on the pipe again and said, "Yes, but I'm ambassador."

Just then Jean Balestrieri, his secretary (and a good friend of mine), put her head through the door, "Your phone call has just come through."

"Please excuse me," Burns said. I did more than that: I excused myself and trudged back to my office.

## A Deus Ex Machina?

So things stood, until a curious and wholly unanticipated event took place a few months later. The front office informed me that Malcolm Baldrige, the Secretary of Commerce, would be arriving in Bonn the next day.

I was to fetch him in the ambassador's car—accompanied by Charles York (who, awkwardly for me, was now acting DCM) and the acting economic counselor, Karl Jonietz—and bring him to the embassy. After meeting with the ambassador, Secretary Baldrige and his party would be transported back to the airport in a two-car convoy.

On the trip to the embassy, Mr. York took it upon himself to accompany the visitors in the ambassador's car, and Karl Jonietz and I were relegated to the chase car. For the return trip to the airfield, however, Sec. Baldrige informed Mr. York that I would be riding with him. Mr. York protested, sputtering about his higher rank.

"I want to have a talk with Harrison," said the Secretary. "You (indicating me) get in the front."

As we cleared the embassy parking lot, Sec. Baldrige accosted me. "So what's all this dust-up between the economic and commercial sections in the embassy?"

"Well, sir," I began, anticipating his wrath at my challenge to the ambassador's authority, "it's because of an MOU between the departments of State and Commerce..." I droned on, reciting the text of my grievance.

Both Secretary Baldrige and Under Secretary Lionel Olmer peppered me with intelligent, searching questions on the subject until we arrived at the airfield.

"Mr. Secretary," I asked just before we stopped, "do you have any instructions as to how I should proceed?"

"Stick to your guns, Harrison," he replied.

"Sir?" I gasped.

"Just stick to your guns," he repeated.

There was never any telegraphic traffic on the subject of my grievance between the embassy and Secretary Baldrige, neither before nor after his visit. Yet I found out later that it was the sole subject of conversation between the ambassador and the secretary.

After about 18 months, the Foreign Service Grievance Board found in my favor. The next year I received my FCS commission, and several months after that I was promoted to the rank of Career Counselor.

Although Amb. Burns lost, he did receive one concession. In complying with the Grievance Board verdict, the embassy administrative counselor addressed the memorandum setting forth that decision to: "DCM, Econ, FCS"—and "AMB/O: Mrs. Jean Balestrieri." No one dared to beard the old curmudgeon by name!

Much later Jean confided to me: "Of course he knew, but didn't feel it necessary to talk about it." ■



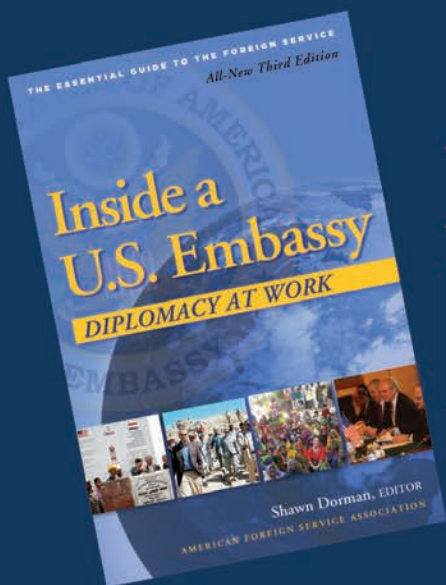
**R**iding my BMW F 650 GS motorcycle throughout Africa has become my passion. Accompanied often by my FSO spouse, Regional Refugee Coordinator Jean Woynicki, and Mission Kampala's Nurse Practitioner Terry Banen (on his BMW R 1200 GS), we take in Uganda's beautiful scenery and colorful roadside villages as we dodge potholes and livestock. On our way to Fort Portal one day, we encountered these young boys when we stopped for a rest break. Fascinated by the bikes, they gathered around us with great curiosity. I pulled out my camera and snapped a photo, which to their great delight, I then showed them on the display. ■

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*John Woynicki Jr. is a registered architect and has served in eligible family member positions in Abidjan, Oslo, Kigali, Berlin and Kampala. He took this photo with a Nikon D7000 with a 28-80mm Nikkor lens at f/5.6 at 66mm.*

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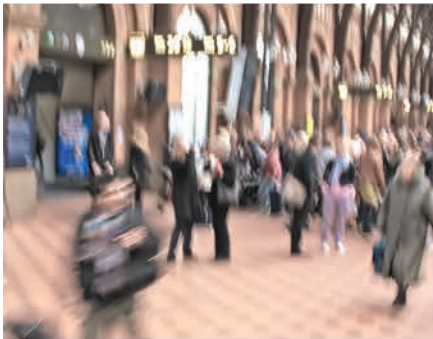
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