FOREIGN RELATIONS AUTHORIZATION FOR FY 1998-1999: DEPARTMENT OF STATE MANAGEMENT INITIATIVES

HEARING BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS AND HUMAN RIGHTS
OF THE
COMMITTEE ON INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
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WEDNESDAY, FEBRUARY 26, 1997

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL OPERATIONS AND HUMAN RIGHTS,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:33 p.m. in room 2200, Rayburn House Office Building, Hon. Christopher H. Smith (chairman of the Subcommittee) presiding.

Mr. SMITH. The Subcommittee will come to order. I am pleased to convene this hearing of the Subcommittee on International Operations and Human Rights. This will be the first in a series of hearings devoted to the preparation of and enactment of a Foreign Relations Act for fiscal years 1998 and 1999.

I am also pleased to welcome our distinguished witness, Acting Undersecretary of Management, Patrick Kennedy.

In the course of these hearings, members of the Subcommittee will have hundreds, I am sure, of specific questions for this witness and others who will follow. Let me begin this process by stating a few central concerns which I hope Undersecretary Kennedy will be able to address.

First, there is a broad perception among American people that government costs too much. Most Americans believe that it is unacceptable to have unbalanced budgets year after year, and that the solution to this problem is to reduce the costs of government, rather than to raise taxes even higher than they have been raised during the last 20 years.

Many who work in government disagree with this assessment. The officials who are charged with conducting the foreign relations of the United States seem to be particularly strong in their conviction that they and their department are understaffed, underpaid and generally not adequately appreciated by the American people or by the Congress.

For instance, a series of sympathetic articles in the news media, relying heavily on official and unofficial sources in the State Department, has repeatedly informed the public that the Department's budget has been cut by 50 percent over the last 10 years. In preparing for this hearing, I asked the Department for its own statistics on actual appropriations and spending over the last 10 years. It appears that in fiscal year 1988, the Department spent
$3.578 billion, adjusted to fiscal year 1992 dollars to account for inflation, and the estimate for fiscal year 1997 is just over $4 billion, also adjusted to fiscal year 1992 dollars. This is an increase of over 30 percent in actual expenditures, and even after the adjustment for inflation, there has been a 12-percent increase in real dollar expenditures of the Department.

The grossly misleading allegation of a 50-percent cut was apparently generated by counting the whole 150 account, which includes a number of non-State Department expenditures, including hundreds of millions of dollars in direct assistance to foreign governments, and by measuring from a single year in which expenditures were extraordinarily high. The 50-percent cut, in other words, is not an accurate statement of what has happened to the State Department budget. If the Administration is committed to working with the Congress for a bipartisan policy, and most of us in Congress share that commitment, it might be a good idea to start by foregoing this misleading and counterproductive rhetoric.

Second, while overall spending levels are important, how we choose to allocate the limited resources we have is an even better index to what really matters to our government. Many Americans believe that the cornerstone of our foreign policy should be the promotion of American values, that is, the protection and advancement of fundamental human rights of people around the world. Looking at the State Department budget, I see the Bureau of Democracy, Human Rights and Labor has only 52 employees and a budget of just $6 million.

By way of contrast, the Public Affairs office is about twice as large, with 115 employees and a budget of over $10 million. Even the Protocol office has 62 employees, ten more employees than the whole Human Rights Bureau. Each of the six regional bureaus have an average of about 1,500 employees. These are the bureaus the Human Rights Bureau sometimes has to contend with in ensuring that human rights is accorded its rightful priority against competing concerns, and they have a combined budget of about $1 billion dollars, or about 160 times the budget of the Human Rights Bureau.

This gross disparity in resource allocation is not only a poignant symbol of the imbalance in our foreign policy priorities, it also has important practical consequences. For instance, Washington officials from the regional bureaus develop their expertise by taking trips to the regions in which they specialize. Officials in the Human Rights Bureau below the rank of Deputy Assistant Secretary almost never have the budget for such trips. It is an unfortunate fact of life that we usually get only what we pay for, and it appears that the American taxpayers are paying more for State Department protocol and public relations than they are for human rights.

Despite these serious concerns, I do want to congratulate the Administration for several of its management initiatives. The proposal to include certain fee revenues, including the machine-readable visa fees, in the Department’s appropriated budget seems designed to increase transparency and accountability in the budget process. The International Cooperative Administrative Support Services also increases transparency and accountability by giving Congress
and the American people an accurate picture of the real cost of maintaining our overseas personnel and how this cost is divided among the various government agencies that maintain an overseas presence. The Overseas Staffing Model is designed to ensure that our employees are posted where they are really needed. We will have questions about these initiatives, but I want to say at the outset that we appreciate the efforts by the Department to put its own house in order.

Finally, I want to encourage the Department and the Administration in what I understand is their ongoing effort to produce a plan for reforming our foreign policy agencies in a way that will increase efficiency, reduce costs and preserve the vital functions of these agencies. In particular, I think it is important that any such reform preserve the independence of our international freedom broadcasting services, and other functions of public diplomacy that are performed by the U.S. Information Agency.

I believe, however, that we all learned a lot from the experience of the last 2 years about the importance of working together. The indications we have received from the Administration is that it is willing to work with the Republicans and the Democrats in Congress on reform and possible reorganization of our foreign policy agencies, and I think that is an important symbol of that spirit of bipartisanship. If the Administration will produce a reorganization plan in time for markup, which has been tentatively scheduled for March 20, I promise that it will be carefully and thoughtfully considered by our subcommittee, and I am sure, by the full committee, as well.

I would like to ask Mr. Wexler if you would have any opening comments?

Mr. WEXLER. Thank you, Mr. Chairman. I do not have any opening comments of any specificity. I would just simply like to say on behalf of the Democratic members, that we look forward to working with the Chairman in a bipartisan fashion as you suggested, and likewise look forward to working with the State Department, and I personally look forward to possibly today or in the future hearing, some of the responses with respect to some of the concerns that were stated by the Chairman in the earlier part of his remarks.

Mr. SMITH. Undersecretary Patrick Kennedy—just a brief introduction—is currently the State Department’s Acting Undersecretary for Management and Minister Counselor in the U.S. Foreign Service. Since joining the Foreign Service in 1973, Mr. Kennedy has held many posts, including Assistant Secretary of State for Administration and Counselor for Administrative Affairs in the U.S. Embassy in Cairo, among many other things. Mr. Kennedy, if you could proceed, and your statement will be made a part of the record, but proceed as you wish.

Mr. KENNEDY. Thank you very much, Mr. Chairman.

STATEMENT OF THE HONORABLE PATRICK KENNEDY, ACTING UNDERSECRETARY FOR MANAGEMENT, U.S. DEPARTMENT OF STATE

Mr. KENNEDY. I am pleased to appear before the committee today. The House International Relations Committee has a long history of assisting the Department in its efforts to advance the for-
eign policy interests of the American people. Your efforts have been invaluable in the past and I am seeking it again today as I testify in support of the Department of State's fiscal year 1998 budget request for those accounts which fund departmental operations.

I will not read my entire statement, but I would like to summarize its principal points. I would also be grateful, Mr. Chairman, if my written statement could be entered into the record.

Mr. SMITH. Without objection, so ordered.

Mr. KENNEDY. Secretary Albright has already spoken eloquently before this committee about the substantive foreign policy requirements that underpin this budget request. She has outlined the principal foreign policy challenges before us today and pointed to the challenges that lie ahead of us in what remains of this century and beyond.

In order to meet these challenges, there is a real need for diplomatic readiness, maintaining, or in many cases, restoring the human and material infrastructure that allows the Secretary and others, whether they work for the State Department or other agencies of the U.S. Government, to advance the national policy agenda overseas. This is not an easy burden.

To support and advance American interests around the world, the Department of State maintains some 250 diplomatic and consular posts in 164 countries. These platforms are the home bases for not only the Department of State but also for more than 200 other U.S. Government entities who help support and advance American interests.

The operation of these platforms clearly supports the Department's request for the amount specified in the President's budget, both for our own operations as well as those we carry out as a provider of support services to all agencies with an overseas presence.

In order to improve our ability to manage such a worldwide operation and ensure that every tax dollar is wisely utilized, the Department has made significant progress in a number of important management initiatives. I will speak about them later in my presentation.

Finally, we are making increasingly greater use of strategic planning in compliance with the Government Performance and Results Act of 1993, to ensure that we allocate our scarce resources to the highest priority.

Let me begin by highlighting the major elements of our budget request. We need to fund mandatory pay raises overseas as well as domestic inflation. We must continue to improve our information technology infrastructure. Our budget request seeks $40 million additional funding in this area.

We need additional funding for other initiatives, as well, hosting important international conferences, upgrading our infrastructure in China and complying with legislated arms export control mandates. We must continue to support an aggressive border security program, particularly by upgrading consular systems, employing new technologies, and adequately funding worldwide consular operations.

We must maintain our overseas inventory of facilities to promote operational efficiency, employee health and safety, and an extended useful life for our buildings.
In her confirmation hearings, Secretary Albright noted that American leadership in the world derives from having the full range of foreign policy tools, including military force and vigorous diplomacy. We need to approach diplomacy with the same commitment that has made our armed forces what Secretary Albright referred to as “the best led, best trained, best equipped and most respected in the world.” Diplomatic readiness is the basic foundation of a vigorous, constant, creative and effective diplomacy.

There are three principal components of diplomatic readiness. The first is human resources. We need a work force that reflects the vigor and diversity of the Nation it represents. We also need the right number of skilled employees, with foreign language and functional and technical expertise, who are well prepared to represent the varied interests of the United States overseas, build effective relationships with international counterparts, exercise foreign policy leadership, protect American citizens and provide operational support for the conduct of foreign affairs.

Second, information. We need highly qualified personnel and the information technology capability to gather, analyze and communicate information efficiently.

Third, infrastructure and operations. We need well-maintained office and overseas residential facilities, supported by efficient administrative, financial, logistical and security systems, which enable employees to conduct business properly at home and abroad.

Diplomatic readiness helps achieve real foreign policy goals. For example, how can we maintain constructive relationships with great powers without the right people with the right skills in our most important diplomatic missions? How can we advance the nations’ economic and commercial interests abroad without properly trained and equipped personnel in the right places to help break down trade barriers, support U.S. business and negotiate mutually beneficial investment and tax agreements?

How can we effectively provide consular services to American citizens traveling or living abroad if successively reduced budgets cause us to close more overseas posts or reduce staffing at the posts we are able to keep open?

There has been a cumulative negative impact on our diplomatic readiness produced in recent years by the flat budgets the Department has had since 1993. Information systems have fallen behind in technology, interconnectivity and reliability. Buildings require substantial renovation. For well over a decade, we have not been able to maintain realistic replacement cycles for critical equipment that supports overseas operations, like computers, telephone systems, vehicles and office and residential equipment.

Staffing gaps, even at key embassies, are now the rule, not the exception. Language training, arguably the most important training done at the National Foreign Affairs Training Center, has been cut back. Other training has been reduced even further.

Without adequate security resources, the risk to our personnel, facilities and information will soon exceed what is prudent.

The Department has undertaken a number of important management initiatives that are designed to help us make the optimal use of the human and material resources that you provide us. As the Chairman mentioned, the International Cooperative Administrative
Support Services system (ICASS), is a new way to manage and fund administrative support for all U.S. Government agencies operating at diplomatic missions abroad. ICASS will provide senior managers for the first time with information on the full costs of overseas support, with the objective of obtaining quality service at the lowest possible cost. At the mission level, these costs will be distributed equitably and transparently under the guidance of a local ICASS council composed of representatives of all U.S. Government agencies.

The Department is re-engineering its logistics system and redesigning its worldwide support operations. Work will be organized around the total logistic process to provide material and services better, faster and cheaper. We hope to achieve greater efficiency in operations, move work from complex and expensive channels to simpler and more economical processes and reduce inventory carrying costs as well as transportation and internal processing costs.

Our Overseas Staffing Model calculates staffing requirements for overseas posts based on workload, such as consular and administrative staffing, or derivatively, as a function of the post's global, regional and bilateral foreign policy priorities, such as political, economic and human rights activities.

Based upon the relational model of post overseas staffing requirements worldwide, the model provides Department managers with an analytical tool for allocating personnel resources consistent with foreign policy objectives and priorities, adjusting staffing levels proportionately to deal with any funding level for personnel, and determining staffing levels at new posts.

We plan to revalidate the Overseas Staffing Model on a regular basis.

The Department has an ambitious border security program that includes deploying advanced technology to all consular posts. State and other agencies are actively sharing data to enhance the U.S. Government's ability to screen out terrorists, narco-traffickers and other criminals.

Every visa issuing post now has a sophisticated automated name-checking system to help prevent visa issuance to people who should not receive one. Every post now also utilizes the Machine Readable Visa system, which offers numerous security features to help strengthen U.S. border security.

In recent years, the infrastructure deficit has had a dramatic impact on many elements of the Department's information handling system. For example, about 40 percent of the Department's overseas telephone switchgear is obsolete, 82 percent of our radio equipment overseas is obsolete and 55 percent of overseas computer equipment is likewise obsolete.

Like all organizations in the public and private sector, the Department must also accelerate planning for and implement measures to solve the problems posed by the year 2000 dilemma, the fact that almost all current software and most hardware recognize only two digits in a date. This alone is expected to cost $135 million.

A key budget strategy that we will actively pursue beginning in fiscal year 1998 is the retention of revenues generated by all fees. In the past, we have retained only fees for machine readable visas
and for expedited passport processing. In 1998, we expect to retain fees sufficient to support the delivery of standardized, high quality consular services that the American people expect from their government, implement an effective U.S. immigration policy, improve the nation's border security and contribute to the delivery of other critical services.

The Department is also responsible for the acquisition, operation and maintenance of over 12,000 office, residential and other properties abroad, which support some 200 U.S. Government entities at our over 250 embassies, consulates and other posts. The real estate asset management program disposes of unneeded properties and uses the proceeds to meet higher priority real property needs. This program generated $59 million in the past two fiscal years, and with these funds and other appropriation balances, new facilities were purchased which are now saving over $12 million every year in avoided lease costs.

The most important current security issue is the need to combat the threat of terrorism worldwide, especially in the Middle East. To meet this threat, the Counterterrorism Budget Amendment provided an additional $38 million in no-year funding for the Department, of which $23.7 million will be used for improving and emphasizing security upgrades. While producing an immediate response on the terrorist threat, the Bureau of Diplomatic Security must also address a longer-term strategy for a more stable budget level to address security requirements worldwide.

Diplomatic security rigorously applies a risk management strategy, the implementation of our security standards, at all overseas posts. We calibrate the established generic security standards and counter measures to meet specific threats at specific posts at specific times. This technique avoids the waste inherent in using a one-size-fits-all approach to meeting security standards and allows the Department to husband scarce security resources.

Diplomatic security has also expanded its outreach to the U.S. business community overseas, with the Overseas Security Advisory Council, which helps protect life and facilities through information-sharing activities involving over 1,500 American businesses having overseas operations.

The Department is also actively making progress in strategic management, including meeting the requirements of the Government Performance and Results Act of 1993. Under the leadership of an advisory group of nine Assistant Secretaries, the Strategic Planning Team is developing an overarching International Affairs Strategic Plan covering all U.S. Government activities abroad and based on that, a plan for a Department of State strategic initiative. Once reviewed by senior leadership, the plan will be the subject of consultations with our stakeholders and customers, including other agencies, the Office of Management and Budget, and the Congress in the coming months.

Finally, the Department already requires overseas missions and bureaus in Washington to prepare annual performance plans which will now be derivative of the Department's strategic plan.

In conclusion, Mr. Chairman, when Secretary Albright spoke to this committee earlier, she observed that, "There will be many occasions, in many places, where we will rely on diplomacy to protect
our interests and we will expect our diplomats to defend those interests with skill, knowledge and spine." She also noted that "we cannot have world-class diplomacy on the cheap. We must invest the resources required for American leadership."

In closing, I have focused on those parts of the State Department budget which I am responsible for, that is, State Operations. We have had flat budgets and State operating accounts for the past 5 years. This has led to a 17-percent real decline in State Department operating accounts, plus the overall 50 percent for the entire 150 account. We have clearly taken our share of cuts, and we have placed before you, as we have placed before ourselves, the most ambitious reform agenda ever. We seek your support, Mr. Chairman, in carrying out a reasonable, forward-looking U.S. foreign policy, one that advances the national interest everywhere in the world, and which requires a level of diplomatic readiness that the President's fiscal year 1998 budget request supports. Give us the tools and we will do the job. Thank you very much.

[The prepared statement of Mr. Kennedy appears in the appendix.]

Mr. SMITH. Mr. Secretary, thank you for your testimony and I would like to note for the record that Mr. Richard Greene is joining you, and in my understanding, he used to be the Chief Financial Officer for DOS.

Mr. GREENE. My understanding, too.

Mr. SMITH. Got that right. Would you like to add anything, Mr. Greene?

Mr. GREENE. No.

Mr. SMITH. Thank you. Let me ask a couple of questions and then I will yield to my distinguished colleague. In preparing for this testimony, we had asked the Department to provide statistics on how many U.S. Government employees in our embassies have as their principal responsibility issues about human rights, monitoring and cataloging human rights abuses and progress when there are some. I also asked for the statistics on how many of our employees, including those from State and Commerce and other agencies, have, as their principal responsibility, the promotion of other foreign policy goals like Commerce?

I will never forget one trip to China, back in 1995, one of several human rights trips. I was struck by the fact that there was only one human rights coordinator or service officer, but a seemingly endless supply of people who were dedicated to Commerce. I never got the exact number then, and I was wondering if you might have brought some of that information with you?

Mr. KENNEDY. We are collecting that information for you, Mr. Chairman, and we will have it shortly.

If I might note, there is an officer at each and every U.S. embassy who is charged with the human rights portfolio. This is a State Department officer and that is a responsibility we take very, very seriously. At those posts around the world where there is no official Department of Commerce presence there, the State Department also carries the commercial and trade promotion responsibilities. At those posts where there are Department of Commerce officers present, the primary responsibility for trade promotion lies with them. However, every State Department officer overseas, no
matter what their responsibility, always looks out for both of these matters, is always on the lookout for human rights violations to report to the human rights officer, and also looks out for trade promotion or economic development opportunities to bring to the attention of the Department and then onto the Department of Commerce.

I might note as well that of the entire panoply of personnel that you saw in China, for example, probably 70 percent of those personnel are employees of agencies other than the Department.

Mr. Smith. That would be very helpful to the Subcommittee to know how that all breaks down, because I did get the sense of this one particular officer who was doing yeoman's work, and another time it was a woman who had that position, and she seemed to be very capable. They seem to be marginalized, though, in the general scheme of things. Trade seemed to be the zeitgeist that everyone was marching to, and not human rights.

It seems to me that one officer might work in Honduras, where it is a relatively small country, but a country the size of China, it seems to me, ought to be beefed up in terms of it. So, I look forward to receiving that.

I recently came across a Department notice dated February 6 of this year, and it contains an advertisement for a foreign service officer who would be detailed to the Population Reference Bureau, a non-governmental organization. At a time when you and others are making an appeal for additional sources of funds, because personnel is not sufficient to the task, to be tasking out to NGO's, individuals who might best be kept under our own roof, seems to me to present a mixed picture, especially when these are the same groups that end up coming up on the Hill and producing information that is used in very pitched battles on issues dealing with population. How do you explain this kind of activity?

Mr. Kennedy. Unfortunately, I do not remember reading that particular notice, Mr. Chairman, but I fully agree with your phraseology, that this presents a mixed picture.

The Department engages in outreach to a large number of non-governmental agencies and it seeks in this way to use force multipliers. By having a State Department officer work in certain non-governmental organizations, we hope to derive, and we believe we do derive, a greater benefit for the Department of State and the U.S. Government than that one officer's presence might imply.

That officer, by working with that organization, has available to him or her the entire range of matter, for example, on population, which is an important international issue, and he or she then serves as a conduit to both make the U.S. Government's concerns known to that organization, but also to bring into the State Department and make available to the State Department the collective concerns of organizations such as that. So, we use these and regard these as a force multiplier.

Mr. Smith. It strikes me that an organization like the Population Reference Bureau and others like it take a decidedly partisan position on some very controversial issues, including abortion. At the same time that you are making an appeal for additional funds, people are being tasked out to them. As you know, we just had a very, very pitched and arduous fight on the old issue of population con-
trol 2 weeks ago, and yesterday in the Senate, and that will be re-
played again later on this year. It is hard to justify additional re-
sources if people are so plentiful they are being put into controver-
sial organizations.

I mean, to the best of my knowledge, nobody has been tasked to
go with the National Right to Life Committee or the International
Right to Life Federation, which is an international, U.N.-recognized
entity, and I would not expect you to. But, then, I see something
like this. The beneficiary has a clear, non-ambiguous ideological
bent on how they perceive the world, they are entitled to it. But
whether we ought to be paying a U.S. employee to participate in
it is another question, in my view.

Mr. KENNEDY. Let me look into that and get back to you, Mr.
Chairman.

Mr. SMITH. I would appreciate it.

Mr. KENNEDY. As I said, our usual policy and procedure in de-
tailing personnel to other government agencies or to non-govern-
mental organizations is, to seek opportunities where the benefit
that can be derived for the Department of State and the U.S. Gov-
ernment as a whole exceeds the cost of sending that person to an-
other entity.

Mr. SMITH. Let me just ask you on the refugee programs, I notice
that there is a request for $650 million, which is identical to the
appropriation in 1997, but it is a cut from the $671 million from
1996. Just about everything else in the budget request is ratcheted
upwards, except for this account. We are awash in a world of refu-
gees, both those who are internally displaced, or those who are
seeking to find safe havens abroad. How do you account for that
decline?

Mr. KENNEDY. The refugee account is not one of the State De-
partment operating accounts that is within my jurisdiction. I would
be very happy to submit material for you for the record, but that
falls outside of my jurisdiction.

I can only surmise that in the era of attempting to balance the
budget across the board, a cut of $21 million, from $671 million to
$650 million was regarded as something that could be borne, given
the circumstances, and I believe that my colleagues in the Bureau
of Refugee Program Affairs anticipated a reduced level of care and
maintenance requirements in the Great Lakes region in Africa be-
cause at the moment, though the situation in Eastern Zaire is cer-
tainly very, very tenuous and no one is quite sure which way it is
going to go, the refugee situation in Rwanda, Burundi, Uganda,
Tanzania, bordering on the other side of the Great Lakes, has sta-
bilized significantly. So, as they are projecting into the future, they
felt that was the correct balance.

Mr. SMITH. I see. As you may know, this subcommittee had a
hearing on Zaire and the ongoing trauma of those people and from
many of the refugee groups that we heard from, there was deep
concern that there was a willingness by the international commu-
nity, including our own government, to put that one behind us, just
because some people did go back.

But, there appears to be a lot of miscounting, a lot of other infor-
mation that it is still an open book.
Mr. Kennedy. It is, Mr. Chairman. The State Department is very concerned, and as we sit here today, my colleague, George Moose, who is the Assistant Secretary for African Affairs, is in Capetown, where a conference and discussions are now going on about trying to bring peace to that region.

As you know, if we can stabilize the political situation, we feel we have a much better chance of bringing some order and some stability back to the lives of these people.

Mr. Smith. A number of county clerks have contacted my office. They have also contacted other Members, Senators and House Members in our State, and I am sure this has been happening elsewhere, and they are complaining that the 900 number to access information regarding passports is charging people for what, beforehand, was a free service.

Could you give us some insight into the rationale behind that, what are the facts?

Mr. Kennedy. Yes, Mr. Chairman. What we call the National Passport Information Center opened in November of last year, and this is a self-funding, i.e., a caller-pays system, that U.S. citizens can contact to provide and receive a broad range of passport information and assistance.

Any American citizen can call any one of our dozen passport offices, which are spread around the United States, from Washington to Boston to Florida to Texas to the Midwest and all the way as far as California and Hawaii. They can call those offices and hear a recording, for no cost other than the toll cost, if they are not living in one of those 12 regions, and they can receive all this information for free.

We, though, realized that we do not have an office in every city in the United States and that people were having to make toll calls, so we entered into an arrangement with American Telephone & Telegraph, so for 35 cents a minute, which is probably less than the cost of a toll call from, say, Utah, to the nearest passport agency in Chicago or Los Angeles, they can get all the information that they need for 35 cents a minute, and probably at a cheaper cost than the toll call.

They can also go on if they require specific information, information that is not the normal information that the average citizen would need. They can go on and get that information by speaking to an operator. There have been over 240,000 calls placed to this service over the past 3 months and we have received only 25 complaints. We think that for this very low figure of 35 cents a minute, we are actually providing a service to the American people that we have not been able to provide in the past.

Passport agencies have had a 77-percent workload increase over the past 5 years, and it is growing at about a 7-percent rate annually, and we determined that it would be more efficient to devote our scarce government resources to dealing with citizenship questions and the actual production of the passport material and outsource these questions. Although, as I said earlier, any American citizen can still call one of our 12 passport agencies at only the cost of that call and receive this information from a recording, as well.
Mr. SMITH. The information that the county clerks provide, is that different? Do you provide more insight?

Mr. KENNEDY. No, sir.

Mr. SMITH. So, it is the same?

Mr. KENNEDY. Our Bureau of Consular Affairs has an extensive outreach program to clerks of the court and to post office clerks, and this is the same basic information.

This information is also available on the Internet, if anyone simply types in www.statetravel.gov, they could call up all that information, and if they have the capability, they can download a passport application and print it out on their laser printer, and we will honor that passport application when it is filled out and mailed in.

Mr. SMITH. Where is C-Span when you need it to be here to give that number out?

Let me yield to some of my colleagues, and then I will come back to do some final questions. Mr. Wexler.

Mr. WEXLER. Thank you, Mr. Chairman. Mr. Kennedy, I very much appreciate your reiterating the Secretary's comments with respect to an expectation of having world-class diplomacy on the cheap and how unrealistic that is.

I listened very carefully, I think, to your comments with respect to the Department's effort at strategic planning and with respect to management initiatives and look at your text and you identified five areas of management initiatives that, I assume, you perceive as being important; the mandatory pay raises, improving the infrastructure, additional funding for certain conferences and initiatives, aggressive border security patrol and maintenance of overseas inventory facilities and so forth.

I certainly do not take exception with any of those items. I am just curious, in the context of management initiatives and in the context of strategic planning, unless I missed it, and if I did, I apologize, what specific efficiencies have been designated? What specific cuts have been provided as a result of the management initiatives?

Mr. KENNEDY. Over the last 4 years, we have reduced State Department’s overall employment by 10 percent. We have 2,500 fewer people on board than we had before. We have closed 30 diplomatic and consular posts around the world. We have reduced equipment purchases to the point where, as I mentioned earlier, that 40 percent of our telephone systems are obsolete, 80 percent of our radio equipment is obsolete. We have reduced travel significantly.

Those are the bi-products. The initiative that we feel that we have to take, such as better training facilities, are the direction we have to go, but we realize that in an era of a balanced budget, we cannot just simply appear before you and ask for additional funds.

In addition to those initiatives, we also have a number of management reforms underway in the State Department now, and I mentioned some of those. But, with your permission, let me mention them again. One of the most important ones is our Overseas Staffing Model. This is an attempt to ensure that we have exactly the right people doing the right functions at every one of our 250 posts around the world. This allows us to take people from one location and redirect them to another, without an increase in staff.
Second, the International Cooperative Administrative Services operation. Up until this year, the State Department, which represents 30 percent of the U.S. Government employees, civilian employees overseas, was paying approximately 70 percent of the cost of maintaining those platforms abroad. That was between about $100 and $110 million. The State Department was, in effect, subsidizing the operation of other government agencies.

By implementing the new ICASS system, which has every government agency pay for their own cost of operation at a post overseas, this will shift that burden to those agencies and relieve the State Department of that burden.

Logistics reorganization, which I mentioned, is changing the way that we do business. We put together a team to look at the best practices of the best U.S. companies, Sears & Roebuck, Motorola, and find out how they deliver material and logistic services. Since they are driven by the bottom line, if we adopt those tactics and those procedures we think that we can make major savings. We have just started this now, so I do not have a figure for you on that.

Also, our information technology reform.

Mr. WEXLER. If I may, Mr. Chairman, one other question.

Mr. SMITH. Please do.

Mr. WEXLER. With respect to the fee retention part of the program, it seems a bit odd to me in that if $10 million of fees are retained, $10 million will be spent. If $80 million of fees are retained, $80 million will be spent. How does the fee retainage part of the program equate to an overall strategic plan?

Mr. KENNEDY. Sir?

Mr. WEXLER. How would that relate in terms of priorities?

Mr. KENNEDY. Right now, the State Department is facing 5 years of flat growth. We have not been able to keep up with the workload. If you take an example, we issue some six million passports a year. That is a 60 percent increase per annum over the last 5 years.

We issue eight million visas a year. That is up 12 percent. We assist American citizens abroad about one and a half million times a year.

What we are seeking to do in this activity is to tie the cost of providing the service to the services we deliver. That will drive us to be more efficient. To make sure that we are not cooking the books, we bring in an outside, very, very reputable firm, MitreTech Corporation, which is well known for its integrity. We bring them in, and they measure the cost of services.

So, then we know the cost of services, when we have to be as efficient and deliver them. But when the number of passports demanded rise, the State Department will have these additional fees. We will then be able to retain those fees, hire additional personnel, upgrade the equipment, upgrade the materials so we can deliver them.

If, for some reason, the number of passports that are being demanded fall, we also have on our staff what we call temporary and seasonal employees, and we also have a number of contracts with service providers. As the demand falls, if we are able to retain and
control the fees, we will then release those seasonal employees, not hire those temporary employees, and cut back on the contracts.

So, the advantage here is good government. We are able to link the demand on the State Department to the revenue, and therefore, save the taxpayer money by having that greater nexus.

Mr. WEXLER. Thanks.

Mr. SMITH. Thank you, Mr. Wexler.

Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. My apologies for being a little late this afternoon. Nothing like taking a 16-hour plane ride, coming back to Washington.

I certainly welcome Undersecretary Kennedy for his appearance and testimony before the committee this afternoon. I would certainly second what Mr. Wexler said earlier about Secretary Albright's classic statement that we cannot have world-class diplomacy on the cheap. If I could ask your comments, the Chairman made a statement earlier about the claim that the State Department has made a 50-percent cut on its operations. I would like your response to that, Mr. Secretary, unless you have already answered that question?

Mr. KENNEDY. The State Department, as the Chairman well noted, has many different subaccounts that are represented in the 150 account, which is the overarching OMB derivative for the State Department.

Mr. Faleomavaega. Just for the record, I do not think the Chairman questions the integrity of your accounting figures, but we want to find out where you came up with the 50-percent cuts?

Mr. KENNEDY. If you take the entire 150 account over this period, there is a 50-percent cut. If you take certain portions of the 150 account, one arrives at different figures.

For example, in the State Department operating accounts, for which I am responsible, there has been a 17-percent reduction in our purchasing power over the last 5 years. So, the figures of the 50 percent are true. The figures of the 17 percent are true, and if you go down each one of the sublines, you will get a different figure. But, overall, there has been a 50-percent reduction in the function 150 account overall.

Mr. Faleomavaega. As I recall, because of the budget cuts, the State Department had to cancel its usual annual entrance examinations for Foreign Service applicants. Is this still canceled? Are there no more Foreign Service officers, junior officers, coming into the force because of this?

Mr. KENNEDY. No, luckily, sir, we were able to restore the exam this year. We had a 1-year hiatus and because of the budget cuts, we are stretching out these. So, we gave an exam last fall, and then we are going to give the next exam in February 1998.

So, because of budget restrictions, it was not given for 1 year, and then we gave it after a delay of 1 year, and for the next period of time, there will be an 18-month period between the exams. That is one of those very hard choices we have to make.

We believe that an 18-month period will be sufficient to keep replenishing the register of potential applicants for the Foreign Service.
Mr. Faleomavaega. You mentioned exams given last fall. How many universities participated in this examination? Do you have to attend a Foreign Service school before you are permitted to take this examination?

Mr. Kennedy. Certainly not, certainly not, sir. The examination is given in about 1,000 locations around the United States, and it is also given at every diplomatic and consular post overseas where an American citizen would like to take it.

Mr. Faleomavaega. For example, last fall, how many participated in taking the exam?

Mr. Kennedy. There were approximately 10,000 people who took the written exam last fall.

Mr. Faleomavaega. How many entered the Foreign Service as a result?

Mr. Kennedy. We are in the process now of giving the oral examination, which follows on. Because there are so many young men and women, and we are very, very proud of that fact, who are interested in serving their country in diplomacy, we simply could not give oral examinations to 10,000 people. We use the written examination as, in effect, a pre-screen.

About 2,000 individuals are considered to pass the written examination, pass simply being a relative rank order. We just take the first 2,000 people. We then work through that number to give oral examinations, and we try, then, to reach a register of about 300 individuals. We hope this year to be able to offer appointments to about 150 of those individuals.

Mr. Faleomavaega. So, 10,000 apply, 2,000 pass the written examinations and only 150 slots are awarded each year?

Mr. Kennedy. Yes, sir.

Mr. Faleomavaega. What is the total number of personnel at the State Department?

Mr. Kennedy. The entire State Department corps is about 23,000 people. About half that number is composed of foreign national, locally engaged staff overseas, and the State Department Foreign Service officer corps is about 3,000 people. We need somewhere between 150 to 200 individuals annually coming in to take account of retirements, deaths, resignations.

Mr. Faleomavaega. These 10,000 to 12,000 foreign nationals, is that because it is required? Do we have to hire these foreign nationals?

Mr. Kennedy. No, sir, we hire foreign nationals overseas for three reasons. To do blue collar work, where it is simply the maintenance work in unclassified areas of the embassy, to function as drivers. We also hire them to fill a number of jobs because of their language skills. While we have a number of foreign service personnel who have the right language skills, we need additional language-qualified personnel. We also hire them to do certain unclassified jobs, because it is simply cheaper to hire a foreign national for $5,000 or $10,000 a year, than to hire an American citizen at $25,000 to $75,000 a year and then transfer them to those locations.

Mr. Faleomavaega. I see.

Mr. Kennedy. We go for the best bang for the buck, consistent with getting the mission done and security concerns.
Mr. FALEOMAVAEGA. So, with about 11,000 permanent Foreign Service officers, that is a pretty low turnover, if you only have 150 junior officers coming in every year.

Mr. KENNEDY. The Foreign Service component of the State Department, if I might, is broken up into two subcomponents. There are approximately 3,000 Foreign Service officers, and that is the 150 we are replacing every year. There are about 5,000 other, what we call Foreign Service specialists. These are security personnel, medical personnel, financial management specialists, computer specialists, information technology personnel, secretaries.

Mr. FALEOMAVAEGA. They are not subject to the Foreign Service examination?

Mr. KENNEDY. No, sir, we put a global announcement out and we open separate registers for each one of those categories and seek to draw the appropriate security personnel or the appropriate computer sciences professionals.

Mr. FALEOMAVAEGA. Mr. Secretary, I know my time is up. I just want to make an observation and ask another question. For over 8 years now I have been a member of this subcommittee and I am still puzzled about the low numbers of people of color that serve in the diplomatic corps. If the State Department is serious about its minority recruitment program, it should look not at just the Ivy League schools, but at the black universities and public universities in the West, not just the East Coast.

I have always been puzzled as to how you go about making these selections and I also question the fact that if the State Department is really dead serious about getting minorities involved, minorities who qualify should not be disqualified for some stupid reason—

Mr. KENNEDY. Let me give you a short answer, and then, if I might call your office and come up and meet with you and give you a longer answer?

Mr. FALEOMAVAEGA. Better yet, could you submit that for the record, please?

Mr. SMITH. That will be made a part of the record.

[The answer appears in the appendix.]

Mr. FALEOMAVAEGA. All right.

Mr. KENNEDY. Certainly, if I can give you a quick answer. For example, minority exam takers on this year's Foreign Service exam were up 114 percent over the one that was offered 2 years ago. I am not pleased, I am not satisfied with the intake of women and minorities into the Foreign Service. We have to, we must do better.

However, we have been taking a number of active steps over the last 4 years to reach out. For example, we have assigned ten Foreign Service officers, what we call diplomats in residence, to schools in Arizona, California, Georgia, Illinois, New York, North Carolina and Texas, and there is also one in Florida this year, to reach out to these areas where the population is more heavily minority, to try to use these diplomats in residence to reach out to those university populations.

We have what is called the Foreign Affairs Fellowship Program, which has a cadre now of 38 very highly qualified minority students who are on the verge of graduating from the universities with our assistance, and these 38 will be entering the Foreign Service in the period from 1997 through 1999. We have an active
outreach program. Is it as successful as it should be? No. Are we doing everything we can? We think we are, but we somehow have to do more, because a 114-percent increase is still not producing the actual intake into the Foreign Service that I wish.

Mr. Faleomavaega. I appreciate that and I look forward to seeing that when you submit it for the record.

Diplomatic security—what is our proposed budget for 1998 on diplomatic security?

Mr. Kennedy. Thanks to your help over the last 2 years, we had supplemental funding from the Appropriations Act.

We have taken this funding and we have expanded our local guard programs. We have begun a replacement program for our armored vehicles and for the technical security equipment that we deploy overseas.

We have also been able to open our register for new diplomatic security officers to be assigned overseas, and we will be bringing on this year a class of 75 new diplomatic security officers. The budget request that is contained in this proposal will allow us to annualize the costs that have been brought forward by the supplemental, so that we will have in future years salaries and other materials to keep these 75 new diplomatic security agents on the roles, and permit us to hire an additional 35 new diplomatic security agents every year for subsequent years, to serve as the fill ins for resignations and retirement. We will also use the funding to provide for the equipment and the local guard forces that are necessary to keep our facilities running. If I might turn to my colleague for the details.

Mr. Faleomavaega. No, I am not looking for details. I just wanted to make sure that there is reasonable planning for this important area that ensures the safety and security of our personnel overseas. I have just gotten back from San Salvador and it is always easy to see things in hindsight. As an observation, Mr. Secretary, and I am sure the State Department is sensitive about this, but in San Salvador a couple of years ago, we built a $70-million embassy because of the security measures that were deemed necessary for that Central American country.

My question is how did you go about assessing that we needed a $70-million facility in El Salvador? Were there that many security problems in that country?

Mr. Kennedy. During the height of the El Salvadoran conflict, when American government employees did lose their lives in El Salvador, there was a significant threat. Right now, we are not building any new $70-million embassies. We have a $285-million budget for security. We apply what we call risk management. Along with the intelligence community and other U.S. Government agencies, we look at the technical threat, the terrorist threat and the threats from crime in every city. We analyze those factors and we now use risk management to target the specific counter measures we should apply to each one of those threats in each specific location, to make sure that we spend both the minimum and the maximum amount necessary. The maximum amount necessary to get good security and the minimum amount necessary to get good security. So, we target it through risk management.
Mr. Faleomavaega. All right, Mr. Chairman. Thank you, Mr. Secretary.

Mr. Smith. Thank you. Before yielding to my friend, Mr. Payne, just let me follow up on that. I would like the details. You were turning to Mr. Greene for that. Is the $285 million sufficient to the task, if I am correct on that? You talk of a security infrastructure gap, Mr. Secretary. Could you expound on that a little bit more in terms of how that came to be?

Finally, the shifting of the Marine guards, the cost to DoD, how much does that save and where does that money go, or is it just money that you now can rebudget for other things?

Mr. Kennedy. The security infrastructure gap arose over the course of the last 5 years, along with our information technology gap and our personnel staffing gap. It arose from the fact that the State Department's budget was flat for 5 years, and as we went through this period with the 17-percent reduction in funding, we had to make some very hard choices.

I do not believe that at any point did we push security below the minimum necessary. What we did was push the envelope on equipment and material. Armored cars, which we need in many parts of the world, do not last as long as any other cars, because they have some 3,000 pounds of extra armor being carried. Security equipment, such as metal detectors, infrared motion detectors, cameras and similar items, have a limited life cycle and a life expectancy, and they wear out, as any piece of electronic equipment does.

So, we kept that equipment in service long after its expected life cycle, gambling that it would make it or we could play the triage game. If this armored car went, we pulled one of the few spares out.

With your help over the last few years, with supplemental funding the State Department has received, we have bought down that infrastructure gap in the security arena. With the President's budget, which is before you today, if we receive these funds, we will be then able to begin a reasonable replacement and replenishment cycle so we have the right amount of equipment and also the right amount of funding to keep the number of diplomatic security officers and the number of local guards in place.

On your question about the Marine security guards overseas, in our budget request when that funding was transferred from the State Department to the U.S. Marine Corps, the Department of the Navy, that amount of money was lapsed out of the State Department budget. So, we did not have the money to refund or reprogram for any other purpose. The funding simply no longer exists in the State Department budget.

Mr. Smith. How much did that free up, though?

Mr. Greene. About $24 million.

Mr. Smith. About $24 million? The $285 million, is that the right figure? Now, obviously that has been through the filter of OMB. Was their request higher at any point, as it worked up the chain of command?

Mr. Greene. Well, we usually do not like to comment on internal budgetary matters.

Mr. Smith. I understand, but you are being asked.
Mr. Greene. It is probably safe to say that our request for everything we asked for was higher.

Mr. Smith. OK. Is there any way that can be transmitted to us? I mean, it seems to me security matters are very high on my priority. Again, when you are talking priorities and our people being put at risk, it would be nice to know what the Department thought would be an adequate amount to make the difference.

Mr. Greene. I will get that to you. I agree when Undersecretary Kennedy says that we clearly think this funding was adequate.

Mr. Smith. I know, again, you are sincere in what you are saying, but adequate sometimes is not adequate. I will never forget a lesson I learned years ago on the POW/MIA issue, when General Thai (he was the head of the Defense Intelligence Agency), said he had all the tools and all the requisite money and material and everything else, analysts, to do the job on POW/MIA’s. Then, a couple of years later, when live sightings were proliferating, he was head of the task force that asked for upwards of three times, and he testified that it was totally inadequate.

I know everyone is under some restraints, but it would be nice for this subcommittee to know what really is needed, especially with terrorists abounding.

Mr. Payne. Thank you very much, Mr. Chairman. I did not have an opportunity to hear your testimony, but I do have just a general question. With State Department personnel, I suppose there are categories of hardship assignments. What I have been able to ascertain, though, is that a hardship post, perhaps in the long run, does not provide any more compensation than a post that is in a so-called high-cost-of-living country, like maybe France or something.

I wonder if you could explain how does the State Department tend to induce people to go to hardship, Third World assignments if the compensation is the same as if you were in Paris or Bonn or something?

Mr. Kennedy. Certainly, sir. The base salary of a State Department employee serving in a hardship post, serving in Paris or London or Bonn, is the same.

However, the State Department has a specific differential. It is called the post differential, in jargon usually called the hardship differential. Each post fills out a survey. This is sent to a team of experts in Washington, and that survey is measured and graded against a series of interagency-agreed categories, and the result of this grading is either 0, 5, 10, 15, 20, or 25 percent.

So, Paris does not even bother to submit a survey and they get a zero. A hardship post in the Third or the Fourth World would have a score ranging from 5 to 25 percent. That is paid as a taxable allowance to any U.S. Government employee serving in that area. By Executive Order, the Secretary of State administers the Allowance Benefits Act for all U.S. Government employees overseas. So, there is a definite monetary incentive to serve in those locations.

If I might also, there is an additional incentive in that in most cases, the number of positions in our posts in the Third or Fourth World are fewer than in the First or Second World, and a good
number of State Department officers go to these hardship posts not only for the financial benefits, but because posts are smaller, the work is more equally distributed and therefore, it is possible at a more junior grade to have, in effect, a more senior position.

Our No. 2 person in Paris, his position is graded at the most senior career position. Our Deputy Chief of Mission, our No. 2 in many of our posts in the Third or Fourth World, is four or five rungs below that; therefore, that person can acquire the management experience, can acquire the administrative experience, can be the No. 1 political or economic reporting officer in one of these hardship posts, and therefore gain what they perceive to be an advantage in the worldwide competition we hold each year for promotions.

So, there is both a monetary incentive and a career-enhancing incentive for serving in those hardship posts.

Mr. PAYNE. What I had heard, though, was that posts are also evaluated on the relative cost of living in that particular country, and therefore, my point was the cost of living adjustment, I guess, locality pay they would call it, they even have it in the United States, they have locality pay where in New York, perhaps, the pay is a little higher than in Des Moines, Iowa, I guess, perhaps—the way things are going, I would not be surprised if Des Moines, Iowa was higher paid than New York. But, is there a cost, is there a locality pay which would therefore increase the base salary of a person in the First or Second World that might bring it really to where a hardship post would be?

In Paris, I am sure that you get a pretty good locality pay. You do not get the same as you get in—

Mr. KENNEDY. I apologize. I misunderstood your question.

Mr. PAYNE. No, that is OK, but I was glad you explained what you did, because I learned a little bit more, too.

Mr. KENNEDY. There is a second allowance, there is a cost-of-living allowance which is also computed for every post in the world, using a format that we have derived from the Bureau of Labor Statistics, Department of Labor. Another questionnaire is given to every post annually to determine the cost of living in that country. How much does it cost for gasoline, how much does it cost for milk, eggs, clothing, whatever?

That information is then submitted to Washington. The computer analyzes it and the result is a scale of 100 which equals the cost of living in Washington. In Paris, if the answer is 120, then an employee in Paris would receive a 20 percent cost-of-living offset, because the cost is more than in Washington.

On the other hand, any hardship post also is analyzed and so no State Department/no U.S. Government employee of any agency who is serving in any post in the world where the cost of living has been mathematically determined to be more than the cost of living in Washington is disadvantaged. They will receive anywhere from 5 percent more on up to whatever the limit happens to be, because they have mathematically proven their cost of living.

So, serving at a hardship post does not cause you to be disadvantaged at all. You fill out the survey and it is compared to a Washington baseline and you receive the appropriate compensation.

Mr. PAYNE. OK, that is good. I guess my point is basically that you would find that probably in a hardship post, the cost of living
is lower, and in a locality pay, you have a higher locality, also. I mean, there is nothing you can do about it, it is just the way it works out. Bottom line, though, is that you would probably end up with about the same which would not make it an incentive. Let me say it is not a disincentive, but it is not because people go to work for the State Department for a lot of reasons, not only pay as a consideration. But, bottom line is that you may not end up, other than career opportunities, perhaps, with a financial incentive, by virtue of the cost of living, the locality being at level or below Washington costs.

I am sure that Liberia's costs are probably a little bit lower than Washington, DC, whereas in Paris, where you would get the locality pay, they are about level. But that is nothing that either one of us can do anything about offhand, it is just that it ought to be recognized, because we should have locality pay and we should have pay for difficult assignments. But, the bottom line is, it comes out to about the same.

Let me just ask another quick question. I hope you did not have anything to do with the building of the U.S. Embassy in the USSR, at the time. You have heard about that?

Mr. KENNEDY. The current building in Moscow is one of my responsibilities.

Mr. PAYNE. OK, but you inherited it?

Mr. KENNEDY. I inherited it, yes, sir.

Mr. PAYNE. I am glad to know that. I saw you reacting. Have they been able to counteract that? I mean, that must have been a good learning experience. I happened to go there, and the fellow said, let me go around the corner and upstairs and way back there and just listen, and they were talking on another floor way away, and you could hear a little better than I could hear you right there.

They were just shocked that the Russians cheated or something. Why would they, at the height of the cold war, let the Russian technocrats build the U.S. Embassy? I mean, they even had a battery that would last 99 years. We should have taken that and tried to get a prototype and see how it works. But, the batteries are still working, stuck in concrete somewhere. How did that ever happen, and what are they doing with the building now?

Mr. KENNEDY. Let me try to give you a multipart answer. For part of the answer, I would like to meet with you in a non-public forum because it is not a subject that I can discuss in this room, with this audience. But, I would be pleased to meet with you at any time to go over the details.

Mr. PAYNE. All right.

Mr. KENNEDY. A decision was made in the 1960's to build the building in a certain way and on the basis of certain assumptions. Those assumptions proved erroneous.

In 1993, the Secretary asked me to convene a committee and I convened that committee with representatives from a number of other U.S. Government agencies to decide what to do about the bugged building in Moscow. After an extensive range of interagency consultations, a classified presentation was made to the Congress, on a new proposal, which is usually called Hardhat, to tear down part of that building and build a new building on top of it, which meets everyone's concerns for security. That process is now under-
way. A contract has been let to an American company who will use entirely American labor, entirely American materials, and ship everything to Moscow in a controlled fashion. That work has already begun, and I have every belief that we will have in 1999, when the project is finished, a secure building which will be fully certified and which will serve the national security interest of the United States.

Mr. PAYNE. You did not hold the meeting in that building, did you?
Mr. KENNEDY. No sir.
Mr. PAYNE. Oh, OK.

[Laughter.]
Mr. SMITH. Thank you very much, Mr. Payne.

Mr. Secretary, I would appreciate it, and I know you will probably have to provide this for the record, but the quicker and more swiftly you can get it here, I would appreciate it, a list of all Department ofState employees who are detailed to non-governmental organizations and the total cost and the names of those organizations.

I would also like to know which NGO's have personnel working inside the building, if that happens, either as interns or some other fashion, to know the kind of collaboration that is going on there. As quickly as you could get that to us, we would appreciate it.
Mr. KENNEDY. Certainly, sir.

Mr. SMITH. Just, in terms of the 17 percent cut you have mentioned a few times, again, in looking at these statistics which your folks were kind enough to send over, in looking at it, you keep talking about the 17 percent cut, yet if you look over it from the range of 1988, fiscal year 1988 to 1997, it went from $3.6 billion to $4 billion.

It seems as if you have locked onto the high number, what would that be, 1992, and then used that as the backdrop to measure whether or not something is a cut or an increase, is that correct?

Mr. GREENE. What the Undersecretary is referring to is just the diplomatic operations resources. The number you used also include contributions to international organizations, the United Nations.

Mr. SMITH. Yes, it is a State Department account, which is what we are all about here.
Mr. GREENE. Those are equivalent, and the 17 percent is just the money that is used for our analysis.

Mr. KENNEDY. State Department operating accounts, which are the responsibility of the Undersecretary. The diplomatic readiness portion, as opposed to contributions.

Mr. GREENE. Peacekeeping is part of the job.

Mr. SMITH. Right, but again, are you using a 10-year or 5-year timeframe to measure?

Mr. GREENE. We used the 17 percent to compare the 50 percent number to, so that is back to 1985.

Mr. SMITH. To 1985?

Mr. GREENE. Yes.

Mr. SMITH. The issue on foreign buildings, the last few the Appropriations Committee directed the Secretary to establish an interagency advisory board on real property management to help oversee the State Department's $10 million in real property assets.
In your submission, it is suggested that about $180 million can be realized through sale of property. What is the status of that advisory committee? Have they met, who makes it up, what kind of power will they have? Do they make their recommendation to you and then you turn around and implement? What is the modus operandi?

Mr. KENNEDY. We have formed the advisory committee. It has not yet had its first meeting. It is composed of representatives from the State Department and from other U.S. Government agencies, with a specialization in real estate and property management.

We have secured a senior representative from General Services Administration who is well aware of real estate issues. We have obtained a representative from the Central Intelligence Agency whose specialty is real estate and property management. We are also going to have a representative named by the U.S. Postal Service. I picked those three agencies because they are three civilian agencies of the U.S. Government who have the largest real property holdings.

We will also have representatives from the State Department on the committee, but I have deliberately named representatives who have no vested interest in any of the properties. They will include the Assistant Secretary of State for Consular Affairs, to make sure that we have adequate consular facilities; the Assistant Secretary of State for Economic and Business Affairs, who is concerned about trade and agricultural promotion; the Assistant Secretary for Diplomatic Security, to make sure that whatever we do comports with our security requirements and the Chief Financial Officer, to make sure that the maximum amount of money is squeezed out of every nook and cranny.

The group will meet. What we intend to place before them are three packages of material; properties recommended for sale by the General Accounting Office, properties recommended for sale by the State Department's Office of the Inspector General, and properties recommended for sale by the State Department's own Office of Foreign Buildings, because the latter is the list of properties that the State Department wishes to sell. Because as I mentioned in my testimony, we sold $59 or $60 million worth of property over the last 2 years.

The State Department has every incentive to do this. The basic incentive is that there is no money in our budget request for any capital program for the Office of Foreign Buildings. There are no funds available, no new appropriated funds, to make any real estate purchases whatsoever. Therefore, the only way that I can construct the embassies that I must construct in places such as Berlin and Abuja, Nigeria, where each government is in the process of shifting their capital from Bonn to Berlin, from Lagos to Abuja, or in the newly independent states or elsewhere, is to use asset management, our program of sales.

What the Office of Foreign Buildings has done is to go out and look at the widest possible range of buildings. Can we raise $180 million this year? I would like to think so, but I cannot guarantee that. The reason is, when we place properties on the market, which we do every day, we do not know how they are going to move, because we are operating in the local environment.
For example, we placed a property on the market last fiscal year in Beirut. We went through a bidding process, and took the winning bidder. Under local practice, he had several months to make payment. He is now unable to consummate the contract. Therefore, I am going to put that property back on the market. That sale was included in what we were counting on in that $150 million. I would be glad to give you the figure privately, because we will be in negotiations with some other bidder, and I would not like to disclose a specific figure in a public forum.

We will put that property back on the market. Might we realize it this year? Yes. But, on the other hand, it might appear in a later fiscal year. The same is true around the world. We regularly put properties on the market and we are incentivized by the fact that this is my only funding source for new properties, which I desperately need.

Mr. SMITH. That is a dollar-for-dollar dedication?

Mr. KENNEDY. Yes. We sell them and we have the statutory authority under the Foreign Buildings Act of 1926 to reutilize those funds to make new property purchases.

Mr. SMITH. Let me ask you a question. Recently, amid allegations of improper influence peddling, James Wood resigned his position as chairman and managing director of the American Institute in Taiwan, an organization for which the Department has requested over $14 million in fiscal year 1998.

In turn, Mr. Wood has charged that he was forced from his job at AIT, after unsuccessfully attempting to expose fraud and corruption within that organization. Among other things, Mr. Wood alleges that over $5 million in taxpayer dollars are missing, and that women were forced to have sex with AIT employees in order to procure visas. Where do the various allegations stand right now? When do we expect to get the truth about this and how does the Department go about overseeing AIT, given its status as a quasi-government entity?

Mr. KENNEDY. If I might give you a moment's background, Mr. Chairman. Under the Taiwan Relations Act of 1979, the Congress empowered the State Department to set up a people-to-people arrangement between the people of the United States and the people of Taiwan. This arrangement is administered by a non-governmental entity, pursuant to statute.

The American Institute on Taiwan was established and chartered as a non-profit corporation under the laws of the District of Columbia. The State Department and other U.S. Government agencies who have dealings with the people of Taiwan do so through the American Institute and provide a certain amount of appropriated funds, and that is supplemented by non-appropriated collections and fees from Taipei or Kaohsiung, which is the other "post" that we have in Taiwan.

Given this special and unique arrangement, the accounting stream is not always as transparent as it would be if this was the American Embassy in Tokyo, where all the books are kept according to a rigorous rubric and overseen by the Chief Financial Officer. We have a contractual relationship with the American Institute in Taiwan. This contract binds AIT to follow certain procedures. They must also follow certain other statutory procedures
under the Corporations Act of the District of Columbia. At times, those two facts lead to separate sets of books.

I can assure you, Mr. Chairman, to the best of my knowledge, there are no appropriated funds missing. Mr. Wood's charges relate to $5.3 million worth of visa fees that are a service charge imposed by AIT Taipei for processing. These were not appropriated funds. That does not mean, though, that we do not monitor them.

The original program that was set up required these funds to be put into a separate account. For reasons that we are now looking into, these funds were put partially into a separate account and partially into the regular operating account of the American Institute in Taiwan. The private sector auditors, which have been engaged, a well known company called Grant Thornton, is currently auditing those books in conjunction with our own Inspector General. As the Inspector General testified yesterday, she has no reason to believe that there are any unaccounted for or stolen or missing funds. We have every reason to believe that those funds are in the other account or have been dispensed for appropriate activities.

However, the auditing firm in conjunction with our Inspector General, is looking at that matter now. But, as she testified yesterday, she has no reason to believe there is anything unaccounted for.

As to some of these other charges, such as visa fraud, and possible sexual improprieties, the State Department's Office of Diplomatic Security looked into the charges of visa fraud in the early 1990's. These were brought by a disgruntled employee, a local national employee who had been dismissed, and the Diplomatic Security Service looked into that and says that there is no reason to believe that these allegations have any validity whatsoever. Professional investigators looked at them and said there was——

Mr. SMITH. So, there is nothing pending right now in terms of an investigation of those matters?

Mr. KENNEDY. He is repeating allegations that stem from 1989, 1990, 1993.

Mr. SMITH. So, none of the allegations are fresh?

Mr. KENNEDY. None of the allegations are fresh. On the allegation of sexual impropriety, this was the charge leveled against a local national employee of the American Institute in Taiwan. This was immediately looked into and that individual was dismissed. I believe that was in 1989.

Mr. SMITH. Could you provide the committee with documentation on how these allegations were investigated and the summary of the conclusions of what they did not find?

Mr. KENNEDY. Certainly, sir.

Mr. SMITH. I appreciate that. Let me ask one final question and then I will yield to Mr. Payne if he has any followup questions.

The third management initiative you list in your prepared statement highlights the asserted need to host the International Telecommunications Union conference. Last year, the Appropriations conference report stated, and I quote, "Funding for this conference will be addressed only after the State and Commerce Departments have exhausted every potential source of private funding to assure that the cost of this international conference will not be borne by the taxpayer."
Could you fill us in and expound on what the conference is all about and why should taxpayers foot the bill for it and what efforts were made to procure that funding from private sources?

Mr. KENNEDY. Certainly, Mr. Chairman. The International Telecommunications Union meets quadrennially around the world, and the ITU's purpose is to maintain and extend international cooperation in the telecommunications field, and to promote the efficient provision of telecommunication services. Its activities include global standards setting, allocation of the radio frequency spectrum, regulatory aspects on satellite services and the general mandate to do anything possible to make sure that there are common standards in order that the radio waves are shared and operate in an efficient and effective manner.

The United States is one of the major players in the area of global telecommunications. We have companies that operate satellite systems, we have great interest on the part of our military forces in the allocation of the spectrum and we are major providers of equipment in the telecommunications arena, bringing in hundreds of millions of dollars and many, many jobs for the American people. Therefore, the United States has a strong interest in the ITU and its setting standards that we can live with, standards that benefit us, so when we manufacture equipment for sale in the global market, we are manufacturing to a global standard that anyone can buy.

Several years ago, the United States offered to host the quadrennial conference. We believe that by hosting the conference, the United States will signal its preeminent role in international telecommunications. It will increase and expand our influence in international telecommunications policy by enhancing our relationship with the ITU and its permanent staff, and with the foreign government officials who shape their governments' policies toward the ITU.

It provides an important venue to further the policy support for international business development and it also affords American businesses an unprecedented opportunity to promote the export of American telecommunications equipment. And because alongside the conference, there is, in effect, a trade show, it provides American businesses a venue for bringing together the entire governing body of all 180-plus members to see American technology at its best and give them an opportunity to talk to representatives.

So, there are these two functions taking place simultaneously, the trade show, which is funded by the private sector, and the plenipotentiary conference, which is a governmental function.

We have agreed in the beginning that the cost of the U.S. hostship of the conference itself would be split with the Department of Commerce. Since the injunction in the Appropriations Bill, we have met extensively with the private sector, who readily agree that they are going to fund the trade show aspect of this, but believe, as we do, that the conference of nations itself, bringing together official government representatives and the ITU secretariat, is an inherently governmental function which ought to be funded by the U.S. Government.

So, the State Department and the Commerce Department are proposing, as we had before, that funding for the governmental por-
tion of this be split equally between the Department of State and the Department of Commerce.

Mr. SMITH. Is there anything that would preclude you from accepting voluntary contributions from those groups for the government side? I mean, how much are we talking about in terms of the cost of the conference?

Mr. KENNEDY. The entire cost of the conference is approximately $14 million, which would be split, half between the State Department and half between the Department of Commerce. The State Department has the statutory authority to accept gifts. We would do so. However, after our consultations with the private sector, they believe that it is appropriate for them to fund the trade fair and they have expressed no interest in funding—

Mr. SMITH. Well, they would think it is appropriate when it affects their profit margin, believe me.

Mr. KENNEDY. Certainly, sir.

Mr. SMITH. You certainly could use another $7 million, and it seems to me that it would be in their own interest, since they stand to benefit enormously from it, to be as cooperative as possible.

Mr. KENNEDY. We continue to engage them regularly on this matter.

Mr. SMITH. Let me just ask you, as I indicated earlier, we hope to begin marking up on March 20. Will we have the Administration's draft legislation, hopefully, at least a week before that, so we can take all of that into full consideration as we mark up the bill?

Mr. KENNEDY. Let me first say that we certainly appreciate the consideration that you have shown in providing us a copy of the Committee's draft bill and it is being carefully reviewed in the Department now.

It is certainly my hope that the authorization process go forward this year on a cooperative and bipartisan basis. We are working on a legislative package at this point to authorize the President's budget and to update a number of management-related issues that we think constitute good government.

The decision on our legislative package is being made at the very highest levels, and we hope to be able to give you a definitive answer very, very soon.

Mr. SMITH. I appreciate that. It would be most helpful, because we want to work with you. After last year's rather difficult process, I know this particular chairman is absolutely determined that we will not see a waiver of authorization so the appropriators do our job for us. I do believe we thought we might have had that commitment last year from our leadership, but this year, we will make it stick so that we are not superfluous to this process and the appropriators do the whole deal.

Mr. KENNEDY. We intend to work with your committee in gaining your support to accomplish our mission.

Mr. SMITH. Thank you very much.

Mr. Payne.

Mr. PAYNE. Just that I agree. I do not think that there should be legislating through Appropriations. It should be separate committees with the responsibility.

Just finally in regard to the tragedy in Saudi Arabia with the security being admitted that it was a bit lax, has there been an over-
all tightening up of security in general at our posts around the world, in particular, where some of our employees may be in harm's way?

Mr. KENNEDY. The answer to that, sir, is absolutely yes. We monitor security very closely. We work with all elements of the U.S. Government to look for any and all evidence of threats. Every year, our Diplomatic Security Service reviews almost 30,000 threat incidents, which can be from the very small to the very large. But, each one of those is given the time and attention it deserves.

On the specific question of the tragedies in Saudi Arabia the Secretary of State and the Secretary of Defense have executed a Memorandum of Understanding to more clearly specify and denote who is responsible for providing services of a security nature, when there are large numbers of U.S. military personnel overseas assigned conterminously with the U.S. diplomatic and consular post. We are addressing both the full picture and the specific picture, as well.

Mr. PAYNE. All right, thank you very much. I have no other questions.

Mr. SMITH. Mr. Payne, thank you very much. Mr. Secretary, Mr. Greene, thank you very much for your testimony. We look forward to working with you.

Mr. KENNEDY. Thank you very much, Mr. Chairman.

Mr. SMITH. The hearing is adjourned.

[Whereupon, at 3:11 p.m., the Subcommittee was adjourned.]
APPENDIX

TESTIMONY OF PATRICK F. KENNEDY,
ACTING UNDER SECRETARY FOR MANAGEMENT,
US DEPARTMENT OF STATE

SUBCOMMITTEE ON INTERNATIONAL OPERATIONS
AND HUMAN RIGHTS
HOUSE INTERNATIONAL RELATIONS COMMITTEE

FEBRUARY 26, 1997

Introductory Remarks

I am delighted to be here to testify in support of the Department of State’s FY 1998 budget request for those accounts which fund Departmental operations. The opportunity to appear before you today is extremely important, the effort to secure the funding that will allow American diplomacy to do its job is one in which I believe and to which I am fully committed.

Secretary Albright has already spoken eloquently before this Committee, and on other occasions in other fora, about the substantive foreign policy requirements that underpin this budget request. She has outlined the principal foreign policy challenges before us today, and pointed to the challenges that lie ahead of us in what remains of the century and beyond. In order to meet these challenges, there is a need for "diplomatic readiness"—maintaining, or in many cases restoring, the human and material infrastructure that allows the Secretary and others, whether they work for the State Department or other agencies of the US Government, to advance the national policy agenda overseas.

This is not an easy burden. To support and advance American interests around the world, the Department of State maintains some 250 diplomatic and consular posts in 164 countries. These "platforms" are the homebases for not only the Department of State but also for more than 200 other US Government entities who help support and advance American interests. These platforms involve operating in 150 different foreign currencies, developing local compensation plans for every country where we have diplomatic and consular posts, maintaining 12,000 buildings, and supporting 23,000 State Department employees—American and foreign nationals, overseas and here at home—and another 20,000 employees of other US Government agencies overseas. Our telecommunications facilities handle over 4 million telegrams per year, our Passport Agency issues over 6 million passports annually, our overseas posts issue over 8 million visas each year, and our consular officers overseas annually respond to over 2 million requests for American citizen services.
The operation of these platforms clearly supports the Department's request for the amount specified in the President's budget, both for our own operations as well as for those we carry out in our role as a provider of support services to all agencies with an overseas presence. In order to help improve our ability to manage such a world-wide operation, and insure that every tax dollar is wisely utilized, the Department has made significant progress on a number of management initiatives that deserve both your attention and your continuing support. I will speak about them later in my presentation.

Finally, we are making increasingly greater use of strategic planning -- in compliance with the Government Performance and Results Act of 1993 -- to insure that we allocate our scarce resources to the highest priorities. We are doing this at the broad, international affairs level, and at the overall Department level and within our organization at the bureau and program levels. However, strategic planning -- while focusing resources on high-priority goals -- does not allow us to fund all of the foreign policy objectives that make up our national security agenda.

Budget Summary Comments

Let me begin by highlighting the major elements of our budget request, before I discuss the programs and activities that contribute to "diplomatic readiness" and the management initiatives which we are implementing to manage our resources more effectively.

1. We need to fund mandatory pay raises and overseas as well as domestic inflation

2. We must continue to improve our information technology infrastructure -- installing telecommunications systems, local area networks, personal computers, and software; modernizing our corporate information systems. Our budget request seeks $40 million additional funding in this area.

3. We need additional funding for other initiatives as well -- hosting the International Telecommunications Union Plenipotentiary Conference and an international environmental cooperation conference, upgrading our entire infrastructure in China, and complying with legislated arms export control mandates.

4. We must continue to support an aggressive Border Security Program, particularly by upgrading consular systems, employing new technologies, and adequately funding worldwide consular operations.

5. We must maintain our overseas inventory of facilities to promote operational efficiency, employee health and safety, and an extended useful life for our buildings. We will continue to use the proceeds of sales to make cost-effective
real property purchases where there is both a demonstrated need and documented cost benefits.

Diplomatic Readiness

Secretary Albright, in the statement submitted to this Committee for her confirmation hearing last month, noted that American leadership in the world derives from having the full range of foreign policy tools, including military force and vigorous diplomacy. The Secretary also cited the direct contribution to sustained American leadership over the past half-century made by a constant and creative diplomacy. Noting that one of her principal tasks will be to work with the Congress to ensure that we have the diplomatic representation that our people deserve and our interests demand, she pointed out that "first-class diplomacy" requires a serious investment of resources.

We need to approach diplomacy with the same commitment that has made our Armed Forces what Secretary Albright referred to as the "...best-led, best-trained, best-equipped, and most respected in the world." Diplomatic readiness is the human and material infrastructure that allows us to advance our national policy agenda overseas. It is the basic foundation of a vigorous, constant, creative, and effective diplomacy. Diplomacy can prevent many crises, but it must also be poised to devote its resources to those crises which cannot be prevented.

There are three principal components of diplomatic readiness:

1. Human Resources: We need a workforce that reflects the vigor and diversity of the nation it represents. We also need the right number of skilled employees -- with foreign language, functional, and technical expertise -- who are well prepared to represent the varied interests of the United States overseas, build effective relationships with their international counterparts, exercise foreign policy leadership in embassies abroad and in Washington, protect American citizens, and provide operational support for the conduct of foreign affairs.

2. Information: We need highly qualified personnel and the information technology capability to gather, analyze, and communicate information efficiently.

3. Infrastructure and Operations: We need well maintained office and overseas residential facilities, supported by efficient administrative, financial, logistical, and security systems which enable employees to conduct business properly at home and abroad.

But "diplomatic readiness" is also much more than words like human resources, infrastructure, and information normally evoke. "Diplomatic readiness" has a much more direct link to achieving real foreign policy goals than is apparent from those words. For example:
• How can we maintain constructive relations with great powers if we do not have the right people with the right skills present in our most important diplomatic missions? Think of Russia, and the critically important transformation it is currently undergoing. And reflect on how important it is for our future that we have good information about and good communications with our former global adversary.

• How can we advance the nation's economic and commercial interests abroad without properly trained and equipped people in the right places at the right time to help break down trade barriers, support US business efforts in foreign markets, and negotiate mutually beneficial investment and tax agreements with foreign governments?

• How could we have made meaningful contributions to preventing the spread of weapons of mass destruction and promoting peaceful solutions to regional conflict if we had not been able to establish and staff properly embassies in the new countries that emerged from the collapse of world Communism?

• And how can we effectively provide consular services to American citizens traveling or living abroad if successively reduced budgets cause us to close more overseas posts or reduce staffing at the posts we are able to keep open?

"Diplomatic readiness" is sustained, primarily but not exclusively, by the Administration of Foreign Affairs title of our appropriations. The increase above the estimated FY 1997 level we are requesting -- just under $60 million -- is a genuinely modest increment when you consider the return in terms of advancing our national interests that this investment can achieve. And it appears even more modest if one considers the cumulative, negative effects on our "diplomatic readiness" produced in recent years by the flat budgets the Department has had since 1993.

Let me review some of those negative effects.

• Information systems have fallen behind in technology, interconnectivity, and reliability.

• Buildings require substantial renovation.

• For well over a decade, we have not been able to maintain realistic replacement cycles for critical equipment that supports overseas operations like computers, telephone systems, vehicles, and office and residential equipment. And the situation gets worse every year.

• Staffing gaps, even at key embassies, are now the rule, not the exception.
Language training, arguably the most important training done at the National Foreign Affairs Training Center, has been cut back. Other training — the professional development, area studies, and functional/technical courses — has been reduced even further.

We must continue to address a security infrastructure gap. Without adequate resources, the risks to our personnel, facilities, and information will soon exceed what is prudent.

Management Initiatives

The Department has undertaken a number of management initiatives over the past year which I would like to review for you today. They are all worthy of your attention, and are designed to help us make optimal use of the human and material resources you provide us.

ICASS

The International Cooperative Administrative Support Services (ICASS) system is a new way to manage and fund administrative support for all US Government agencies operating at diplomatic missions abroad. ICASS is a customer-driven system that depends upon the active involvement of all users. It will also capture direct and indirect costs.

Additionally, under ICASS, several categories of overseas costs previously paid by the Department from its own base funding (such as building operating expenses for government-owned and long-term leased properties, and non-residential local guards), — which total about $100 million — will be shared by all users.

ICASS will provide senior managers for the first time with information on the full costs of overseas support, with the objective of obtaining quality services at the lowest possible cost. At the mission level, these costs will be distributed equitably and transparently under the guidance of a local ICASS council composed of representatives of all US Government agencies.

The financial underpinning of ICASS is the Department’s Working Capital Fund (WCF). Using the WCF will capture various costs that comprise overseas administration and make reimbursement more transparent and more equitable than under the old process. During FY 1997, the Department is operating under “virtual” ICASS, i.e., using ICASS methodology and the WCF, although still billing other agencies under the old reimbursement process (FAAS). In FY 1998, ICASS will go “live.” The Administration will be submitting a budget amendment shortly to reflect those shared administrative costs that will now be borne by other agencies. We ask your support for that amendment.
Logistics Re-engineering

Antiquated and costly logistics operations have historically impaired overall performance and reduced diplomatic readiness for all US Government agencies operating overseas. Additionally, funds for replacement systems and equipment have been reduced over recent years, thus increasing maintenance costs and rendering most operations significantly less efficient.

The Department's logistics re-engineering project is redesigning worldwide logistics support operations. Work will be organized around the total logistics process to provide materiel and services better, faster, and cheaper. Implementation of this project has begun, and it is expected to take approximately two years. Affecting about 600 employees in different organizations, 200 of whom are contractors, the establishment of the new logistics management organization will be started following a reprogramming notification to the Congress.

We anticipate savings will accrue from greater efficiency in operations, and from the movement of work from complex and expensive channels to simpler and more economical processes. Other savings will come from reduced inventory carrying costs, transportation and internal processing costs, and from less dependence on contractors. Also, replacing about 30 old computer applications with just a handful of new ones will avoid the cost of upgrading and conversion, and reduce outyear maintenance and operating expenses. More efficient service delivery and increased satisfaction on the part of internal customers are also principal goals of this re-engineering effort.

Overseas Staffing Model (OSM)

After an intensive development project, we have produced the Overseas Staffing Model (OSM). The OSM calculates staffing requirements for overseas posts based on workload -- either as objective data (consular and administrative staffing) or derivatively as a function of the post's global, regional, and bilateral foreign policy priorities (primarily political and economic staffing). Based on the relational assessment of post staffing requirements worldwide, the Model provides Department management with an analytical tool for: (1) allocating personnel resources consistent with foreign policy objectives and priorities; (2) adjusting staffing levels proportionately to deal with any funding level for personnel, and (3) determining appropriate staffing levels for new posts.

The OSM, which will be revalidated on a regular basis, provides staffing guidelines -- not rigid templates to be applied universally. There will always be special circumstances produced by shifting policy priorities, the way in which diplomatic
relations are or must be conducted in certain countries, and the ability to get work done in certain environments. We have begun the validation process for the staffing levels proposed by the OSM. We asked overseas diplomatic missions to evaluate in this year’s Mission Program Plan submission how they would carry out their responsibilities under the Model’s proposed staffing levels.

The Overseas Staffing Board (OSB) will review these findings later this spring, and make whatever adjustments to post categories are required. The OSB is expected to meet twice a year to provide the Under Secretary for Management with recommendations for staffing changes.

Border Security

The Department has an ambitious border security program that includes deploying advanced technology to all consular posts within three years. State and other agencies are actively sharing data to enhance the US Government’s ability to screen out terrorists, narco-traffickers, and other criminals. For example, the Department -- in cooperation with the Immigration and Naturalization Service (INS) -- is developing a prototype system to capture fingerprint information on non-immigrants from high-crime areas.

Every visa-issuing post now has a sophisticated, automated name-checking system to help prevent visa issuance to persons whose presence in the US would constitute either a security concern or be contrary to our immigration law. Every post now also utilizes the Machine Readable Visa (MRV) system, which offers numerous security features which strengthen US border security.

The Department’s Bureau of Diplomatic Security (DS) has fully trained law enforcement agents in many US embassies abroad, and works closely with our domestic passport agencies to investigate the whole range of passport and visa offenses. DS agents have doubled their number of passport and visa fraud related arrests from 256 in 1992 to 567 last year.

Since 1994, the Department has been authorized to collect and retain fees from the issuance of MRVs for consular operations and to enhance border security activities. Projected FY 1997 collections in MRV fees, which also help fund investments in information management and communications networks, total $137 million.

Information Technology

In recent years, the infrastructure deficit has had a dramatic impact on many elements of the Department’s information handling systems. For example:
About 40% of overseas telephone switchgear is obsolete; 82% of all radio equipment overseas is obsolete; and 55% of overseas computer equipment is obsolete.

The Department has submitted its Strategic Plan for Information Resource Management, as well as an associated tactical plan, to the Congress. As part of the strategic planning process, the Department has created a cost model for needed improvements to meet the infrastructure and communications needs by the year 2001. Although the Department has not yet initiated a formal Workforce study, our initial review already indicates significant weaknesses in both total staffing and skill levels needed to meet existing and expanded responsibilities by the year 2001.

Like all organizations in the public and private sector, the Department must accelerate planning for and implement measures to "solve" the problems posed by the Year 2000 dilemma -- the fact that almost all current software and some hardware recognize only two digits in a date, and thus will register the year 2000 as 1900. This alone is expected to cost $135.2 million. To the extent that the Department will be required to reprogram funds to cover such costs, such reprogramming could divert resources that would otherwise go towards modernizing our antiquated information technology capabilities.

Fee Retention

A key budget strategy that we will actively pursue beginning in FY 1998 is the retention of revenues generated by all fees. In the past, we have retained only fees for Machine Readable Visas (MRVs) and for expedited passport processing. In FY 1998 we expect to retain fees sufficient to:

1. support the delivery of standardized, high-quality consular services that American citizens expect from their government;
2. implement an effective US immigration policy;
3. improve the nation's border security, and
4. contribute to the delivery of other critical services.

In the long run, we expect to see gains in operational efficiency and improvements in the way we manage our resources. A user-charge system will enable us to gauge public demand for services and to shift our resources to meet these needs. The schedule of fees for consular services is also being revised, with an eye toward updating the services provided overseas. Services originally established in the days of sailing ships are being streamlined and modernized.

Asset Management
The Department is responsible for the acquisition, operation, and maintenance of over 12,000 office, residential, and other properties abroad which support some 200 US Government entities at over 250 embassies, consulates, and other posts abroad. The Department continually reviews its real property inventory to determine which properties are no longer needed, which are too big or too small, which are too expensive to maintain, and which need improvements. The real estate asset management program disposes of unneeded properties and uses the proceeds to meet higher priority real property needs.

This program generated $59 million in the last two fiscal years, and with these funds and other appropriation balances new facilities were purchased which are now saving over $12 million annually in avoided lease costs — a saving which will recur every year. Keeping leasehold costs under control is critical to preserving funding for even a modest maintenance and rehabilitation program, which is critical to the protection of life and property, and to preserving the value of our real estate.

**Diplomatic Security**

The most important current security issue is the need to combat the threat of terrorism worldwide, especially in the Middle East. To meet this threat, the Counterterrorism Budget Amendment provided an additional $38 million in no-year funding for the Department, of which $23.7 million will be used for improvements emphasizing security upgrades (both physical and technical security) and the deployment of additional security personnel to the Middle East region.

While producing an immediate response on the terrorist threat, the Bureau of Diplomatic Security (DS) must also develop a longer term strategy for a more stable budget level to address the full scope of security requirements worldwide. After five years of security infrastructure erosion, DS will begin to address its highest needs both in terms of national security information as well as personnel security. DS is also working with other elements of the Department to develop cost-sharing procedures for overseas security and for domestic criminal investigations, using fees generated by the Machine Readable Visa program to fund operational and systems support for the “border security” initiative.

DS has rigorously applied a risk management strategy to the implementation of its security standards at all overseas posts. We calibrate the established generic security standards and counter-measures to meet specific threats at specific posts at specific times. This technique avoids the waste inherent in using a “one-size-fits-all” approach to meeting security standards and allows the Department to husband scarce security resources.
DS has also expanded its outreach to the US business community overseas through the Overseas Security Advisory Council (OSAC). Begun in 1994, OSAC has focused its efforts on the protection of life and facilities, and accomplishes this through various information-sharing activities involving over 1,500 American businesses having overseas operations. In recent years OSAC has also begun to focus on the protection of information with the increase in international industrial espionage.

**Strategic Planning**

The Department's is actively making progress in strategic management, including meeting the requirements of the Government Performance and Results Act (GPRA) of 1993. Under the leadership of an Advisory Group of nine Assistant Secretaries, a Strategic Planning Team is developing an overarching International Affairs Strategic Plan covering all US Government activities abroad and, based on that plan, a Department of State Strategic Plan. Once reviewed by senior leadership, the plans will be the subject of consultations with our "stakeholders and customers" (including other agencies, OMB, and the Congress) in the coming months.

Critical to our success is the development of meaningful performance indicators, by which we can track our progress in achieving goals and objectives. This task has been relatively easy in the management area (such as consular operations, administration, and diplomatic security). Policy areas in the political and economic fields have proven to be more difficult.

Finally, the Department already requires overseas missions, and bureaus in Washington, to prepare annual performance plans which will now be derivative of the Department's strategic plan. The process in place now involves the development of Mission Program Plans (MPPs) in the fall and Bureau Program Plans (BPPs) in the spring. Efforts are underway to streamline the process and to fully integrate planning and other aspects of resource management.

**Conclusion**

Secretary Albright testified earlier this month before the House International Relations Committee to support the President's budget request for foreign policy resources. In addressing the variety of perils that have replaced the single, overriding threat of the Cold War era, she observed that "there will be many occasions, in many places, where we will rely on diplomacy to protect our interests, and we will expect our diplomats to defend those interests with skill, knowledge, and spine." But she also noted that "...we cannot have world-class diplomacy on the cheap. We must invest the resources required for American leadership."
Mr. Chairman, that last sentence is the essence of my appeal to you today. To carry out a reasonable, forward looking US foreign policy — one which advances the national interest everywhere in the world — requires the level of "diplomatic readiness" that the President’s FY 1998 budget request supports. Give us the tools we need, and we will do the job — and do it well.
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**FEBRUARY 1996 JOB SEARCH PROGRAM**

(February 12, 1994 - 39 Clients)
**Types of Participants are as follows:** A = Involuntary or Mandatory Retirement; B = Voluntary Retirement; C = Junior or Mid-level Non-tenured Officer; D = Part-time ISP; E = Performance Standards Board Separation.

**Summary of Participants:** USA (4); AID (7); Total Other Agencies = 13; SO (0); SFC (2); CS (2); ADM (6); GSO (7); EC (1); POL (5); CON (1); PROF (1); DS (2); AMB (4); PER (1); DAF (1); Total Department of State = 39; Grand Total: 43.

**CANCELLATIONS:**

Chariton, John  
FP-02 960205 A  RET 96  
GSO Beirut  
9506 950804 APPLI 950722 After 9/25/95 (RET) Arden, NC

Davis, John B.  
FP-03 960205 B  960583 96  
ADM Dayton  
(9601) 950817 CABLE 950811 Retiring at post 8/23/95 ph.

Delaunet, Edmund  
FE-MC 960205 A  RET 96  
AMB (Lussemb)  
(9601) PHONE 951018 8047389577; Rune; 95/95; 96/2/95

E fret, Dean  
FP-03 960205 A  960311 96  
PROF Budapest  
(9601) 960118 APPLI 951213 0113411326450

Gibace, Stephen  
FE-MC 960205 A  RET 96  
SO ARA/MEX  
(9601) 950927 FAX 950830 2026478529; ret 9/25/95

Hillman, John  
FS-MC 960205 A  RET 96  
AID AID  
(9601) APPLI 950630 RET 7/1/95; df; 3/0/95; 8/19/95

Huntsman, Timothy  
FP-03 960205 A  RET 96  
TWP FM/MPS  
(9601) 960117 APPLI 951112 FOB 13108/11/14953558

Hureitz, Edward  
FE-MC 960205 B  960503 96  
AMB PAHO  
9506 950613 Phone 950612 Ty 8/10/95; Memos: 2/95 resp 3/9/95

Mayers, Walter  
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ADM Madrid  
(9601) 951102 CABLE 951017 I Cable earlier not forwarded

Pez, Mario  
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AID Honduras  
9810 950927 APPLI 950904 RA-8/4/95

Reilly, James J.  
PO-01 960205 B  RET 96  
EC AZ/45/FPC  
(9601) 951214 APPLI 951214 128000 Kemper Lane; Bowie MD 20715

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The table above includes the names of the personnel, their ranks, start types, and other relevant information for the 1996 Job Search Program at the April 5th meeting.
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**CANCELLATIONS:**

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Summary of Participants: AID (8); USIA (8); FCS (0); FAS (0) = Total Other Agencies (16); SO(2); EC (3); POL (0); CON (4); ADM (1); DS (1); AMB (0); OSG (0); B&F (0); SBC (11); GS (2); FO (1) = Total Department of State; Grand Total: 45.
NAME    RANK   START DATE   TYPE   RETIREMENT DATE   CONE   POST   SEMINAR REQUEST DATE   ANSWER-DATE   NOTES

Adams, Ellen     FP-01     960401   B     960703   96   SEC   DOPPER   9101   960212   FAX   950919   Trfr: 49615SP; (6/12/95/S159/259/296)
Alton, L. Stuart  FS-OC     960701   A     960920   96   SO   EARREP   9601   951129   MESS   951124   6470435; FAX 9470136
Aubert, Jack     FS-03     960701   A     960903   96   EC   J&K/APPB   9301   960927   APPLI   960416   26153West/Syn/VG 9472227
Austin, Robert    FE-OC     960901   A     960901   96   SO   Brazilia   9410   950911   CABLE   950824
Barnes, Walter    FP-01     960701   B     960920   96   ADM   Med   9601   960914   MESS   960923   Fax/90112712432226
Barrera, Manuel   FS-01     960701   A     960903   96   SO   ECON   9601   960927   APPLI   960416   26153West/Syn/VG 9472227
Bickel, Thomas    FS-01     960701   A     960903   96   POL   AIT   9301   950914   APPLI   950704   7148008411616672
Bilmes, William   FP-02     961001   97   AID   ENJ/EDSV   9301   950921   APPLI   950826   950927
Block, J. Richard  FE-OC     960901   A     960903   96   SO   AI/W   9301   960721   APPLI   960926   7001Marykn0B-BM/2201
Brown, David      FE-0C     960901   A     960920   96   POL   EAPK   9501   950901   APPLI   950704   7903247274
Brown, Gordon     FE-OC     960701   A     960920   96   AMB   JO/ISP   9501   950901   APPLI   950704   7903247274
Burgess, Roger    FS-01     960901   A     960901   96   SO   c/oCDA/SC   9601   960720   PHONE   960926   7001RidgeSdA/NW/123
Cabrera, Carlos   FE-OC     960903   A     960903   96   SO   USAID/G   9301   960904   FAX   960821   Rms363/2699745712; FAX 960971
Cady, Edward     FE-OC     960903   A     960903   96   SO   ARA   9501   950901   APPLI   950704   7903247274
Chao, John        GS-14     960924   B     960721   96   AID   GP/HNPOQ   9301   960927   APPLI   950704   7903247274
Clark, Warren     FE-MC     960903   A     960903   96   AMB   DIP/C   9401   960924   APPLI   950704   7903247274
Clayton, James    FE-OC     960920   A     960903   96   SO   PM/SEDE   9401   950927   FAX   950918   7304311901
Connell, James    FE-OC     960903   A     960903   96   AID   M/SD/OCOC   9502   950925   MESS   950921   Fax5440/47161; Fax 476377
Connell, Thomas   FP-02     960921   96   AID   ADM   960205   MESS   960923   Fax5440/47161; Fax 476377
Crowford, Arthur  FS-02     960903   A     960903   96   SO   New Delhi   9601   960920   FAX   950926   950927
Corbicoa, Edwin   FE-0C     960903   A     960903   96   SO   London   9601   960920   FAX   950926   950927
Dale, Timothy     FE-MC     960903   A     960903   96   SO   Ankara   9601   960920   FAX   950926   950927
Danns, Carol      FP-01     960920   A     960903   96   POL   c/o PERCIT   9606   960226   PHONE   960926   c/o Training: 20621619029; Fax 2058427
D'agostini, Martin FP-01     960920   A     960920   96   USIA   VOA   9506   960624   FAX   950624   FAX 960824
Deardor, Robert   FP-01     960920   A     960920   96   USIA   L/GIA   9506   960624   APPLI   950624   922052063; FAX 9602411488
Debank, Margaret  FO-01     960920   A     960920   96   AID   Kuwait   9506   960624   FAX   950624   FAX 960824
Fajol, Joseph     FP-20     960920   A     960920   96   USIA   VOA   9506   960624   FAX   950624   c/o Training: 20621619029; Fax 2058427
George, Loyd      FS-01     960929   A     960929   96   SO   Stockholm   9301   960920   FAX   950624   91648773122; Fax4688861964
Hansen, George    FS-OC     960920   A     960920   96   SO   AAPR/ST   9504   950917   APPLI   950623   7038164656; probable TIC ret. 6/3/97
Hester, Donald    FP-01     960920   A     960920   96   POL   PM/PX   9601   960918   APPLI   960318   48717Mon/20As220033-6148
Hinesso, Thomas   FP-03     960901   97   AID   DSM/STO   9610   960213   APPLI   960312   61394857/222794; Fax 960263018
Hoffman, William  FO-01     961001   97   ADM   Sam Salvador   9601   950501   FAX   950478   TIC warning only
Jarratt, John     FP-02     960931   96   DS   D/PEL/SME   9409   951025   FAX   950918   Ext pop 60 days 7/11-2/17; Memb.; JRA
Jennings, G. Alfred FP-02     960931   96   DS   Tenero   9601   960920   APPLI   960920   PBO; L/S; Hearing; 9409/24159595
Klebbaehm, Alexander FP-02     960931   96   AID   Kusa Lamper   9601   950802   CABLE   950721   FAX/913/Ans. 9/17; TIC warn.PRSS908
Koch, Mary        PO-03     960903   A     960903   96   AID   Bensano   9605   960319   E-944a1516986

JULY 1996 JOB SEARCH PROGRAM
(July 24, 1996 - 86 Clients)
Summary of Participants: USIA (12); AID (21); Total Other Agencies = 33; SO (17); SEC (13); CS (1); ADM (13); G&Q (1); EC (4); POL (3); CON (7); PROP (5); DS (4); B&F (3); JO (1); Total Department of State = 69; Grand Total:

Types of Participants are as follows: A = Voluntary or Mandatory Retirement; B = Voluntary Retirement; C = Junior or Mid-level Non-tenured Officer; D = Part-time JSP; Performance Standards Board Separation.

CANCELLATIONS:

Abel, Lawrence
Adams, Allen
Adams, Charles
Aiken, Adolph
Allender, Barbara
Alvarez, Oliver
Amihai, John
Amsden, Gary
Amsden, Richard

NO SHOWS:

Arna, Adrianna
Bakery, Nicholas
D'Ambroce, Victor
Defusco, Charles
Lyons, John
Meyer, Larry
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Question for the Record Submitted to Patrick F. Kennedy
House International Relations Committee
February 25, 1997

Q. Given that AIT is supported by funds appropriated to the State Department and is staffed by Foreign Service Officers, what is the relationship of AIT to the Department? Are those officers accountable to anyone in the Department?

A. The Taiwan Relations Act (TRA) provides that relations carried out by the USG with respect to Taiwan are to be conducted "in the manner and to the extent directed by the President" through the American Institute in Taiwan or such comparable successor non-governmental entity as the President may designate. The President has delegated his authority under the TRA to the Secretary of State, and the Institute is a contractor to the Department.

The Institute was created so that the U.S. could carry out unofficial relations with Taiwan. While it is not an embassy, the AIT office in Taipei (AIT/T) is in many practical respects akin to an embassy. Similarly, the AIT office in Washington (AIT/W) fulfills some of the functions that the Department's Bureau of East Asian and Pacific Affairs (EAP) would normally fulfill in Washington. However, because AIT is a contractor, its management and financial requirements differ from those of an embassy or office within the Department. AIT is a nonprofit organization incorporated under the laws of the District of Columbia. The AIT Trustees are appointed and can be dismissed by the Secretary of State and their fiscal responsibilities must be exercised in a manner consistent with the Department's policy directions.
In accordance with the TRA, AIT is largely staffed by personnel separated from the Department or other federal agencies (e.g. USDA, Commerce and USIA) who work under individual contracts with AIT, but who remain accountable to the Department through the terms and conditions of the State/AIT contract.
Q. Who in the Department is responsible for overseeing AIT activities and reviewing their audit reports? How frequently are those reviews conducted?

A. Various organizations within the Department share responsibility for overseeing AIT activities. The Bureau of East Asian and Pacific Affairs (EAP) provides policy oversight. The Bureau of Administration, Office of Acquisition (A/OPR/ACQ); the Bureau of Finance and Management Policy (FMP); the Office of the Inspector General (OIG); and EAP have primary responsibility for management and operational oversight and review of audits.

Other bureaus having some oversight responsibilities include the Bureau of Legal Affairs (L), the Bureau of Consular Affairs (CA), the Bureau of Diplomatic Security (DS) and Foreign Building Operations (A/FBO).

The Institute is required under its contract with the Department to have at least one Circular A-133 audit annually, performed by an independent accounting firm. In addition, various "special audits" and Agreed-Upon Procedures have been undertaken, when appropriate. The results of the annual and special audits are reviewed by the relevant Department bureaus as they are finalized.
Q. Does the quasi-government status of AIT hinder proper management of that organization?

A. AIT is a nonprofit corporation that carries out unofficial relations with Taiwan. The unique nature of AIT presents a number of challenges, none of which has precluded proper management. Over the 18 years since its creation AIT has served the American people well. The Department and AIT have worked actively to rectify problems identified during day-to-day operations as AIT's work requirements increased and in AIT inspection and audit reports. These efforts included a new DOS/AIT contract, effective January 1995, which was designed to tighten day-to-day controls. AIT has purchased and is in the process of installing an independent financial management system designed to accommodate its unique needs.

We are confident that these ongoing initiatives will improve the efficiency and operations at AIT.
Question for the Record Submitted to Patrick F. Kennedy
House International Relations Committee
February 25, 1997

Q. What steps are being taken to reform AIT's financial management?

A. The Department and AIT have been involved in an ongoing process to improve the financial management of AIT. This process included putting in place a new State/AIT contract, effective January 1995, which added requirements designed to reform AIT's financial management. In accordance with this contract, AIT is proceeding with:

-- The purchase and installation of an independent financial management system which will provide full accounting, disbursing and financial reporting for AIT's operations, and

-- Hiring a Certified Public Accountant for AIT/T to provide additional guidance for overall accounting functions and fiscal reporting.

In addition, the yearly independent audits provide an ongoing basis on which to evaluate whether additional steps need to be taken.

State and AIT are engaged in an ongoing consultative process to monitor AIT's operations to assure its proper management and adherence to management policies and procedures.