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ROOM NO.	BUILDING	EXTENSION

# UNCLASSIFIED Department of State

## OUTGOING TELEGRAM

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ORIGIN MMO-01

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INFO LOG-00	ADS-00	AID-00	INR-10	EUR-00	SS-00	OIC-02
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ARA-00	SSO-00	MED-07	HA-09	L-03	AMAD-01	MEOO-01
PM-10	MFLO-03	EAP-00	AIT-02	PA-02	PC-05	PER-03
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TO ALL DIPLOMATIC AND CONSULAR POSTS

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AMEMBASSY BEIRUT

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UNCLAS STATE 115501

FOR AMB OR PRIN OFF FROM UNDER SECRETARY SPIERS,

E.O. 12356: N/A

TAGS: AMGT

SUBJECT: MANAGEMENT ISSUES

INFORM CONSULS, PASS PAOS AND OTHER AGENCY HEADS; OMB; USDOC, FOR ITA/SHERWOOD; USITA/JERRY MANOLATOS; O/S GARY JACOBS; USDA FOR OSEC/JOHN J. FRANKE, JR.; AID FOR R.T. ROLLIS, JR.; USIA FOR W. KINGMAN; PEACE CORPS FOR FANELLI

1. SUMMARY. THE SECRETARY HAS CHAIRED A CABINET-LEVEL MEETING IN THE WHITE HOUSE TO INITIATE A REVIEW OF OVERSEAS STAFFING LEVELS. OUR 1986-7 SECURITY SUPPLEMENTAL LEGISLATION IS MOVING THROUGH CONGRESSIONAL COMMITTEE REVIEW. USING THE RIGHT TAGS ON MESSAGES ON TERRORISM WILL REDUCE WASTEFUL AND POTENTIALLY DANGEROUS DELAYS IN TELEGRAPHIC DISTRIBUTION IN THE DEPARTMENT. WHILE THE HOUSE HAS APPROVED OUR PLAN TO CLOSE SEVEN POSTS, IT IS STILL UNCLEAR HOW THE SENATE WILL REACT. IMPORTANT VIDEOTAPES ON MANAGING OVERSEAS IN A CRISIS ARE BEING POUCHED TO ALL POSTS.

2. THERE MAY BE CHANGES IN HOW OUR ANNUITIES ARE TREATED FOR TAX PURPOSES. GUIDELINES SHOULD BE OUT SOON ON CONVERTING ASSOCIATION CONTRACTS TO COMMERCIAL OR PERSONAL SERVICES CONTRACTS. OUR REVIEW OF PRIVATE

SECTOR PERSONNEL PRACTICES MAY LEAD TO CHANGES IN THE DEPARTMENT'S PROCEDURES AND POLICIES. ONE FUNCTIONAL BUREAU IS SHOWING THE WAY ON FILLING SUMMER 1986 VACANCIES. END SUMMARY.

3. WHITE HOUSE OVERSEAS PRESENCE REVIEW: THE SECRETARY APRIL 9 CHAIRED A WHITE HOUSE MEETING ON OVERSEAS STAFFING. OTHER FEDERAL AGENCIES WITH PERSONNEL STATIONED OVERSEAS WERE ALL REPRESENTED BY CABINET SECRETARIES, AGENCY HEADS OR THEIR DESIGNEES. CHIEFS OF MISSION WILL RECEIVE MORE DETAILED ACCOUNTS OF THE MEETING AND SOME SPECIFIC INSTRUCTIONS.

4. ALL CHIEFS OF MISSION WILL BE ASKED TO CAREFULLY REVIEW STAFFING WITH SENIOR AGENCY OFFICIALS AT POST AND TO REPORT THEIR FINDINGS BY MAY 2. AT THE SAME TIME, WASHINGTON AGENCY HEADS WILL CONDUCT THEIR OWN REVIEW AND REPORT TO THE SECRETARY BY MAY 16.

5. CONCURRENTLY, A WORKING GROUP UNDER THE DEPUTY SECRETARY WILL EXAMINE STAFFING OF REGIONAL OFFICES OVERSEAS. THESE RESULTS WILL BE FOLDED IN WITH THE COM AND OTHER AGENCY FINDINGS, AND FORM THE BASIS FOR A REPORT DUE TO THE PRESIDENT BY THE END OF JULY. I MIGHT ADD THAT I WAS PLEASED WITH THE TONE AND SUBSTANCE OF THE MEETING, AND AM OPTIMISTIC THAT WE CAN ACHIEVE SOME SENSIBLE SAVINGS. PLEASE GIVE THE MATTER YOUR CLOSE PERSONAL ATTENTION.

6. STATUS OF DIPLOMATIC SECURITY LEGISLATION: THE ADMINISTRATION'S DIPLOMATIC SECURITY AUTHORIZATION REQUEST WAS SENT TO THE CONGRESS LAST DECEMBER 19. IT CONSISTED OF THREE BASIC ELEMENTS: (A) CREATION OF A BUREAU OF DIPLOMATIC SECURITY AND A DIPLOMATIC SECURITY SERVICE; (B) THE SECRETARY'S RESPONSIBILITY FOR SECURITY OF DIPLOMATIC OPERATIONS AT HOME AND ABROAD AND AN ACCOUNTABILITY BOARD IN THE EVENT OF A SECURITY INCIDENT INVOLVING EXTENSIVE PROPERTY DAMAGE AND/OR LOSS OF LIFE; (C) AUTHORITY FOR A COMPREHENSIVE EMBASSY CONSTRUCTION PROGRAM TOTALLING 4.4 BILLION DOLLARS OVER FIVE YEARS.

7. ON MARCH 18, THE FULL HOUSE PASSED AN AUTHORIZATION BILL FOR THE PROGRAM BY A VOTE OF 389-7, AS PART OF AN OMNIBUS ANTI-TERRORISM BILL. THE BILL WAS ESSENTIALLY WHAT WE HAD REQUESTED AND PROVIDED FOR SUCH SUMS AS MAY BE NECESSARY PURSUANT TO THE DEPARTMENT'S DIPLOMATIC SECURITY PROGRAM, BUT LIMITED TO THE AMOUNTS SHOWN IN THE DEPARTMENT'S FY-87 BUDGET IN BRIEF. (THIS FORMULA WAS USED TO AUTHORIZE THE FULL 4.4 BILLION DOLLARS

REQUESTED OVER THE NEXT FIVE YEARS WITHOUT MENTIONING SPECIFIC NUMBERS.) THE SENATE FOREIGN RELATIONS COMMITTEE IS SCHEDULED TO CONSIDER AN AUTHORIZATION BILL APRIL 30, AND HOPES TO COMPLETE ACTION ON THE BILL BY MAY 20.

8. WHILE THE HOUSE GAVE OUR AUTHORIZATION BILL AN IMPRESSIVELY GOOD START, WE CANNOT REASONABLY EXPECT THE SENATE TO ACT AS QUICKLY. THE TIMING AND LEVELS OF THE APPROPRIATIONS COMMITTEES' FUNDING FOR FY-87 ARE IMPOSSIBLE TO PREDICT NOW, BECAUSE BOTH ARE SUBJECT TO BUDGET RESOLUTIONS WHICH HAVE NOT YET BEEN PASSED. THE BOTTOM LINE IS THAT WE FACE A DIFFICULT ROAD AHEAD.

9. ACTION DISTRIBUTION IN THE DEPARTMENT FOR TERRORISM-RELATED TELEGRAMS: CABLES ON THIS URGENT SUBJECT CONTINUE TO BE MISROUTED BECAUSE POSTS ARE NOT APPLYING THE CORRECT TAGS. I URGE YOU IN THE STRONGEST TERMS TO ENSURE THAT YOUR DRAFTERS AND COMMUNICATIONS SECTIONS UNDERSTAND THE TAGS AND USE THEM PROPERLY. THE ACTION OFFICE OR BUREAU ON THESE CABLES IS DETERMINED BY THE FIRST TAG ON THE TAG LINE. THUS, THE TAG LINE ON CABLES DEALING PRIMARILY WITH OPERATIONAL SECURITY MATTERS AND THREATS TO USG PERSONNEL AND PROPERTY SHOULD BEGIN WITH THE ASEC TAG SO THAT ACTION WILL BE ASSIGNED TO OS. THOSE DEALING WITH THE DIPLOMATIC ASPECTS OF INTERNATIONAL TERRORISM SHOULD BEGIN WITH THE PTER TAG, SO THAT ACTION WILL GO TO S/CT. ALL SUCH REPORTS SHOULD CARRY "TERREP" OR "TERREP EXCLUSIVE", AS APPROPRIATE.

10. POST CLOSINGS: AS I REPORTED EARLIER, WE NOTIFIED THE CONGRESS MARCH 5 OF OUR INTENTION TO CLOSE SEVEN

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SMALL POSTS -- BREMEN, NICE, ROTTERDAM, SALVADOR DA BAHIA, SEVILLE, TRIESTE AND WINNIPEG -- AS AN ECONOMY MEASURE BY THE END OF THIS FISCAL YEAR. THE HOUSE FOREIGN AFFAIRS COMMITTEE HAS GIVEN ITS APPROVAL, BUT THE SENATE SITUATION IS STILL UNCERTAIN. WE STILL HOPE TO ADVISE ALL CONCERNED POSTS DEFINITELY REGARDING CLOSURE BY APRIL 15. IN THE MEANTIME, I APPRECIATE WHAT THE AFFECTED EMBASSIES HAVE DONE IN PREPARING FOR POST CLOSING ARRANGEMENTS AND PLANNING FOR WORKLOAD TRANSFERS. THERE IS NOTHING DEFINITE TO REPORT ON FURTHER POST CLOSINGS. WE'LL KEEP YOU POSTED.

11. VIDEOTAPES ON CRISIS SITUATIONS: VIDEOTAPES ON "MANAGING CHILDREN DURING A CRISIS" AND "MANAGING BEFORE, DURING AND AFTER A CRISIS" WERE POUCHED TO ALL EMBASSIES APRIL 5 WITH ACCOMPANYING WRITTEN MATERIAL

ADDRESSED TO THE CLO COORDINATOR OR TO THE POST SECURITY OFFICER. THIS MATERIAL IS OF PARTICULAR IMPORTANCE AND YOU SHOULD ACCORDINGLY ENSURE THAT ALL EMPLOYEES, FAMILY MEMBERS, TEACHERS AND SCHOOL ADMINISTRATORS AND THOSE IN THE U.S. COMMUNITY VIEW THESE TAPES AS SOON AS POSSIBLE. MISSIONS WITH CONSTITUENT POSTS SHOULD MAKE COPIES OF THE TAPES AND WRITTEN MATERIAL FOR THOSE POSTS.

12. POSSIBLE TAXATION OF ANNUITIES: MANY EMPLOYEE QUERIES HAVE BEEN RECEIVED ABOUT POSSIBLE CHANGES IN TAX TREATMENT OF ANNUITIES. THERE HAS BEEN CONSIDERABLE SPECULATION IN THE WASHINGTON POST AND OTHER PAPERS ABOUT THIS QUESTION. BASICALLY, CURRENT LAW ALLOWS ANNUITANTS TO ENJOY ENTIRELY TAX FREE ANNUITIES UNTIL SUCH TIME AS THEY HAVE RECEIVED AN AMOUNT EQUAL TO THEIR CONTRIBUTIONS OVER THE COURSE OF THEIR WORKING YEARS. TYPICALLY, A RETIREE'S ANNUITY CHECKS ARE TAX FREE FOR THE FIRST 18 MONTHS OF RETIREMENT.

13. THE HOUSE-PASSED TAX REFORM BILL WOULD SPREAD OUT THIS TAX BREAK, REQUIRING THAT MOST OF THE RETIREE'S ANNUITY BE TAXABLE FROM THE MOMENT OF RETIREMENT. UNDER THE HOUSE BILL, THE EMPLOYEE'S CONTRIBUTIONS, I.E., THE TAX-FREE PORTION OF THE ANNUITY, WOULD BE CONSIDERED RETURNED OVER THE EMPLOYEE'S ENTIRE LIFE EXPECTANCY IN RETIREMENT.

14. UNDER THE CURRENT LAW, AN EMPLOYEE WHOSE RETIREMENT CONTRIBUTIONS DURING EMPLOYMENT EQUALLED \$50,000 WOULD RECEIVE THE FIRST \$50,000 DOLLARS WORTH OF ANNUITY CHECKS TAX-FREE. UNDER THE HOUSE-PASSED BILL, ASSUMING THAT ACTUARIAL TABLES PREDICT A 20-YEAR LIFE EXPECTANCY FOR THE RETIREE FROM THE MOMENT OF RETIREMENT, THAT \$50,000 OF TAX FREE ANNUITY WOULD BE SPREAD OUT OVER 20 YEARS, AT THE RATE OF \$2,500 A YEAR.

15. THE SENATE FINANCE COMMITTEE IS CURRENTLY MARKING UP ITS OWN VERSION OF A TAX REFORM BILL, WHICH CONTAINS THE SAME NEW TAX TREATMENT FOR ANNUITIES, BUT THE PROPOSED EFFECTIVE DATE OF THIS BILL MAY DIFFER FROM THE HOUSE VERSION. THE HOUSE WOULD APPLY THE NEW TREATMENT TO ANY EMPLOYEE WHO RETIRES ON OR AFTER JULY 1, 1986. THE SENATE FINANCE COMMITTEE HAS NOT YET DECIDED THIS ISSUE, BUT HAS SHOWN SOME INCLINATION TO PHASE IN THE NEW TREATMENT OVER THE NEXT TWO TO THREE YEARS.

16. BUT THERE IS CONSIDERABLE UNCERTAINTY IN ANY CASE ABOUT WHETHER ANY NEW TAX LEGISLATION WILL BE ENACTED IN 1986. IT NOW SEEMS LIKELY THAT A CHANGE IN TAXATION OF

ANNUITIES WOULD BE PART OF ANY BILL THAT PASSED THE CONGRESS, BUT THE EFFECTIVE DATES OF SUCH CHANGE ARE VERY UNCERTAIN. IT IS UNLIKELY THAT THE EFFECTIVE DATE

WILL BE AS EARLY AS THE JULY 1, 1986 DATE PROPOSED IN THE HOUSE BILL. IN VIEW OF THE CIRCUMSTANCES, AND THEIR EFFECT ON MANY EMPLOYEES, DEPARTMENT WILL KEEP POSTS UP TO DATE ON THE PROGRESS OF THE BILL.

17. PHASE-OUT OF CONTRACTS WITH EMPLOYEE ASSOCIATIONS. AS YOU KNOW, WE HAVE DIRECTED POSTS TO BEGIN PLANNING FOR THE PHASE-OUT OF THEIR SERVICE CONTRACTS WITH THEIR EMPLOYEE ASSOCIATIONS. THIS COMES AS A RESULT OF GAO'S REVIEW OF ASSOCIATION CONTRACTS WHICH CONCLUDED THAT MOST DO NOT CONFORM TO FEDERAL REGULATIONS. WHILE WE HAVE RESERVED THE RIGHT FOR POSTS TO USE THE ASSOCIATIONS WHERE THERE IS NO ALTERNATIVE, FOR THE MOST PART WE WILL REPLACE THEM WITH CONTRACTS WITH PRIVATE FIRMS OR PERSONAL SERVICES CONTRACTS WITH INDIVIDUALS.

18. A WORKING GROUP CHAIRED BY M/MO IS DEVELOPING GUIDELINES FOR THE CONVERSION PROCESS. THE GROUP HAS MET WITH THE BUREAUS TO REVIEW THEIR DRAFT. THE ONE AREA THAT STILL NEEDS WORK IS PROCEDURES FOR FUNDING AND COST-SHARING OF PERSONAL SERVICES CONTRACTS. WHEN THIS HAS BEEN COMPLETED, WE CAN REVIEW THE GUIDELINES WITH THE OTHER FOREIGN AFFAIRS AGENCIES. BUREAUS WILL THEN BEGIN WORKING WITH THEIR POSTS ON THE PHASE-OUT OF EMPLOYEE ASSOCIATION CONTRACTS.

19. PRIVATE SECTOR MANAGEMENT PRACTICES: I REPORTED TO YOU IN FEBRUARY THAT WE HAD UNDERTAKEN TWO INITIATIVES TO EXAMINE PRIVATE SECTOR PERSONNEL MANAGEMENT PRACTICES. FIRST, MEMBERS OF THE MANAGEMENT COUNCIL TRAVELED TO 3M HEADQUARTERS IN MINNESOTA WHERE WE DISCUSSED A NUMBER OF PERSONNEL ISSUES WITH 3M EXECUTIVES. SECOND, A STATE DEPARTMENT TEAM SURVEYED THE MANAGEMENT DEVELOPMENT PROGRAMS OF 17 OTHER TOP-RATED FIRMS. THESE INITIATIVES AND THE TEAM'S FINDINGS ARE REPORTED IN THE COVER STORY OF THE APRIL ISSUE OF STATE MAGAZINE WHICH IS NOW BEING DISTRIBUTED.

20. THE ARTICLE DESCRIBES HOW COMPANIES ARE DEALING WITH A NUMBER OF PERSONNEL MANAGEMENT ISSUES OF CONTINUING CONCERN TO US: HOW FIRMS IDENTIFY AND DEVELOP FUTURE LEADERS AND MANAGERS OF AN ORGANIZATION; HOW THEY APPRAISE WORK PERFORMANCE, EVALUATE POTENTIAL, AND DEVELOP CAREERS; HOW THEY SELECT PEOPLE FOR SENIOR POSITIONS, AND WHAT FIRMS LOOK FOR IN RECRUITING. I WILL ADVISE YOU FURTHER ON THIS EFFORT WHEN THE

MANAGEMENT COUNCIL HAS HAD A CHANCE TO REVIEW THE TEAM'S FINAL REPORT AND RECOMMENDATIONS.

21. ASSIGNMENT CYCLE POSTSCRIPT: LAST MONTH I NOTED THE GOOD PROGRESS PER IS MAKING ON FILLING 1986 SUMMER CYCLE POSITION VACANCIES, AND CITED SEVERAL MAJOR FUNCTIONAL BUREAUS. OES, WHICH WAS NOT MENTIONED, HAS FILLED ALL BUT ONE OF ITS VACANT SLOTS AND SHOULD SOON FILL THE REMAINING POSITION.

22. MINIMIZE CONSIDERED. WHITEHEAD

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