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Library

**ADMINISTRATION OF THE DEPARTMENT OF STATE
AND THE FOREIGN SERVICE, AND ESTABLISHMENT
OF A FOREIGN SERVICE ACADEMY**

GR

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS
FIRST SESSION
ON
S. 15, S. 109, S. 730, S. 443, S. 2233,
S. 106, S. 1044, S. 2232 and S. 1502

JULY 6 AND 15, 1959

Printed for the use of the Committee on Foreign Relations



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**ADMINISTRATION OF THE DEPARTMENT OF STATE
AND THE FOREIGN SERVICE, AND ESTABLISHMENT
OF A FOREIGN SERVICE ACADEMY**

MONDAY, JULY 6, 1959

U.S. SENATE,
SUBCOMMITTEE ON STATE DEPARTMENT
ORGANIZATION AND PUBLIC AFFAIRS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to call, at 10 a.m., in the Foreign Relations Committee room, U.S. Capitol Building, Senator Mike Mansfield (chairman of the subcommittee) presiding.

Present: Senators Mansfield and Aiken.

Senator MANSFIELD. The meeting of the subcommittee on State Department Organization and Public Affairs of the Committee on Foreign Relations will come to order.

Today we are hearing testimony on a number of bills relating to the administration of the Department of State and the Foreign Service, including several bills which would establish a Foreign Service Academy.

I should like to begin by making a number of pertinent documents part of the record. First, I shall insert in the record the notice of these hearings which I put in the Congressional Record on June 23, 1959, and which contains a list of all the bills on which we are to take testimony. The notice is accurate except for S. 1502, dealing with annuities of retired Foreign Service officers. On the request of Senator Sparkman, the author of that bill, we are going to postpone temporarily taking testimony on that bill. I would also remind members of the committee that on April 16, 1959, a hearing was held on S. 1243 to establish standards of language proficiency and improve recruiting for the Foreign Service. I should like to announce that printed copies of that hearing will shortly be ready for distribution.

Second, I shall insert in the record a copy of each bill to be considered, followed by a copy of the comments of the Department of State or other executive agency on the bill or, in appropriate cases, a letter from the Department of State in support of the bill. These will be inserted at the appropriate places as we take up the bills grouped according to subject matter.

Third, I shall insert in the record an exchange of letters between Chairman Fulbright and Under Secretary of State Henderson on the subject of Department of State policy on assignment of Foreign Service personnel.

Fourth, I shall insert a memorandum prepared by the Department of State on the subject of salaries and other compensation for higher ranking Foreign Service officers.

Fifth, I shall insert a letter to Chairman Fulbright containing an extraction from a report on improvement of recruitment and training of diplomatic personnel, which was prepared by the World Peace Committee of the New York East Conference of the Methodist Church.

The third, fourth and fifth items will be inserted in the appendix to the printed hearings. (See pp. 189-205, appendix I.)

(The notice of hearings is as follows:)

JUNE 23, 1959.

NOTICE OF HEARINGS BEFORE THE SUBCOMMITTEE ON STATE DEPARTMENT ORGANIZATION AND PUBLIC AFFAIRS OF THE COMMITTEE ON FOREIGN RELATIONS, SENATOR MANSFIELD, CHAIRMAN

Mr. President, I announce that the Subcommittee on State Department Organization and Public Affairs of the Committee on Foreign Relations will hold public hearings beginning on Monday, July 6, 1959, at 10 a.m. in room F-53, U.S. Capitol, on the following bills:

1. S. 443, Mr. Green (by request), January 17, 1959, to amend the Foreign Service Act of 1946, as amended, and for other purposes.

2. S. 1243, Mr. Saltonstall (for himself and Mr. Mansfield), March 2, 1959, to amend the Foreign Service Act of 1946, as amended, to establish standards of foreign language proficiency for the Foreign Service of the United States, and for other purposes.

3. S. 15, Mr. Symington, January 9, 1959, to provide for the establishment of a U.S. Foreign Service Academy.

4. S. 106, Mr. Smathers, January 9, 1959, to authorize an Under Secretary of State for Western Hemisphere Affairs.

5. S. 109, Mr. Smathers (for himself and Mr. Mansfield), January 9, 1959, to provide for the establishment of a U.S. Foreign Service Academy.

6. S. 730, Mr. Wiley (for himself, Mr. Mansfield, Mr. Neuberger, Mr. Yarborough, and Mr. Engle), January 28, 1959, to provide for the establishment of a U.S. Foreign Service Academy.

7. S. 1044, Mr. Fulbright (by request), February 16, 1959, to amend the Foreign Service Buildings Act of 1926, as amended.

8. S. 1502, Mr. Sparkman, March 23, 1959, to provide for adjustments in the annuities under the Foreign Service retirement and disability system.

9. S. 2232, Mr. Fulbright (by request), June 23, 1959, to repeal section 12 of the act of June 26, 1884, prohibiting a charge or collection of fees by consular officers for official services to American vessels and seamen, and to repeal the provision in the act of June 4, 1920, authorizing the free issuance of passports to seamen.

10. S. 2233, Mr. Fulbright (by request), June 23, 1959, to amend the Foreign Service Act of 1946, as amended.

(Matters in addition to those covered in S. 443.)

The subcommittee will take such time as may be necessary to hear all those who wish to be heard on these bills. I should think the hearings might last 2 or 3 days. Depending upon the number of witnesses who ask to testify, the subcommittee reserves the right to limit the time available for oral presentations, but written statements of reasonable length will be received for the record.

ORDER IN WHICH BILLS ARE TO BE CONSIDERED

Senator MANSFIELD. Unless there are objections, I plan to proceed in taking up the various bills we are considering today in the following order: (1) Bills pertaining to the establishment of a Foreign Service Academy, (2) bills which would amend the Foreign Service Act of 1946, (3) the bill to authorize an Under Secretary of State for Western Hemisphere Affairs, (4) amendments to the Foreign Service Building Act, and (5) the bill relating to the collection of fees by consular officers.

BILLS RELATING TO ESTABLISHMENT OF FOREIGN SERVICE ACADEMY

(S. 15, S. 109, and S. 730, together with executive branch comments on each, follow:)

[S. 15, 86th Cong., 1st sess.]

A BILL To provide for the establishment of a United States Foreign Service Academy

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "United States Foreign Service Academy Act".

SEC. 2. The Secretary of State is authorized and directed to establish and maintain, in the middle western region of the United States, a United States Foreign Service Academy (hereinafter referred to as the "Academy") for the instruction and training of foreign representatives of the United States Government.

SEC. 3. The Secretary of State may appoint or assign such officers and civilian instructors as the needs of the Academy require.

SEC. 4. The supervision and charge of the Academy shall be in the Department of State, under such officer or officers as the Secretary of State may appoint for or assign to that duty, and under such regulations as the Secretary of State may prescribe.

SEC. 5. In the operation of the Academy the Department of State shall work in conjunction with the Board of Trustees.

SEC. 6. (a) The Board of Trustees shall consist of—

- (1) the Secretary of State;
- (2) two educators of prominence appointed by the President;
- (3) two Members of the United States Senate, of different political parties, appointed by the President of the Senate; and
- (4) two Members of the House of Representatives of different political parties, appointed by the Speaker of the House of Representatives.

(b) Members of the Board of Trustees shall be appointed for two-year terms and shall be eligible for reappointment.

SEC. 7. (a) The authorized number of students at the Academy shall be as follows:

- (1) four students from each State, two nominated by each Senator from the State;
- (2) two students from each congressional district, nominated by the Representative from the district;
- (3) two students from the Territory of Hawaii, nominated by the Delegate in Congress from the Territory;
- (4) two students from Puerto Rico, nominated by its Resident Commissioner;
- (5) three students from the District of Columbia, one nominated by each of the Commissioners of the District of Columbia;
- (6) one hundred and twenty-seven students from the United States at large—

- (A) one nominated by the Governor of each State;
- (B) seventy-five nominated by the President; and
- (C) three nominated by the Vice President.

(b) No person may be nominated under clauses (1) to (6), inclusive, of subsection (a), unless he is domiciled in the State or Territory, or in the congressional district from which he is nominated, or in the District of Columbia or Puerto Rico, if nominated from one of those places.

(c) If as a result of redistricting a State the domicile of a student, or a nominee, nominated by a Representative falls within a congressional district other than that from which he was nominated, he shall be charged to the district in which his domicile so falls. For this purpose, the number of students otherwise authorized for that district shall be increased to include him. However, the number as so increased shall be reduced by one if he fails to become a student at the Academy or when he is finally separated from the Academy.

SEC. 8. In order to permit an orderly increase in the number of students at the Academy during the period ending not more than four years after the entrance of the initial class at the Academy, the Board of Trustees may limit the number of students appointed each year during such period.

SEC. 9. The Academy shall operate as a coeducational institution and students shall be appointed thereto on the basis of merit, as determined by a competitive examination to be given annually in each State and Territory, the District of Columbia and the Commonwealth of Puerto Rico, at such time, in such manner,

and covering such subject matter as the Secretary of State may prescribe. Students shall be appointed in the order of their merit as established by such examination.

Sec. 10. The students of the United States Foreign Service Academy shall receive the same pay and allowances as are received by cadets at West Point.

Sec. 11. The course of instruction and training for students at the Academy shall be prescribed by the Secretary of State, and shall be the equivalent of the curriculum prescribed by accredited colleges and universities as a prerequisite to the granting of the degree of bachelor of arts. In prescribing such course of instruction and training, the Secretary of State shall provide that special emphasis be placed on the study of the history, culture, customs, folk lore, and language or languages of the nations in which cadets may serve and provide for field studies in such nations. The Academy may arrange to assign temporarily selected students to the Air, Military, and Naval Academies of the United States for instruction in military observation. Upon satisfactory completion of the prescribed course of instruction and training, students shall be granted the degree of bachelor of arts.

Sec. 12. Each student selected for admission to the Academy shall sign an agreement that, unless sooner separated, he will—

(1) complete the course of instruction at the Academy; and

(2) accept an appointment and service, as an officer or employee of the United States in any position, for which he is qualified by reason of his special training at the Academy, for at least the three years immediately following the granting of his degree from the Academy.

Sec. 13. (a) The course of study at the Academy shall, during each year of its operation, be organized as follows:

(1) the months of September to May, inclusive, shall be devoted to classroom instruction of students at the Academy;

(2) the period from June 1 to June 30, inclusive, shall be devoted to annual leave for all students;

(3) the months of July and August shall be devoted to practical field training for students at the Academy.

(b) Such field training shall consist of assigning students for service positions under appropriate departments of the Government, whether within or outside the United States, by a faculty board on field training, with the approval of the Secretary of State.

Sec. 14. (a) Each graduate of the Academy shall be available for appointment as an officer or employee of the United States, in any position for which he is qualified by reason of his special training at the Academy, in accordance with the following priorities:

(1) the Department of State;

(2) the Department of Commerce;

(3) the Department of Agriculture;

(4) the Department of the Treasury;

(5) the Department of Health, Education, and Welfare; and

(6) any other department, agency, or instrumentality of the United States.

(b) The Secretary of State may, notwithstanding any provision of the Foreign Service Act of 1946, appoint a graduate of the Academy as an officer in the Foreign Service of the United States.

Sec. 15. (a) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

(b) The United States Foreign Service Academy shall have power to acquire and hold real and personal property and may receive and accept gifts, donations, and trusts.

MAY 8, 1959.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U. S. Senate.

DEAR SENATOR FULBRIGHT: I refer to Mr. Marcy's letter of January 14, 1959, enclosing a copy of S. 15 introduced by Senator Symington on January 9, 1959, to provide for the establishment of a U.S. Foreign Service Academy, and requesting the comments of the Department of State on this bill.

The subject of the establishment of a U.S. Government institution for the purpose of preparing officers for the Foreign Service has been carefully studied in the Department of State for a number of years and has again been receiving

close scrutiny. This, I might add, is accountable for the delay in replying to the inquiry regarding S. 15.

It has been, and continues to be, the opinion of the Department that the requirements of the Foreign Service are best met by the recruitment of officers from widely varied backgrounds of education and experience. The responsibilities of the Service fall into no set pattern and are of a nature that require a high degree of initiative and individual thought. The Department believes that a standardized course of training, especially on the undergraduate level, might tend to create a uniformity which would inhibit to some degree these qualities and prove a handicap rather than an advantage to an officer in coping with the type of problems which he would encounter during his career.

The Department, as you know, is deeply concerned with the question of the training of its officers and seeks every opportunity to improve this program. It is still of the conviction, however, that an undergraduate academy would not be adaptable to the needs of the Foreign Service and it cannot recommend the enactment of S. 15.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary
(For the Secretary of State).

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington.

HON. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR SENATOR FULBRIGHT: This is in further response to Mr. Marcy's request for our comments on S. 15, a bill to provide for the establishment of a U.S. Foreign Service Academy.

S. 15 would direct the Secretary of State to establish an undergraduate Academy to train foreign representatives of the U.S. Government and would create priorities among the executive departments in the employment of graduates of the Academy.

The Department of Labor is particularly interested in the representation of the United States in foreign labor affairs and recognizes the importance of developing capable personnel. However, we also consider it important that our representation in foreign countries reflect a wide cross section of American life and culture, and selection of personnel from a number of colleges and universities tends to assure such diversity. Placing students in a specialized training institution at the beginning of their college careers might not be consistent with this objective.

We also question the desirability of creating priorities in the employment of graduates of the proposed Academy. In the usual course of college studies, undergraduates are permitted a measure of concentration in fields of special interest to them, and it is anticipated that under the proposed legislation some students could obtain special training in labor affairs. We believe that these students should be available for appointment in the Government agency which can best utilize their special training rather than according to a specific priority system. If priorities are provided, however, the Department of Labor should receive a priority appropriate to its position as one of the four Departments with statutory membership on the Board of the Foreign Service.

In view of the importance of labor affairs in our foreign relations, we are of the opinion that the curriculum referred to in section 11 should be broadened to include specifically the problems and aspirations of foreign workers.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

JAMES T. O'CONNELL,
Under Secretary of Labor.

[S. 109, 86th Cong., 1st sess.]

A BILL To provide for the establishment of a United States Foreign Service Academy

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "United States Foreign Service Academy Act".

SEC. 2. The Secretary of State is authorized and directed to establish and maintain, in or near the District of Columbia, a United States Foreign Service Academy (hereinafter referred to as the "Academy") for the instruction and training of diplomatic cadets in preparation for service as officers in the Foreign Service of the United States.

SEC. 3. (a) The Academy shall be under the general supervision of the Director General of the Foreign Service Institute and under such regulations as the Secretary of State may prescribe.

(b) The course of instruction and training for diplomatic cadets at the Academy shall be prescribed by the Secretary of State and shall be the equivalent of the curriculum prescribed by accredited colleges and universities as a prerequisite to granting of a master's degree. Upon satisfactory completion of the prescribed course of instruction and training, diplomatic cadets shall be granted a master's degree.

(c) The Secretary of State may appoint or assign such officers and civilian instructors as the needs of the Academy require.

SEC. 4. (a) The corps of diplomatic cadets shall consist of such individuals as may be selected and admitted to the Academy upon competitive entrance examinations as prescribed by the Secretary of State.

(b) Diplomatic cadets while in attendance at the Academy shall be entitled to quarters and subsistence.

SEC. 5. There shall be appointed each year a Board of Visitors to the Academy which shall consist of five members from the Committee on Foreign Relations of the Senate and five members from the Committee on Foreign Affairs of the House of Representatives, to be appointed by the respective chairmen of such committees. The Board of Visitors shall exercise the same functions and be entitled to the same expense allowance as is provided in the case of the Board of Visitors to the United States Military Academy.

SEC. 6. Each diplomatic cadet selected for admission to the Academy shall sign an agreement that, unless sooner separated, he will—

(1) complete the course of instruction at the Academy; and

(2) accept an appointment and service, as an officer in the Foreign Service for at least the three years immediately following the granting of his degree from the Academy.

SEC. 7. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate.

MAY 27, 1959.

DEAR SENATOR FULBRIGHT: I refer to Mr. Marcy's letters of January 14, 1959, and January 29, 1959, enclosing copies of S. 109 and S. 730 introduced by Senator Smathers and Senator Wiley, respectively, providing for the establishment of a U.S. Foreign Service Academy, and requesting the comments of the Department of State on these bills.

The question of establishing a U.S. Government institution for the purpose of preparing officers for the Foreign Service is one to which the Department has devoted much thought and consideration. During recent months it has again received close study and particular attention has been given the proposal included in S. 109 and S. 730, that the Academy be established on the postgraduate level. It is to this prolonged consideration and discussion that our delay in replying to these inquiries may be attributed.

I know that you are aware of the serious importance which the Department attaches to the training of its officers. We are continually endeavoring to improve our training programs. During recent years, with the help and counsel of the Congress, considerable progress has been made in this field and we believe that the results are increasingly evident. Through the facilities of the Foreign Service Institute, of colleges of the armed services, and of various private educa-

tional insitutions, the qualifications of our officers are being raised each year. This is especially true in the linguistic field.

The Department agrees that a postgraduate academy designed to train young men and women prior to their entrance into the Foreign Service would offer a certain number of advantages. Before assuming the responsibilities connected with establishing and conducting the operation of such an academy, however, the Department would prefer to obtain more experience with the training facilities already available to it and to ascertain the qualifications of the young men and women coming into the Service from our colleges and universities, which are augmenting and improving their training facilities. After we have experienced the results of our close cooperation with our institutions of higher learning, and of the progress made by the Foreign Service Institute, we shall be in a better position to make recommendations regarding the establishment of a U.S. post-graduate academy.

The enactment of S. 109 and S. 730 cannot, therefore, be recommended at this time.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, Jr.,
Assistant Secretary
(For the Acting Secretary of State).

[S. 730, 86th Cong., 1st sess.]

A BILL To provide for the establishment of a United States Foreign Service Academy

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "United States Foreign Service Academy Act".

SEC. 2. The Secretary of State is authorized and directed to establish and maintain, in or near the District of Columbia, a United States Foreign Service Academy (hereinafter referred to as the "Academy") for the instruction and training of diplomatic cadets in preparation for service as officers in the Foreign Service of the United States.

SEC. 3. (a) The Academy shall be under the general supervision of the Director General of the Foreign Service Institute and under such regulations as the Secretary of State may prescribe.

(b) The course of instruction and training for diplomatic cadets at the Academy shall be prescribed by the Secretary of State and shall be the equivalent of the curriculum prescribed by accredited colleges and universities as a prerequisite to granting of a master's degree. Upon satisfactory completion of the prescribed course of instruction and training, diplomatic cadets shall be granted a master's degree.

(c) The Secretary of State may appoint or assign such officers and civilian instructors as the needs of the Academy require.

SEC. 4. (a) The corps of diplomatic cadets shall consist of such individuals as may be selected and admitted to the Academy upon competitive entrance examinations as prescribed by the Secretary of State.

(b) Diplomatic cadets while in attendance at the Academy shall be entitled to quarters and subsistence.

SEC. 5. There shall be appointed each year a Board of Visitors to the Academy which shall consist of five members from the Committee on Foreign Relations of the Senate and five members from the Committee on Foreign Affairs of the House of Representatives, to be appointed by the respective chairmen of such committees. The Board of Visitors shall exercise the same functions and be entitled to the same expense allowance as is provided in the case of the Board of Visitors to the United States Military Academy.

SEC. 6. Each diplomatic cadet selected for admission to the Academy shall sign an agreement that, unless sooner separated, he will—

- (1) complete the course of instruction at the Academy; and
- (2) accept an appointment and service, as an officer in the Foreign Service for at least the three years immediately following the granting of his degree from the Academy.

SEC. 7. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, May 27, 1959.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR SENATOR FULBRIGHT: This is in further reply to Mr. Marcy's request for our views on S. 730, a bill "to provide for the establishment of a United States Foreign Service Academy."

The general purpose of the bill is similar to that of S. 15 with respect to which we have previously transmitted our views to the committee. However, the subject bill differs from S. 15 in that, among other things, it does not prescribe specific subjects for study and would create an academy limited to providing training for a graduate master's degree. Also, the bill creates no priorities among the various Departments and agencies with respect to the employment of graduates. Accordingly, the questions which we raised with respect to these features of S. 15 would not appear to be applicable to the subject bill.

We recognize the importance of securing capable and properly trained personnel for the Foreign Service, and necessary measures which would effectively promote this objective have our support. The desirability of creating a Federal academy of the kind provided for in the bill would therefore appear to depend to a large degree upon the ability of private and State colleges and universities to attract qualified students for training toward Foreign Service careers and to provide educational programs that adequately prepare them for such careers. For this reason, we would prefer to leave further comment to these agencies having the widest knowledge of the limitations and potentialities of existing educational facilities.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

JAMES T. O'CONNELL,
Under Secretary of Labor.

(See also pp. 6-7 for letter of May 27, 1959, to Senator Fulbright from William B. Macomber, Jr., Assistant Secretary of State, on S. 109 and S. 730.)

Senator MANSFIELD. The first witness, on his bill to establish a Foreign Service Academy, is our distinguished colleague, the Senator from Missouri, Senator Symington.

**STATEMENT OF HON. STUART SYMINGTON, U.S. SENATOR FROM
THE STATE OF MISSOURI**

Senator SYMINGTON. Thank you, Mr. Chairman.
May I proceed with a short statement?

Senator MANSFIELD. Surely.

Senator SYMINGTON. Mr. Chairman, I want to thank you for this opportunity to appear before your committee in support of my bill, S. 15, to establish a U.S. Foreign Service Academy.

I am sure the Foreign Relations Committee study of the various proposals in this important field will be most productive, and I hope the Congress will soon act to establish such a school.

**UNDERGRADUATE SCHOOL TO TRAIN FOR GOVERNMENT CAREER IN
OVERSEAS SERVICE**

The bill I introduced last January would establish a 4-year undergraduate school for the training of our overseas representatives.

Graduates of this school would be available for the Foreign Service, for work in the State Department, and for assignments with any other agencies of the Government which represent us abroad.

Appointment to such an Academy would be made on the basis of competitive examinations; and on an allocation similar to that of our three military service academies.

The curriculum of the Academy should, of course, evolve from experience rather than be established at the outset through legislation.

It would seem, however, that the courses of study might well be oriented toward liberal arts, with special emphasis on the study of the history, culture, customs, and languages of the area in which the student was planning to serve.

Field studies in these countries in the summer months would be a valuable part of this training.

It would be important for the training in the Academy to be as broad as possible. With proper supervision, judicious selection of faculty, and the use of visiting professors, the students should be able to achieve the necessary flexibility of skill and viewpoints that our representatives overseas should have.

ADVANTAGES OF FOREIGN SERVICE ACADEMY

The establishment of an Academy of this character would have many advantages.

First, it would result in our sending better trained representatives to foreign countries.

Second, it would provide a much broader opportunity for American young people interested in serving their country abroad.

And, third, it would provide our Government with a pool of well-trained personnel with a specialty which could be effectively utilized.

Most important, it would put the training and recruitment of Foreign Service officers on a far sounder basis. In the military service academies we have seen that the experience of a 4-year training program, with students of common interests living together, results in a spirit and dedication that can only operate to the benefit of our country.

The United States is, and for a number of years has been, engaged in a protracted conflict with the Sino-Soviet Communist conspiracy. This conflict will continue for a long time.

We are now operating three military academies, training our youth to lead us in case we are attacked in a hot war. Surely we can afford and should promptly provide a Foreign Service Academy to train our youth for the cold war in which we are being attacked economically, politically, and psychologically.

The training we provide in a Foreign Service Academy would be of great benefit not only in combating communism, but also in showing the world the opportunities that exist for a better life through freedom and democracy.

So often it is asked, "What do the peoples of the world want?"

To live in freedom and be treated with dignity; to have a better standard of living and medical care, and an opportunity to provide for themselves and their families in a world of peace. These are the things that Americans have been working on for years.

If we can sell our way of life abroad, we can win this conflict.

U.S. TRAINING OF DIPLOMATIC PERSONNEL COMPARED
TO THAT OF OTHER COUNTRIES

Our failings in this area, to date, have not come from lack of effort. Our overseas representatives, for the most part, are dedicated and hard working. However, we have not kept up with other countries in recruiting and training a skillful force of career foreign servants.

Mr. Chairman, I ask at this point to insert in the record certain information about the training programs in other countries, including our Russian competitors.

This would include a report in the Wall Street Journal of April 13, a report from the Legislative Reference Service, and an intelligence report from the Department of State on Soviet language and area programs.

Senator MANSFIELD. Without objection, so ordered.
(The documents referred to follow:)

[From the Wall Street Journal, Apr. 13, 1959]

PEOPLE PROBLEM OF U.S. ABROAD—IT'S HARD TO FIND COMPETENT AMERICANS
FOR SOUTHEAST ASIA ALONE

(By Vermont Royster)

RANGOON.—U Hla Myint, until 6 months ago, was a quiet Oxford don trying to give a sense of history to a new generation of students, including many Americans. Today, answering the call of patriotism, he is back here in his native Burma as the head of the University of Rangoon.

In neighboring Thailand, Pote Sarasin, descendant of one of the noble families of old Siam, has emptied his office of the legal tomes he once studied at Temple Bar, that scholarly cloister where, since before the days of Lord Coke, the British have trained their best legal minds. Today his bookshelves are lined with the plans and directives of the military alliance of the Southeast Asia Treaty Organization, over which he presides as Secretary General.

In what used to be Indochina, Vu Van Thai, a native of the Communist-overrun city of Hanoi, is a graduate of the Sorbonne who spent some 16 years as an engineer in Europe. Today, caught on a spoke of fortune which has already lost his father to Red assassins, he has come home to serve in the Cabinet of the Republic of Vietnam.

These three, from three different countries, each in his separate way represents a small group of people whose importance to southeast Asia is far out of proportion to their numbers. These are the people with whom Americans abroad must work. They are, at one and the same time, the best hope for U.S. policy in this part of the world and also one of the biggest problems for U.S. policymakers overseas.

HOPE AND TROUBLE

The hope lies in the fact that they are Western educated, Western oriented, and hold key positions of influence as leaders and opinion molders. Through them the United States has its best chance to persuade the minds of Asia.

The trouble comes from the fact that they are, all too often, better educated, more at home in the world and more knowledgeable of its ways, than the American emissaries sent out from Washington to rub off a little civilization on the "backward peoples." So one of the results of their meeting is a clash of minds and a resentment both ways.

Too many Americans—and this one can be included—come to southeast Asia with preconceptions that are only half-truths. They are prepared by their movie travelogues and their guide books for the backwardness, the slowness of the people, the poverty and the ignorance, all of which exist. They are thus caught by surprise to find that in each of these countries, from Vietnam around to Burma, there is an elite whose members need not take a back seat to anyone in education or ability.

And far too many Americans, being thus surprised, are unwilling or unable to adjust to the fact that these people have as much to teach as they have to learn.

Nothing is more explosive than one man's evaluation of others; nothing more fraught with controversy than the subject, brought to public attention in such books as "The Ugly American," of the caliber of our civil servants abroad. So what follows must be a purely personal appraisal, subject to all the failings subjectively is heir to. For that reason it would be unfair to single out names and offices, to pillory a few people simply because they happened under a wandering visitor's eye.

Yet the incidents of a 7-week journey which build the impressions are real. There was the U.S. Information Officer, 18 months in his post, who did not even know the location of the foreign office in the country on which he was supposed to be a political expert. Worse, he was totally unembarrassed by his ignorance, as if it were a matter of no consequence that he had never been inside the place.

Or there was the economic adviser in the International Cooperation Administration mission who could not pronounce the name of the new economics minister, could not spell it, knew nothing about the man, and was surprised that the visitor was interested.

Or the urban planning adviser, also attached to ICA, who complained his program would be "much further along" except that the native authorities stubbornly—his word was "mulish"—did not take his advice.

The incidents could be multiplied endlessly. There was the librarian of the U.S.-sponsored local library, for example, who explained the preponderance of English-language publications on the grounds that "foreign books," that is those in the native language, were harder to catalogue, more difficult to recommend to readers. It seemed a small matter that this limited the library mainly to English-speaking natives.

Of course there were also completely different encounters. There was the American ambassador who, taking pity on a dinner guest caught between two non-English-speaking ladies, could and did interpret between them in Chinese, the lingua franca of southeast Asia. And the eager, young Foreign Service officer who showed his energy at digging into the country by the scope of his luncheon list. And the consul general who could talk about his accredited country with interest, knowledge, and penetrating insight.

It's hardly fair to imply, either, that all the bumbling Americans are in Government service. By and large the representatives of American business in the area try harder to establish ties with the local people; it's dollars and cents to them. But the modern version of the Arkansas Traveler is not absent, nor the tourist right out of Mark Twain's "Innocents Abroad," and a cringe is where you find it.

Yet the qualifications and the exceptions do not diminish the problem, and when all is said it is still the Government people who have the greatest impact on these countries. All too often the quality of them subtracts from other gains to U.S. interest; sometimes it cancels them out altogether.

Consider the situation with a man like Vu Van Thai, for example, or U Hla Myint. Vu Van Thai speaks his native language, French, like a native, and in English is more articulate than many native Americans. U Hla Myint, also multilingual, may be short in educational methodology, but Oxford very likely gave him as good an education as State Normal College.

But such men are called upon to deal with Americans who are not always even one-language men—"the plan is to correlate the educational sequence from elementary through graduate school and phase out the program by 1961"—and they are forced to meet them on subservient terms. After all, the Americans have the money.

This language matter, let it be said, can be vastly overdone in criticism. Language proficiency is not necessarily essential, and anyway, it would admittedly be a lifetime's work to learn all the languages of southeast Asia. Certainly there are other qualifications more important in a public servant than the ability to speak the local language.

IT'S SYMPTOMATIC

Nonetheless, the inability to speak either the local language or some other, such as French or Chinese, that can serve as a bridge, does imprison the American. He can exchange ideas readily only with the local people who speak English; much of the confusion, frustration, and misunderstandings in our foreign aid program stem from just this thing. Beyond that, the frequent lack of any knowledge of the language whatever (even such phrases as "Thank you") bespeaks a general lack of interest in the country. The language deficiency is simply symptomatic of something more important.

FOREIGN SERVICE ACT AMENDMENTS

Here the reporter, to be fair, must make some distinctions. By and large the professional career people in the Foreign Service encountered along the way do seem to bring a certain basic competence to their jobs and take at least elementary steps to establish a rapport with the people of their accredited countries. Some are really impressive. But the foreign aid personnel in the U.S. operations missions, as another generalization, are unimpressive. And many U.S. information personnel leave a bad impression.

One reason for this, if a personal opinion may be ventured, lies in the sources from which some of the U.S. personnel abroad, except the Foreign Service, are drawn.

Take one old acquaintance, met unexpectedly along the way. Back in 1935 or thereabouts he was working for the old Resettlement Administration, of New Deal days. Since then he has moved from one temporary Government agency to another RA giving way to OWM and OWM to OPS, as each in turn disappeared. Now he's with USOM in a distant corner of southeast Asia.

It would be surprising if he took any real interest in the country he inhabits, its language, its customs, its ways of doing things. What interests him is the "program," or rather the particular part of it on which he must write reports. USOM may disappear someday, and he'll need another job in an alphabetical agency.

It's a revelation, too, to look at the file cabinets full of reports emanating from our foreign aid mission which fill just one small office of one department of one of the countries we are aiding. The local official pointed them out to this visitor with a smile, but it was a sad smile.

The Americans of this group too often come out here full of fright about the typhoid water and cholera-laden lettuce. They tend to congregate in "settlements," complaining about the mosquitoes and the dirty floors of the pagodas, centering their lives about the ICA equivalent of the PX, and enjoying their servants while they serve out their 2- or 3-year term.

FEW COMMON INTERESTS

In the nature of things, not many of them can have close associations with the nationals of the country. Quite apart from the language barrier, they have little in common with the majority of the natives who are—just like the guidebooks say—poor and ignorant. At the other end of the spectrum the educated elite of the country have little in common with many of these Americans.

The average American, especially if he's a moviegoer, is apt to expect the grandson of the Little Prince in the "King and I" to look like Yul Brynner and use phrases like "is a puzzlement." But he would be hard put, even with his A.B., to hold his own with that grandson, H.R.H., the Prince Viwat, Oxford graduate, in a discussion of monetary theory, comparative philosophy or the development of the Sanskrit alphabet. He might even find himself more taught than teaching if he called at the Prince's bank to discuss a credit question.

Though the number of such men in these countries is small, it is not minute. U San Lin, president of the Union Bank of Burma, is another Oxford man; the Thailand Ministry of Finance couples Nai Jote, Birmingham University, and Dr. Serm Vinichayakul, University of Paris; Secretary Thuan of Vietnam's presidential staff bears a Ph. D. in economics from Geneva. And the list could be readily enlarged.

These men are not averse to both help in dollars and technical aid for their country from the United States. But they are not happy to be called to sit at the feet of Westerners who feel themselves superior, and yet to whom, after a few minutes' conversation, these Asians feel themselves equal or superior.

And explain it as you will, it is still unfortunate. For the men of this caliber in these countries are men who can do the most good for the United States and for Western viewpoints. Indeed, by education and background they are already pro-Western. Somehow, and in some fashion, the United States must cultivate them, not alienate them with ignorance, disinterest, and poor manners.

The answer is not easy. Perhaps it is impossible, so long as we try to flood all these countries with American advisers. If men are to be found who can lift up these "backward countries" they must come from among just such local people as the engineer from Hanoi, the barrister from Bangkok and the educator from Rangoon.

Certainly it is a tall order even for America to find enough Americans competent to remake all of southeast Asia, much less the world.

THE LIBRARY OF CONGRESS,
LEGISLATIVE REFERENCE SERVICE,
Washington, D.C., May 26, 1959.

To: Hon. Stuart Symington.
From: Foreign Affairs Division.
Subject: Foreign language training programs for U.S. Information Agency personnel and possible value of a foreign service academy in this Agency.

The USIA provides the opportunity for a small number of its staff to receive full-time foreign language training each year. The Agency feels that the need for officers with foreign language proficiency greatly exceeds the present number available and it is expected that the language-training program will be expanded gradually over the coming years.

The major reasons why language needs have not been met appear to be lack of incentives to learn the more difficult exotic tongues coupled with the fact that most posts in the Far East, Middle East, and Africa are considered hardship posts. At the same time it is apparent that a foreign service academy could be useful to the USIA at this and related points.

The USIA has authorized full-time foreign language training for about 60 to 70 members of its staff each year since July 1, 1956. Before that date language training was provided only on a part-time basis at some overseas posts. Part time instruction also continues today. "Full time" training means 6 to 8 hours per day with courses running from 4 months for most of the Romance languages to as long as 30 months for Chinese and Japanese.

During fiscal year 1959, 87 USIA personnel have been enrolled in full-time foreign language courses. The number studying each language follows:

French, 10	Thai, 4	Turkish, 2
Spanish, 10	Vietnamese, 3	Burmese, 1
Arabic, 8	Czechoslovakian, 2	Hausa, 1
German, 8	Hungarian, 2	Italian, 1
Japanese, 8	Indonesian, 2	Persian, 1
Chinese, 7	Korean, 2	Rumanian, 1
Hindi, 4	Polish, 2	Russian, 1
Serbo-Croatian, 4	Portuguese, 2	Swahili, 1

Officers taking the courses do so on a voluntary basis. They receive an aptitude test at the beginning of the course and also one which determines their current knowledge, if any, of the foreign language. A proficiency test is given at completion of the course. It is expected that students can acquire a good working knowledge of the language during the course and recent test scores show that a majority of the students are successful.

At present, most of the course work is taken at the Foreign Service Institute (FSI) in Arlington, Va., or at the FSI overseas field schools. The FSI provides foreign language training to Federal Government officers in all departments dealing with foreign relations though it was established to serve primarily Foreign Service officers. On September 30, 1958, there were 65 USIA staff enrolled in foreign language courses. Of this number 38 were attending the FSI and 11 were at FSI field schools. However, the remaining 16 were studying at universities, colleges, or commercial language schools. It is reported that the non-Government schools were used because the FSI did not offer the needed languages that year or because advanced training was required. In some cases only one or two personnel need training in a particular language, such as Hausa, or Swahili and it has not seemed financially practicable to employ a special teacher for so few students.

The USIA and a Foreign Service Academy.—With the expanding need for extending foreign language training to Federal employees it is possible that a Foreign Service Academy might soon find it financially possible to provide Government facilities for training even in the less frequently taught foreign languages. This would eliminate the necessity of using colleges and commercial training schools.

The possibility of providing some USIA staff with opportunities for intensive geographic area study is perhaps a much greater potential value of the proposed Foreign Service Academy to the USIA. At present each new USIA officer receives an 8-week training program, plus Agency orientation, before his first assignment. This training consists of four 2-week courses in American civilization, communism, communications, and area study. Area study consists mainly of interviewing at the State Department, CIA, and other Government agencies in the country or area to which the new staff member will be assigned.

Discussions which I have had with USIA training personnel elicited a strong feeling on their part that the absence of intensive area studies were a serious gap in the Agency's training program. At the present time it is possible in only rare instances to send a USIA man to a college or university to undertake prolonged study of the politics, culture, history, etc., of the area to which he will be assigned. A Foreign Service Academy could provide for the area training of many more USIA professional staff. Equally significant, the establishment of a Foreign Service Academy that trained USIA staff as well as State Department Foreign Service officers would give increased recognition to the fact that USIA is becoming an important and permanent instrument of U.S. foreign policy.

ARTHUR H. DARKEN.

SOVIET LANGUAGE AND AREA PROGRAMS FOR ASIA AND AFRICA¹

I. MAJOR TRENDS

The following conclusions regarding Soviet training and research programs on the languages and areas of Asia and Africa can be drawn from existing information.

- (1) The Soviet language and area training programs now in existence are of modest size.
- (2) However, Soviet training and research programs are growing with speed. These programs began their recovery by 1950 following wartime neglect, received fresh impetus after the February 1956 Soviet Party Congress.
- (3) The generally high level of language and area competence of Soviet diplomatic officers stationed in Asian and African countries attests to the quality of training offered by the leading Soviet institutions.
- (4) Technical assistance personnel serving abroad usually have not had language and area training, but propaganda has exploited exceptional instances in order to create an impression that the U.S.S.R. has large numbers of language-trained technicians available.
- (5) The experimental program of teaching exotic languages in Soviet 10-year schools has not yet had any effect upon Soviet operations abroad. Soviet authorities appear to regard the program as successful and have taken steps to expand it further. Should the program continue to grow at its present rate, the U.S.S.R. in a decade or two would have a supply of hundreds of individuals who could combine exotic-language proficiency with a variety of trades and professions.
- (6) Along with the growth in the size of Soviet research and training programs there has been increasing emphasis upon those aspects which might support Soviet operations. In language training the spoken language is stressed while in research contemporary topics or topics with contemporary implications are the rule.
- (7) Increasing investment in training, research, and publication facilities points to prolonged growth of Asian and African studies in the U.S.S.R.
- (8) Hasty generalizations about the quality of Soviet research on Asia and Africa should be avoided. A small but growing portion of the total is excellent work which is praised by Western experts for its scholarship and objectivity. Some Soviet publications are outright propaganda with no pretensions to scholarship. Between the two extremes are books and articles which contain varying combinations of objectivity and Marxism.
- (9) The Eastern European countries are slowly beginning to expand their research programs along the lines of Soviet developments.

II. SOVIET PERSONNEL ABROAD

Soviet diplomatic personnel are generally well-trained in the language and area of the country to which they are assigned; Soviet technical assistance personnel are not.

¹ Department of State, Intelligence Report No. 7783, August 5, 1958. This is an initial report on the status of Asian and African language and area training in the U.S.S.R. and Eastern Europe. It is as comprehensive a survey as could be presented on the basis of information available from a variety of sources. However, it admittedly has gaps in matters of detail, and these will be filled in in subsequent reports as warranted by new information and new developments.

This report was prepared from information available through August 5, 1958, by the Division of Research and Analysis for the Soviet Union and Eastern Europe with the cooperation of the Division of Research and Analysis for the Near East, South Asia, and Africa and the Division of Research and Analysis for the Far East.

Diplomats.—The high level of language and area competence of some of the younger Soviet diplomatic officers is evidence of the high quality of training offered by the best Soviet institutions. Before arriving at their posts, Soviet diplomats for the most part have had at least some training on the area and usually not less than a fair degree of competence in the local language. Such preparation appears to be universal among younger officers whether they have been recruited from regular universities or trained at the Ministry of Foreign Affairs school.²

The Soviet Foreign Minister takes pains to encourage its officers to study foreign languages and to become specialists. The Ministry carries on what appears to be a systematic program of reassigning personnel to the same post or to posts in the same area in order to promote area specialization. Officers frequently receive additional training or tutoring at their posts abroad. Soviet officers are said to receive a bonus equal to 10 percent of their salaries for passing examinations in European languages and 20 percent for exotic languages.

The language and area competence of diplomatic representatives of bloc countries appears to be somewhat spottier.

Technical assistance personnel.—Soviet technical assistance personnel are not usually specially trained in the language or area of the countries to which they are sent. They generally rely on interpreters and frequently use the Western language which is best known in the underdeveloped country in which they are working. Soviet technicians tend to have relatively narrow specialties, and as a result they are often assigned for short tours of duty while a particular phase of a project is being carried out. More often than not, Soviet technicians appear to be under instructions to avoid unnecessary contacts with local citizens, and they are assisted in not drawing attention to themselves by their low salary scales and standard of living, which prevents them from appearing conspicuously wealthy by local standards.

However, the Soviet Union has fostered the myth that it has large numbers of language-trained technicians available by using its small supply of them to maximum effect. For example, in 1956 the U.S.S.R. offered to supply the Bombay Technological Institute, through UNTAR and UNESCO, with 15 Hindi-speaking Russian instructors. Long before the school was ready to open its doors in the summer of 1958, the Hindi-speaking Russians were famous the world over. At the same time the offer was made to India, however, the Soviet Union was recruiting Indians to serve as translators in Moscow.

III. EXOTIC LANGUAGES IN THE 10-YEAR SCHOOLS

Experimental program.—More than a dozen Soviet schools are now taking part in an experimental program, begun in 1956, of teaching Near Eastern and Asian languages to pupils beginning in the second grade, i.e., from the age of 8 years. In Moscow 150 pupils at boarding school No. 23 study either Hindi or Urdu, while Chinese and Hindi are taught at two other boarding schools in Leningrad. However, the bulk of the schools participating in the program are in areas inhabited largely by non-Russian nationalities. In Tashkent five schools teach one or more of the following languages: Hindi, Urdu, Chinese, and Arabic. In Stalinabad two schools teach Persian and Arabic, and at Baku several schools teach Persian and two teach Arabic. Persian is taught at school No. 70 in Ashkabad. A total of three schools in Samarkand and Bukhara teach Persian and Urdu.

Emphasis in the 10-year schools is on the spoken language rather than on exercises in reading and translating. In teaching Urdu, for example, "throughout the entire lesson the teacher strives to speak to the children only in Urdu, which facilitates their development in the spoken language" (Teachers' Gazette, Mar. 11, 1958).

Success of the experiment.—Soviet authorities appear to regard the program as having been successful and several steps have been taken to support and expand it. No textbooks were available when the program was initiated. A recent Tashkent news story indicated that a special text for teaching first-year Hindi in schools is now available and a second-year text is in preparation. Textbooks for fourth and fifth classes in Persian have recently been issued in Baku.

There now appears to be a more regular supply of teachers for the program. At least some of the students of Eastern Languages at the Central Asian State University in Tashkent are preparing to be teachers; a number of them were reported to be practicing teaching in Tashkent schools during the past academic year.

² In large missions in Western Europe standards for language proficiency and knowledge of the area appear to be lower than in the rest of the Soviet diplomatic service.

An exotic language was offered as a major in a pedagogical institution for the first time last fall when the Nizami Pedagogical Institute of Tashkent offered a major in the language, literature, and history of Korea.

Expansion to Tatar schools.—Greater use of non-Russians for contacts with Eastern countries is foreseen in the proposal to extend the program of teaching Arabic to the schools of the Tatar Autonomous Soviet Socialist Republic. According to the proposal,³ instruction in Arabic is to be initiated on an experimental basis in not more than two or three Tatar schools, presumably in the forthcoming academic year.

IV. UNIVERSITY TRAINING PROGRAMS

Undergraduate training programs are largely concentrated in Moscow, Leningrad, and Tashkent. Small additional facilities exist in Baku and Kazan, where they are incidental to departments of eastern studies, which are primarily concerned with Soviet Central Asia.

A. *Institute of Eastern Languages*

New trend. The establishment of the Institute of Eastern Languages at Moscow State University in September 1956 exemplifies the current trend away from the historical and philological emphasis of traditional Russian orientology and toward stress on the spoken language, combined with an interdisciplinary approach to contemporary problems, an approach which was patterned on area study programs at American universities.

The institute's relation to current policy was explained in the official announcement at the time of its founding:

"From year to year the bonds of friendship between the peoples of the Soviet Union and the foreign countries of the East broaden and strengthen. This demands a significant improvement in the preparation of specialists in eastern studies. With the aim of preparing specialists who are actively in command of the languages of the appropriate countries and know profoundly and all-sidedly their economics, histories, and cultures, there is being established in the Moscow State University the Institute of Eastern Languages" (Herald of Moscow University, Historical-Philological Series, No. 1, 1956, p. 19).

The basic program is a 6-year course, with the focus on language, but with the student also required to specialize in one of the several disciplines. Forty students a year are to be enrolled in the 6-year course. In its second year the institute had 80 students in addition to a number who had transferred with advanced standing from the elements of other faculties which were combined to form the institute. A new building to house the institute is to be completed within 2 years.

Languages taught.—The majority of the students are specializing on China and India. The departments, represented by the size of the staff, are, in order of importance, China, India, Arabia, Indonesia, Japan, Turkey, Iran, Vietnam, and Korea. A native speaker is available to almost every department, and students are encouraged to live in dormitories with foreign students in order to practice their languages (Chinese, Korean, Vietnamese, Egyptian, Syrian, and Indonesian students enrolled in other faculties of the university are available for this purpose.)

The training of specialists in African languages is to be initiated at Moscow University after the expanded African language program is begun at Leningrad University in the fall of 1958.

Program.—The program of study is as follows: the first year is divided between intensive language study and several of the content courses (geography, economics, history of thought, law, general history, etc.). The second year is largely a continuation of the first, and a term paper is required. As an example, one second-year student wrote on Marco Polo's description of the people of China. During the third year, which is devoted in part to literary papers (the poetry of Li Po, an eighth century "popular" Chinese poet, is a typical subject), the student selects a second eastern language. Throughout the 6-year course he is encouraged (or possibly even required) to study the appropriate western language: for example, English for India or French for Vietnam. During the fourth year, philology and lexicography as well as advanced grammar and syntax are to be introduced. The projected fourth-year term paper is to be more comprehensive than the previous ones; a hypothetical example is: "The Economic Development of China During the Second Half of the Nineteenth Century." Students will polish up their knowledge of the language and customs of their chosen area during the first half of the fifth year, since the period from the middle of the fifth to

³ The plan was outlined in the journal *Foreign Languages in the School*, No. 2, 1958, pp. 111-112. Expansion of the program to schools in Kazakhstan is also scheduled for the coming school year according to a TASS report on August 1, 1958.

the middle of the sixth year is set aside for study abroad. The student is expected to go abroad with the topic of his thesis in mind, and to complete it in the second half of the sixth year after his return to the institute. The institute has already sent 17 of its advanced-standing students to Communist China and a few to Korea. A small group of institute students are currently in India, but not apparently actually studying. The faculty plans to send students soon to Indonesia, Japan, and North Vietnam.

Special courses.—In addition to the 6-year standard course, three special courses of instruction are known to be offered by the institute, though no details are available.

A 2-year course teaches eastern languages to specialists who attend under orders from various governmental ministries in preparation for assignment abroad.

A 6-month course serves as a refresher for experts in eastern studies.

A few students receive preliminary training at the institute and then pursue the entire course of study at a university in one of the Asian countries.

Future expansion likely.—Further growth in the size of the institute appears likely. According to Evening Moscow, April 4, 1958, more than 20 faculty members are to be recruited. The list includes:

A professor to head the chair of Chinese philology.

A docent (assistant professor), senior instructor, and an instructor for the chair of Indian philology.

A docent to head the chair of Arab philology, plus a senior instructor, and an instructor.

A docent to head the chair of Iranian philology.

A professor to head the chair of Turkic philology.

Instructors in Japanese and Vietnamese, plus a senior instructor of Korean language and literature for the chair of languages of the Far East and south Asia.

A professor to head the chair of history of China.

A docent to teach the history of Korea, plus a professor to head the chair of history of nations of the Far East and southeast Asia.

Three professors or docents, plus a professor to head the chair of history of nations of the Middle and Near East.

A docent to head the chair of economics and economic geography of nations of the East.

A docent to head the chair of Western European languages.

B. Leningrad State University—Eastern faculty

Subjects.—More traditional in its approach than the institute at Moscow University, the eastern faculty at Leningrad State University emphasizes language and history. Present enrollment for Asian and African languages is roughly as follows: Chinese, 20; Korean, 20; Japanese, 15; Mongolian, 10; Indian, Tibetan, and Indonesian, 25 in all; Arabic, 10; Persian, 10; African 10. The African languages appear to be the only ones which are taught without the assistance of native instructors.

Improvement in African language training is foreseen by a directive of the U.S.S.R. Ministry of Higher Education in May 1958, which called for inviting foreign African specialists to Leningrad as well as sending two or three Soviet teachers and graduate students abroad to raise their language proficiency. In addition to Swahili, Amharic, and Hausa, which are already taught at Leningrad, within the next 3 years the study of the languages of Luganda, Luba, the Congo, and Yoruba will be introduced. According to the Ministry, "University students will acquire conversational knowledge of no less than two related African languages."

Courses are also offered in Chinese and Japanese history and in the histories of the Middle East and the ancient Orient. Enrollment is small; Chinese history, with 12 students, is the largest.

Language program.—Early and intensive specialization assures the linguistic competence of the Leningrad students, but the absence of social sciences from the curriculum is likely to prove a handicap if the graduates are to be employed for other than purely linguistic work.

The nature and scope of the language and literature study at Leningrad State University may be illustrated by the Japanese program. Throughout the 5-year program two aspects, theory and laboratory (that is, practice), are presented.

The first year includes the theory of languages, linguistic systems, the history of the Japanese language, a systematic presentation of grammar, morphology, and syntax, a brief consideration of the study of Japanese in the U.S.S.R., Europe

and Japan, and bibliography. Practical work in the language itself during the first year includes the study of grammar and simple texts, the mastering of 800 characters, and practice in conversation with a native. Classroom work during the first year consists of 12 hours per week, for a total of 408 hours, divided as follows: introduction and grammar 68 hours; text study 136 hours; conversation 136 hours; and writing practice 68 hours. A comprehensive examination at the end of the year covers the whole complex of the introductory course.

The second year is devoted to literature and literary speech. Examples of modern Japanese literature are studied in chronological order "to show the growth of the literary language." History, style, morphology, and syntax are taken up as theory, while in the laboratory the student turns his attention to a series of writers, including some "proletarian authors," who occupy an exalted place in Soviet criticism of Japanese literature in much the way Howard Fast used to hold such a place in Soviet criticism of American literature. The classroom schedule is identical to the first year, and another comprehensive examination completes the second year.

The third year is divided between "contemporary literary Japanese" and "classical Japanese," with 240 hours devoted to each. Students are introduced to the "public language," both spoken and written. Newspaper, journals, contemporary short stories, and novels form the core of this work. At the same time the student studies classical Japanese along with *kambun* (the old style of writing, which employs Chinese characters extensively). This section of the program is organized as follows: (1) the classical language of the 8th through the 12th centuries, including (a) the conversational language of the time and (b) Chinese as the language of official correspondence and scientific and historical literature; (2) medieval literary Japanese of the 12th through 16th centuries, consisting of remnants of the old literary language which still persist in archaic form in literature, medieval conversational language which also may be found in its archaic forms, and Chinese which as in the preceding period continues as the official language; (3) literary Japanese of the 16th through the 19th centuries, devoted to four main topics: remnants of "old literary" Japanese which existed as a language of scholars of that period, the developed form of medieval Japanese which had become the national language of the period, the conversational and written language of literature, and Chinese, as the language of knowledge and philosophy.

The fourth year, like the third, is divided between "contemporary literary" and classical Japanese. Four of sixteen weekly class hours required in the fourth year are devoted to seminars and special courses, the former including *Kambun*. In addition to literary works, the texts of contemporary juridical literature are also read toward the end of the eighth semester. An examination concludes the year.

The fifth and final year is divided among four main subjects: (1) classical Japanese, (2) history of the language and writing, (3) dialectology, and (4) seminar on special problems. The study of classical language follows the pattern of the fourth year. The course on the history of the language and writing appears to be especially thorough, covering aspects ranging from general syntax development and the lexicography and phonetics of the urban language to a detailed examination of the development of writing systems in China and Japan. More attention appears to be paid to the study of Japanese dialects at Leningrad than is usual in American programs. The subject includes: (1) the history of Japanese dialects, (2) the study of a dialectological map of Japan, (3) the dialects of Japan proper, (4) dialects of Miyako Island, (5) a brief description of some other local dialects, and (6) methodology of dialectological research. An examination covering the four main subjects of the fifth year completes the program.

C. Central Asian State University, Tashkent

Organization.—The third major center for the teaching of exotic languages in the Soviet Union is the eastern faculty of the Central Asian State University in Tashkent. More than 150 students, at least 50 percent of whom are Uzbeks, are enrolled in the 5-year program. There are four departments: the Indian Department offers instruction in Hindi, Urdu, and Bengali; the Chinese-Uigur Department teaches two Uigur dialects and Mandarin Chinese; the Iranian-Afghan Department has courses in Persian and Afghan, with Arabic the obligatory minor language, and the History Department includes international relations in its offerings.

Employment of graduates.—To date a few of the graduates of the faculty are known to have been recruited by the Ministry of Foreign Trade for work at construction projects in Afghanistan. While more graduates are likely to go abroad as government officials in the future, most of them now become philologists or find employment as interpreters with organizations such as the Alliance of

Friendship Societies, radio stations, foreign literature publishing houses; some become teachers in 10-year schools.

Current trends.—At the Central Asian State University the current trend of shifting attention from history and philology to contemporary problems is illustrated by proposals and criticisms made during the past year. New courses in economics, ideology, and international relations were called for. According to the critics, study of Arabic should be oriented along more practical lines, stressing the spoken language rather than ancient texts. Teaching the languages of Indonesia and Burma was recommended, since, "there is a severe shortage of cadres who understand these languages, even in Moscow."⁴

In addition, there were comments on the shortage of equipment such as audio and visual aids and publication facilities.

D. Azerbaidzhan State University, Baku

The eastern faculty of the Azerbaidzhan State University, Baku, offers training in Persian, Turkish, and Arabic. The Arabic section receives about 12 students per year. The increasing employment of non-Russians for contacts with Asian and African countries is reflected by the fact that instruction is given in Azerbaidzhani.

E. Kazan State University

Since 1944 Arabic has been taught by the faculty of Tatar language and literature of the Kazan State University.

F. Tadzhik State University, Stalinabad

A faculty of Arabic and Persian languages is scheduled to open at the Tadzhik State University, Stalinabad, in the autumn. It is to have an enrollment of 30 students.

V. MINISTRY SCHOOLS

The military and diplomatic services, in addition to recruiting graduates of the universities, operate their own schools in which language training is offered.

A. Ministry of Foreign Affairs' Institute of International Relations

In addition to recruiting graduates from institutions of higher education, the Ministry of Foreign Affairs maintains its own school, the Institute of International Relations in Moscow, for training diplomatic personnel. Since the institute is rarely mentioned in print, what follows is a composite sketch based on the most recent information available.

Organization.—The institute, which reportedly has an enrollment of more than 1,000 students (about 200 of whom are from Communist bloc countries), appears to be divided into three faculties: law, history, and international relations. Within each faculty there are language and area specializations. The students are further subdivided into language study groups of from five to seven people.

Program.—At present the course appears to be 6 years in length (earlier reports had said it was a 4- or 5-year course), with 6 class-hours per day during a 6-day week.

In addition to languages, which are studied throughout the 6-year course (10 hours per week for the major language and 6 for the minor, according to one report), the program includes comprehensive coverage of a variety of subjects. In the first 2 years the student takes up history, economics, and political science of the U.S.S.R.; principles of Marxism-Leninism; and physical education and military training, the latter including organization of the Soviet Army, Soviet small arms, military tactics, and foreign armies. In the third year he studies Soviet bloc countries and also begins taking courses on the countries of the area in which he is to specialize. In the final years he studies intensively the particular country to which he is to be assigned.

No complete list of the languages taught at the institute is available. However, it is known that, in addition to French, English, German, and Spanish, courses have been offered in Chinese, Persian, Arabic, African dialects, and Japanese (the last with the assistance of a native instructor).

B. Military training in foreign languages

No current information is available on the Military Institute of Foreign Languages, which underwent an extensive reorganization in the summer of 1956. Prior to this reorganization, the institute, located in Moscow, was reported to have an enrollment of 1,000 students (plus an additional 500 in the correspondence

⁴ Pravda Vostoka, May 31, 1957.

course, which was abolished at the time of the reorganization) and a total faculty of 230 officer and civilian instructors. In addition to teaching European languages and military subjects, the institute had a College of Eastern Languages, with an average enrollment of about 300 students in a 5-year course. The largest departments in the college were Chinese, Japanese, Arabic, and Hindi.

The following portions of the 36 class hours per week were devoted to language training: in the first year, major language 20 hours, linguistic methods 2 hours; second year, major language 24 hours, linguistic methods 2 hours; third year, major language 17 hours, literature of major language 2 hours, minor language 8 hours, linguistic methods 2 hours; fourth year, major language 18 hours, literature of major language 4 hours, minor language 8 hours, linguistic methods 2 hours; fifth year, major language 18 hours, minor language 8 hours. In addition to daily observation of the student's progress 1-hour oral and written examinations were given at the end of each semester. Language classes were conducted in small groups of from 6 to 10 students, and a total of 40 phonographs with ear-phones and 1 tape recorder were available for student use.

Before the reorganization there were reports that the program was too drawn out, that discipline was lax and that inadequate attention was given to military subjects. Presumably the reorganization took steps to remedy such defects.

VI. RESEARCH PROGRAMS

Research on Asia and Africa is highly centralized and is for the most part concentrated in two major centers—the Institute of Eastern Studies and the Institute of Ethnography. Both institutes have as a secondary function the training of graduate students.

A. Institute of Eastern Studies

Reorganization.—The Institute of Eastern Studies of the Academy of Sciences of the U.S.S.R. with branches in Moscow and Leningrad, is the principal center for Soviet research on the East. It also serves as national coordinator for additional research done at other institutes, trains graduate students, and operates a publishing house.

The institute in its present form can be said to date from 1950, when the Leningrad Eastern Institute and its Moscow branch were merged with the Institute of Pacific Studies in Moscow to form a single, unified institute in Moscow. Six years later, however, the work of the institute was still considered far from adequate by the Communist Party. At the 20th Party Congress in February 1956, Mikoyan singled out the institute for scathing criticism: “* * * although in our day the whole East has awakened, this institute is still cozing.”

The first step in redirecting the work of the institute toward increased concentration on contemporary problems was the appointment of B. G. Gafurov as its director in May 1956. Gafurov, a member of the Central Committee and former First Secretary of the Tadzhik Communist Party, carried out the reorganization of the institute in the fall of 1956, when new sections were added in Moscow, a Leningrad branch was established, and most of the Chinese department was removed from the Institute of Eastern Studies and a separate Institute of Chinese Studies was established.

As a result of recruiting efforts, which are continuing, the size of the Institute of Eastern Studies' Moscow staff has more than quadrupled since 1950 and now includes 400 staff members and 100 graduate students. An indication of the relative size of the 5 main departments can be seen in the following figures on the distribution of the senior specialists among them: (1) the Far East, with 50 senior specialists, divided by area as follows—Japan 25, Mongolia 12, Korea 12; (2) India divided along disciplinary lines—history 12, economics 10, philology 8; (3) southeast Asia with a total of from 15 to 20 specialists working on Indonesia, Vietnam, Cambodia, Burma, Malaya, and the Philippines; (4) Africa, a new department established in 1956, has few scholars; and (5) Middle and Far East which also has only a few researchers. A sixth, functional department, to deal with nonregional problems such as United Nations affairs, international law, etc., is planned.

The Leningrad branch is smaller than the Moscow and is devoted almost exclusively to work on earlier periods of history. Distribution of experts is as follows: (1) Far East—China 10, Japan 3, Korea 4, Tibet 1; (2) south and central Asia—India 3, Persia 3, Kurdistan 1, central Asia 5 or 6; (3) Arabia 5 or 6; (4) the ancient East 3; and (5) Mongolia 3.

Publications.—The Institute of Eastern Studies issues four periodicals: Soviet Eastern Studies, The Contemporary East, Brief Reports of the Institute of East-

ern Studies, and Scientific Notes of the Institute of Eastern Studies. It also operates its own publishing house for books and pamphlets—the Publishing House for Eastern Literature.

The list of 109 titles scheduled for publication in 1958 provides another index of the distribution of research efforts within the institute.⁵

Of the 14 titles to be issued on the "History and Economics of Countries of the Near East," 5 are general, 2 are devoted to Afghanistan, 4 are about Iran, and 3 are on Turkey.

India accounts for 12 of the 21 titles to be devoted to the "History and Economics of Countries of Southeast Asia."

Of the 30 titles on the "History and Economics of Countries of the Far East," 16 are items on China prepared by the Institute of Chinese Studies but nonetheless included in the catalog. Six items on Korea, two on Mongolia, two on the Philippines, and four on Japan were all prepared by the Institute of Eastern Studies.

The section on the "History and Economics of Countries of Africa" includes 5 titles, while 12 titles are to deal with the "Ancient East." "Geography and Ethnography" account for 3 titles, and 9 items are listed under "Linguistics." Literature, folklore, and literary criticism account for the remaining 15 titles.

B. Research on Africa—Institute of Ethnography

New organizations proposed.—Heretofore, the Institute of Ethnography of the Academy of Sciences of the U.S.S.R., which has branches in Moscow and Leningrad, has been the principal center for research on southern and central Africa, and as such it has had the function of generally coordinating additional research efforts at universities and other institutes. Its role as a coordinator is likely to be reduced by the reorganization of research on Africa which is now being planned.

Measures to increase the prestige and improve the coordination of African studies in the U.S.S.R. were suggested at second coordinating meeting of Africanists of the U.S.S.R. Academy of Sciences which was held on February 13, 1958. Participants in the meeting included representatives of the Institute of Ethnography, the Institute of Eastern Studies, the Institute of World Economics and International Relations, the Institute of Geography, and also teachers from Moscow University and pedagogical institutions. The meeting formally endorsed proposals for creation of an all-union association of Africanists and a special organ which would coordinate research on Africa done in different institutes of the Academy of Sciences of the U.S.S.R., beginning of preparatory work for the unification of all Africanists in a single scientific center; introduction of special courses on the history, economy, and literature of African countries in historical, economic, and philological faculties; and creation of a special chair of African studies at Moscow University. The meeting also suggested sending an expedition to Africa composed of experts in the humanities as well as the natural sciences.

Publications on Africa.—Despite rapid growth in recent years, the volume of Soviet publications on Africa is still modest in comparison with that of the free world. Professor Potekhin, speaking at a February 1957 meeting of Africanists at the Institute of Ethnography, noted that while between 1917 and 1945 a total of 111 books⁶ on Africa had been published in the Soviet Union (i.e., 4 per year), the figure for 1946-56 was 100 (or 10 per year). The 3-year plan for research on Africa adopted at the same meeting includes as a maximum a total of 55 titles, which, if the plan is completely fulfilled, will be an average of 18 per year.

An indication of the scope of Soviet research on Africa is given by the detailed list of projects in a research plan which was published in Soviet Ethnography, the journal of the Institute of Ethnography, No. 3, 1957. The political motivations behind this plan can be seen in the fact that the largest of its six sections is devoted to work on "Economic Conditions and the National Liberation Movements in Africa After World War II." Among the 20 to 35 works planned under this heading are the following titles:

- The Economic Development and Struggle of the Peoples of Nigeria Against Imperialist Enslavement After World War II.
- The Economic Development and the Struggle of the Peoples of French West Africa After World War II.
- Liberia Under the Yoke of American Monopoly.
- Basic Questions of the Social-Economic Development of the Belgian Congo After World War II.

⁵ Publishing House for Eastern Literature, "Annotated Thematic Plan for Issuance of Literature in the Year 1958," Moscow, 1958.

⁶ The term "book" in Soviet publishing parlance includes short pamphlets as well as full-length books.

The Peoples of Morocco, Algeria, and Tunisia in the Struggle for National Independence.
Social-Economic Changes in British Colonial Policy in British Africa.
The Peasant Question in Egypt.
The Increased Role of African Raw Materials in the System of Contemporary Imperialism.
The Role of African War Materials and Human Resources During World War II.
History of the Republic of the Sudan.
The Peoples of the Gold Coast in the Struggle for Independence.
The Formation of the Independent State of Tunisia.
The Imperialist Struggle in North Africa on the Eve of and During World War II

The section on "African Philology" includes:

Introduction to the Study of African Languages.
Swahili-Russian Dictionary.
Hausa-Russian Dictionary.
Arabic-Russian Dictionary (a new work in the Egyptian dialect).
Essays on the Folklore and Literature of the South African Bantu.
The Origin and Distribution of Swahili.
Essays on the Syntax of Swahili.
Essays on the History of Contemporary Egyptian Literature.

Two sections are devoted to history. One on the "History of Africa Up to the Imperialist Division" includes:

Arab Colonization of East Africa.
The Social Structure of Madagascar in the XIX Century.
Africa in the Middle Ages (four volumes based on Arab sources).

The second section, on "The Imperialist Division and Redivision of Africa," includes:

The Berlin Conference 1884-5.
Anglo-German Rivalry in East Africa in the XIX Century.
Essays on the History of Struggle of the Zulus and the Zhosas Against Anglo-Boer Colonization.
The Struggle of the Washona and Matabele Against the Colonization of Rhodesia.

The two other sections are devoted to geography and ethnography. Geographical projects include:

Physical Geography of Algeria.
Morocco--Natural Resources and Economy.
Egypt--Natural Resources and Economy.
The Federation of Rhodesia and Nyasaland.

Works on ethnography include:

The Ethnic Composition of the Belgian Congo.
The Population of the Federation of Rhodesia and Nyasaland.
The Population and Dwellings of the Bantu Peoples.
Essay on the Ethnography of Contemporary Ethiopia.
The Ethnic Composition of Nigeria.
The Ethnic Composition of Tanganyika.
The Ethnic Composition of South West Africa.
The Ethnic Composition of Angola and Mozambique.
An Ethnic Map of Africa (to be completed by the end of 1957).

C. Other institutes

The work of the Institute of Eastern Studies of the Academy of Sciences of the U.S.S.R. is supplemented by the efforts of the Institute of Eastern Studies of the Academy of Sciences of the Uzbek Republic and by the recently organized Institute of Eastern Studies of the Azerbaidzhan Academy of Sciences, which was established in February 1958. Additional institutes are likely to be established by the Academies of sciences of Georgia, Tadjikistan, and Turkmenistan. In addition, work on Asia and Africa is also done from time to time at institutes of geography, history, and economics.

VII. EASTERN EUROPE

Much less has been done on Asian and African studies by the Communist countries of Eastern Europe than by the U.S.S.R. Czechoslovakia, Rumania, and Hungary have at least token Eastern studies programs patterned on the Soviet model, while in Poland orientology has continued to develop along traditional lines with emphasis on philology and history.

No activity has been reported in Albania or Bulgaria.

A. Czechoslovakia

In Czechoslovakia, as in the Soviet Union, there has been an increase in the study of Eastern languages in recent years.

At the principal center, Charles University, Prague, there are two faculties with a total of 15 teachers. The Far Eastern faculty, with five members, offers courses in Chinese, Japanese, and Korean philology and history. The faculty of the philology and history of the Near and Middle East and India has 10 members and offers courses in Hindi, Indology, Arabic, Armenian, Turkish, Iranian, Egyptology, and cuneiform writings. Undergraduates must major in a modern, not an ancient, language.

The School of Living Eastern Languages at Prague has been identified, but no data on it are available.

The Institute of Eastern Studies, originally established in 1927, was reorganized as a part of the Czechoslovak Academy of Science in 1952. The Institute has four major departments: the Near East in Ancient Times, the Near East in Medieval and Modern Times, India and Central Asia, and the Far East. The Institute library claims to have more than 40,000 volumes, and its bibliographic sections scans 214 journals (from which it has made 45,000 cards).

In 1945 the journal *New East* began publication, and it has issued language textbooks as supplements. It has already published texts for Korean, Chinese, Indonesian, and Hindi; and in 1957 it began installments of an Arabic text.

B. Rumania

Eastern studies have gotten under way only very recently in Rumania.

A section dealing with Arabic language and literature in the philology faculty at C. I. Parhon University, Bucharest, was first identified in February 1958 and was presumably established at the beginning of the 1957-58 academic year. In October 1956 six Rumanian students went to North Korea for language training, a fact which may reflect the existence of Korean language training at a Rumanian university.

The availability of additional personnel which could be employed in teaching is indicated by the composition of the Society for Oriental Studies which was established early in 1957. There are 40 members working in the fields of classical and colloquial Arabic, Sanskrit, Hittite, Assyriology, old and modern Persian, Ottoman and modern Turkish, Tibetan, Armenian, Georgian, Chinese, Japanese, as well as oriental philosophy, ethnography, and art. The Society publishes a journal of oriental studies, *Studia et Acta Orientalia*.

Orientalological source material, particularly Turkish documents, is available in libraries of Bucharest and Cluj, and in smaller collections in provincial cities.

D. Hungary

In 1955 the Commission of Eastern Studies was established in the Hungarian Academy of Sciences. It has five sections: Turkology; Central Asia, India, and Siberia; Eastern Asia; Ancient Near East; and Medieval and Modern Near East. A total of about 20 researchers are employed in these sections.

E. Poland

The principal centers of orientology in Poland are the Oriental Institute at Warsaw University, originally founded as the Oriental Faculty in 1933, and the Oriental Faculty of Cracow University, founded in 1919. The members of the Warsaw faculty are divided by specialty as follows: Sinology 7, Turkology 7; Indianistics, 3; philology of peoples of Central Asia, 1; Semitology, 3; philology of the ancient East, 2. The faculty at Cracow has 8 members.⁷

⁷ Data on faculties and students are for 1956, as given in Stefan Strelcyn, *Orientalology Review*, No. 3, 1956. No major changes appear to have taken place in the size and distribution of faculties and students since 1956.

In 1956 the 145 students of both universities were divided by year of study and specialty as follows:

	Year of study					Total
	I	II	III	IV	V	
Sinology.....	8	6	5	4	6	29
Japanese.....	4	3		1	2	10
Turkology.....	19	15	2	7	8	82
Arabic.....			2	6	7	
Iranistics.....			5	3	2	
Semitology.....		1	1		2	4
Philology of peoples of Central Asia.....			2		2	4
Indianistics.....	6		3			9
Philology of Ancient East, including Egyptology.....		2		3	2	7
Total.....	37	27	20	24	37	145

Though oriental studies grew in Poland in the period following World War II, they appear to have reached their peak by 1956, when the author of the article from which the figures were cited complained on unemployment among scholars and urged that appropriate employment be found for forthcoming graduates.

Senator SYMINGTON. I will be very glad to answer any questions that the distinguished chairman would care to ask.

LOCATION OF PROPOSED ACADEMY

Senator MANSFIELD. Senator Symington, you mentioned that the Academy which you propose—and I note you introduced the first bill in this respect to this session of Congress—shall be located in the Middle West.

Senator SYMINGTON. Yes; I would say that would be good from the standpoint of strategic position, Mr. Chairman. But I think the most important thing to have is the Academy itself.

Senator MANSFIELD. Would you include Montana in the Middle West?

Senator SYMINGTON. I would be very glad to include Montana. [Laughter.]

APPOINTMENTS TO, AND LEVEL OF, FOREIGN SERVICE ACADEMY

Senator MANSFIELD. As I read your bill, what you are proposing is that appointments to the Foreign Service Academy be carried out on a basis similar to appointments to the present military service academies.

Senator SYMINGTON. That is correct, Mr. Chairman.

Of course, you would have people eligible for this Academy who, because of slight physical disability, like poor eyes, would be ineligible for the military academies.

In addition to that, of course, this academy would be coeducational; women would also be able to enter.

Senator MANSFIELD. This, by the way, would be an undergraduate school; is that correct?

Senator SYMINGTON. That is correct, Mr. Chairman.

I have heard a lot about graduate schools, but it seems to me that with circumstances as they are now, an undergraduate academy is

needed. I think the Chair and I have discussed this once before. And, as I said in my statement, if we can afford three academies to train people for a possible hot war, surely we can afford one academy to train people for the cold war we are now in.

RESPONSIBILITIES OF DEPARTMENT OF STATE IN COLD WAR

Senator MANSFIELD. Would you say the Department of State is our first line of defense in the cold war?

Senator SYMINGTON. I would think that the Department of State would be the leader in the grouping of the various agencies in Government—including the Department of Defense, and the USIA, among others—faced with the threat of growing economic and psychological aggression as well as any possible physical aggression from the Communists.

Senator MANSFIELD. Do you think the Department of State has been given a rather low priority in carrying on its responsibilities since the end of the Second World War?

Senator SYMINGTON. Mr. Chairman, I would not know about that. The Chair, being a member of this committee ever since he and I have been in the Senate and, I believe, before that in the House of Representatives, would know much more about that than I do.

But I feel very strongly, after going around the world a good many times and having a son who is now working in the Foreign Service abroad, that there is something lacking that is seriously affecting our program.

For example, we have just been listening to a lot of comment, criticism, and advice with respect to the mutual security program.

My impression is that the most effective criticism of that program at this time is with reference to its administration. I am certain that administration would be better if we had people who understood the customs and mores, as well as the languages, of the countries in which they served, and who were actively interested in promoting our position with respect to foreign aid and mutual security.

GRADUATES OF ACADEMY WOULD HAVE CHOICE OF ASSIGNMENTS IN VARIOUS GOVERNMENT AGENCIES

Senator MANSFIELD. It is interesting to note that the two organizations connected with foreign policy not in the Department of State, the USIA and the ICA, are both headed at the present time by Foreign Service officers, namely, Mr. George Allen, and Mr. James Riddleberger.

I take it from your proposal, Senator Symington, that it would not be mandatory for these people who graduate from the Foreign Service School to go into the Department of State exclusively.

Senator SYMINGTON. No, Mr. Chairman. Students would be given a choice, based on class standing, as to the department and area of service. This would be similar to the system in effect at the military service academies. I would hope a method could be evolved to provide the desired flexibility of choice for all members of a graduating class.

LACK OF LANGUAGE PROFICIENCY IN U.S. DIPLOMATIC SERVICE

I might add that a report from the Library of Congress Legislative Reference Service which was presented to us entitled "Foreign Language Training Programs for U.S. Information Agency Personnel and Possible Value of a Foreign Service Academy to this Agency" (see p. 13), shows that we are beginning to move in the field of language training. But to me the overall efforts are totally inadequate to meet the problem.

I know the Chair is one of the most experienced Members of the Senate, and he knows the gigantic problems incident not only to the handling of the mutual security program, but to all our diplomatic programs. In my own travels I have been struck many times with the lack of language proficiency on the part of many of our personnel, especially at the consular level.

Senator MANSFIELD. I think that point is being brought out very thoroughly in our study of Foreign Service problems. I know that this committee, as a whole, is very much disappointed in the linguistic abilities of the personnel whom we are taking into the Foreign Service at the present time. Strange to say, in this rich country, with our educational system, we do not get many people coming in at the lower levels of the Foreign Service who are qualified to speak languages, and I think the report asked for and received recently by the chairman of the Foreign Relations Committee, Mr. Fulbright, indicates that the same holds true, although not to the same degree, even among our representatives in the higher echelons.

Thank you, Senator Symington. I am delighted that you have appeared this morning, and I want to assure you that I personally think that a bill of this nature is necessary.

Senator SYMINGTON. Thank you very much, Mr. Chairman.

I would like to make one more comment on that, if I may.

MANY YOUNG PEOPLE WANT CAREER IN GOVERNMENT SERVICE

I am sure that the Chair has the same experience that I do with regard to young constituents. They want to serve in Government. Many are not able, of course, especially the women, to serve in the other service academies, but they have in their minds a desire to go into Government service. I have a good many people like that from my State, and I am sure the Chair does, also.

It seems to me that a definite training program in the important and constructive field of foreign relations would not only provide an avenue for those people to go into the service of their country, but might well also stimulate quite a few more of our youth, as they recognize the growing importance of the problems which this country faces.

Senator MANSFIELD. I am thoroughly in accord with what you say.

Senator SYMINGTON. Thank you, Mr. Chairman. It has been a privilege to be with you.

SENATOR SMATHERS' LETTER SUPPORTING S. 109

Senator MANSFIELD. At this point in the record, I should like to insert a letter to me from Senator Smathers, in support of his bill,

FOREIGN SERVICE ACT AMENDMENTS

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S. 109, to establish a Foreign Service Academy. Senator Smathers is unable to be at this meeting to testify in person.

(Senator Smathers' letter is as follows:)

U.S. SENATE,
COMMITTEE ON FINANCE,
July 6, 1959.

HON. MIKE MANSFIELD,
*Chairman, Subcommittee on State Department Organization and Public Affairs,
Foreign Relations Committee, Washington, D.C.*

DEAR MR. CHAIRMAN: I regret that it is not possible for me to personally appear in behalf of S. 109, proposed legislation which would provide for the establishment of a U.S. Foreign Service Academy, but I do appreciate the opportunity afforded me to submit this statement in lieu of such personal appearance.

I might add that I am very happy to note that the chairman of this subcommittee is also a cosponsor of the bill, and has been vitally interested in bringing about the establishment of such an Academy over the past several years.

An examination of the personnel records of the Foreign Service Corps reflects that we have been drawing the bulk of our talent for diplomatic service from a very limited stratum of the United States, though it is true, relatively speaking, that there has been a considerable improvement in the diversification of the Service. Nevertheless it appears to me that we have not fully democratized our Foreign Service in any sense of the word.

The so-called development of an intellectual elite from which we in the United States have in the past, and continued for the most part in the present, to draw Foreign Service Corps personnel, does not provide the best means to set forth fully representative policies in the Foreign Service.

Our democracy is founded on the principle that ability recognizes no class, and so-called ground rules which appear to have a very stifling effect and encourage the creation of an intellectual elite should not be permitted to prevent the maximum utilization of this ability in our Foreign Service Corps.

Today, in a world of turmoil full representative views of American policy should spring forth, and that is the reason why I feel that our Foreign Service could be a great deal better than it now is. We can improve it if the ground rules are changed so that we may be able to draw upon a larger pool of representative talent and brainpower.

As a result, the Foreign Service Corps is far from being an adequate instrument considering the reliance we place upon it in endeavoring to achieve the final objective of world peace.

Consider only the matter of language proficiency. In a survey conducted by the Department of State in 1956 of 4,000 Foreign Service officers, 43 percent lacked a useful speaking and reading knowledge of any foreign language. Fully 60 percent lacked useful proficiency in French, German, or Spanish.

An Advisory Committee of the Foreign Service Institute pointed out to the President in March of last year that Ambassador Llewellyn E. Thompson was, at that time, the only American Ambassador to a Communist country who could speak the language of the country to which he was assigned. Only two of our Ambassadors in the Middle East were able to speak Arabic. In 1949, when the United States was finally able to send its own interpreters to Indonesia, it was discovered that the native interpreters previously relied upon were coloring their translations to make local comment sound pro-American.

These facts alone disclose a crying need for improvement in our existing Foreign Service Corps. They are defects which, in my opinion, can only be corrected by the establishment of a Foreign Service Academy, such as that set forth in the proposed legislation.

Diplomacy is too basic to be left to chance. It deserves the best effort of the American people. It deserves the cream of America's youth from every section of the country, and from every segment of our society.

It is for these reasons that I urge the subcommittee to report favorably on the pending measure.

It will be appreciated if you will have this letter made a part of the record of your hearings.

Thanking you and with kind regards, I am,
Sincerely yours,

GEORGE SMATHERS,
U.S. Senator.

Senator MANSFIELD. We will next hear from Mr. Henderson. We are delighted to have you with us again, Mr. Secretary, as we always are.

STATEMENT OF HON. LOY W. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION

Mr. HENDERSON. I have a statement with respect to these bills. I would be grateful if you would allow me to submit that statement for the record and add a short oral statement.

Senator MANSFIELD. That will be fine. I will be glad to hear it.

DECISION ON ESTABLISHMENT OF FOREIGN SERVICE ACADEMY SHOULD BE POSTPONED

Mr. HENDERSON. The statement which I am submitting for the record suggests that we might postpone the making of a definite decision with regard to the establishment of a Foreign Service Institute until we are in a better position to ascertain the results of our present efforts in the field of training and recruitment.

I would like to make it clear that we, in the Department, who have certain responsibilities in the field of recruitment and training of personnel of the Foreign Service do not reject out of hand and finally the idea of a Foreign Service Academy.

Furthermore, we are grateful to the Members of Congress who have shown an interest in the strengthening of the Foreign Service by submitting bills providing for the establishment of a Foreign Service Academy.

We do not for one moment take the position that we are satisfied with the Foreign Service as it exists.

We believe there should be efforts to raise the standards of officers already in the Service, and to raise the standards of those who are being recruited.

In our opinion, a Foreign Service Academy might serve certain useful purposes. It could provide young men and women from all walks of life with a unique opportunity to prepare themselves for civilian service in the foreign field.

In such an Academy they would be subjected to disciplines which do not exist in most private institutions. They would be instilled with morale and pride of service which would bolster up the structure of the whole Foreign Service.

They could be also instilled with a professional outlook which might irradiate throughout the whole sector of our Government which is concerned with international problems.

We have engaged in some soul-searching in this matter, and it is with some reluctance that we have come to the decision that it is preferable not to attempt at this time to establish a Foreign Service Academy.

PRESENT PROGRAM OF RECRUITMENT AND TRAINING IS EFFECTING IMPROVEMENTS IN SERVICE

We would like to experiment further with our present recruitment and educational processes which, in our opinion, are bringing about improvements in the Service.

If later we should find that through our present means of recruitment and training we are not getting the results for which we had hoped we may come to the conclusion that there should be a Foreign Service Academy.

We would be at that time in a better position, as a result of our experimentation, to determine what the character of such an Academy would be.

Senator MANSFIELD. Is that all, Mr. Henderson?

Mr. HENDERSON. That is all I would care to offer at this time unless you would like to ask some questions.

Senator MANSFIELD. No; I have no questions.

(The prepared statement of Mr. Henderson follows:)

STATEMENT OF HON. LOY W. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION ON S. 15, S. 109, S. 730 TO PROVIDE FOR THE ESTABLISHMENT OF A U.S. FOREIGN SERVICE ACADEMY

The question of establishing a U.S. Government institution for the purpose of preparing officers for the Foreign Service is one to which the Department has devoted much thought. Keeping the needs of the Foreign Service always in mind, we have carefully considered the various bills which would establish some form of Foreign Service Academy. The Department remains convinced, however, that such an Academy would not be in the best interests of the country or the Foreign Service at this time.

UNIVERSITIES AND FOREIGN SERVICE ARE IMPROVING TRAINING FACILITIES

Before undertaking the responsibilities connected with the establishment of such an Academy, the Department would prefer to obtain more experience with the training facilities already available to it and to ascertain the qualifications of the young men and women coming into the Service from our colleges and universities—which are augmenting and improving their training facilities.

I know that the committee is aware of the high degree of importance which the Department attaches to the training of its officers. During recent years, with the help and counsel of the Congress and of the Senate Committee on Foreign Relations in particular, we have made considerable progress in improving our training programs. Through the facilities of the Foreign Service Institute, colleges of the armed services and various private educational institutions, the qualifications of our officers are being raised each year. We believe that the results are becoming increasingly more evident, especially in the linguistic field.

The many and varied responsibilities of the Foreign Service require that it be staffed with men and women possessing a wide range of skills and backgrounds. It is also desirable, in order to assure proper representation of the United States overseas, that the interests of the various sections of our country be fully reflected in the composition of the Service.

QUALIFIED UNIVERSITY GRADUATES ARE SUITED FOR ENTRANCE INTO FOREIGN SERVICE

The Department is inclined to believe at this time that these needs can best be met by selection of qualified graduates from the colleges and universities in all parts of the United States, and by taking full advantage of the wide range of educational training provided by these institutions of higher learning.

It is possible that with additional experience, we may come to the conclusion that the Foreign Service would be strengthened by the establishment of a Foreign Service Academy either at an undergraduate or graduate level to supplement the intake of personnel from non-Government institutions. We would prefer, however, at this time to defer any definite decision with regard to the establishment of a Foreign Service Academy. We do not recommend, therefore, the enactment of either S. 15, S. 109, or S. 730 at this time.

Senator MANSFIELD. Finally, before we go on to the next group of bills, I should like to make a part of today's record a letter and statement to me from Senator Yarborough, who wishes to express his

support of Senator Wiley's bill to establish a Foreign Service Academy, S. 730.

U.S. SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C., July 6, 1959.

HON. MIKE MANSFIELD,
Chairman, Subcommittee on State Department Organization and Public Affairs,
Senate Foreign Relations Committee, Washington, D.C.

DEAR MIKE: I am enclosing a copy of a statement I have prepared in support of S. 730, Senator Wiley's bill to establish a Foreign Service Academy.

Although I had hoped to present this statement in person at the meeting of the subcommittee this morning, July 6, the pressure in my schedule prevented me from attending your meeting.

I request that the statement be made a part of the record of the hearings.

Thanking you, I am,
Very sincerely,

RALPH W. YARBOROUGH.

STATEMENT BY SENATOR RALPH YARBOROUGH ON BEHALF OF S. 730, TO ESTABLISH A FOREIGN SERVICE ACADEMY

Mr. Chairman, I appear today as a cosponsor of S. 730 by Senator Wiley, to establish a Foreign Service Academy for the graduate training of those who are entering our Foreign Service. This school, to be located in the Washington area, would serve as a great center for the study and practice of the skills needed so desperately to effectively represent our country abroad. It would take in college graduates from all over the country, at the normal time of their entry into the Foreign Service, then train them intensively in such subjects as American diplomatic history, State Department organization and policies, and most importantly, in area and language studies. Much has been written recently of the lack of knowledge of our representatives abroad of the language and customs of the countries in which they are stationed. Much of this, of course, is exaggerated, but undoubtedly there is but a relatively small percentage of those initial entrants into the Foreign Service who have a working knowledge of even one of the major European languages. When one thinks of the Asian and African languages spoken by millions and millions of people abroad, and the fact that in this country there is not even one university where some of these languages can be studied, the need for an institution dedicated to the purpose of erasing a deficiency in this regard is apparent.

It seems to me that this is a need which can be met in no other way. As great as our university system is, it cannot provide for the systematic instruction of these unfamiliar languages in such quantities and with such convenience as the Academy here proposed. Here we will take those students, the cream of our country's crop, who are the most highly motivated to understand a foreign language and way of life, and teach them in an institution of the highest academic rank. For this the students will agree to serve at least 3 years in the Foreign Service, an obligation parallel to that of our military academies. Even if many of these students should leave the Foreign Service at that time they will continue to enrich our national program through their positions in educational institutions and international trade.

We can also expect that this Academy will have a beneficial effect on the recruitment of qualified and interested persons for the Foreign Service. It will also provide a means of assuring that only the competent will be allowed to represent our country.

Though it will cost a relatively modest sum of money to establish this Foreign Service Academy, the returns should far outweigh any such costs. I, for one, feel that enduring friendships are built on understanding, that to have representatives abroad who can freely and effectively communicate and transmit our goals and ideals will help shift our basis of security from military and economic interdependence to the true mutual security of a communion of interests, ideals, and principles.

AMENDMENTS TO THE FOREIGN SERVICE ACT OF 1946, AS AMENDED

Senator MANSFIELD. Mr. Secretary, we will now turn to the next matter of business on the agenda having to do with S. 443, intro-

FOREIGN SERVICE ACT AMENDMENTS

duced by Senator Green by request, a bill to amend the Foreign Service Act of 1946, as amended, and for other purposes; and at the same time we will consider S. 2233, introduced by Senator Fulbright by request, a bill to amend the Foreign Service Act of 1946, as amended, and for other purposes.

(S. 443 and S. 2233, together with executive branch comments on each, follow:)

[S. 443, 86th Cong., 1st sess.]

A BILL To amend the Foreign Service Act of 1946, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Foreign Service Act Amendments of 1959".

SEC. 2. Section 415 of such Act is amended to read as follows:

"Sec. 415. (a) There shall be ten classes of Foreign Service staff officers and employees, referred to hereafter as staff officers and employees. The per annum salaries of staff officers and employees within each class shall be as follows:

"Class 1.....	\$11,000	\$11,990	\$12,320	\$12,650	\$12,980	\$13,310	\$13,640
"Class 2.....	9,000	10,175	10,450	10,725	11,000	11,275	11,550
"Class 3.....	8,140	8,415	8,690	8,965	9,240	9,515	9,790
"Class 4.....	7,000	7,225	7,450	7,675	7,900	8,125	8,350
"Class 5.....	6,150	6,350	6,550	6,750	6,950	7,150	7,350
"Class 6.....	5,300	5,500	5,700	5,900	6,100	6,300	6,500
"Class 7.....	4,450	4,800	4,950	5,100	5,250	5,400	5,550
"Class 8.....	4,200	4,350	4,500	4,650	4,800	4,950	5,100
"Class 9.....	3,750	3,900	4,050	4,200	4,350	4,500	4,650
"Class 10.....	3,500	3,600	3,700	3,800	3,900	4,000	4,100

"(b) Notwithstanding the provisions of paragraph (a) of this section, the Secretary may, under such regulations as he may prescribe, fix the salary or compensation at lesser rates of salary than those prescribed by this section for the applicable class of officers or employees who are employed locally abroad and who are not available or are not qualified for transfer to another post or posts."

SEC. 3. Section 416 of such Act is amended to read as follows:

"Sec. 416. (a) A person appointed as a staff officer or employee shall receive basic salary at one of the rates of the class to which he is appointed which the Secretary shall, taking into account his qualifications and experience and the needs of the Service, determine to be appropriate for him to receive.

"(b) Whenever the Secretary determines that the needs of the Service warrant the appointment of staff officers or employees in a particular occupational group uniformly at a specific step rate above the minimum rate of the applicable class, he may adjust the basic salary of any staff officer or employee in the same class and occupational group who is receiving less than such established uniform step rate."

SEC. 4. Section 431 of such Act is amended by striking out in the first sentence of subparagraph (a) the phrase "the termination of time spent on authorized leave, whichever shall be later," and inserting in lieu thereof the phrase "upon termination of his service in accordance with the provisions of paragraph (b) of this section,"; and by amending subparagraph (b) of this section to read as follows:

"(b) The official services of a chief of mission shall not be deemed terminated by the appointment of a successor but shall continue until he has relinquished charge of the mission and for such additional period as may be determined by the Secretary, but in no case shall such additional period exceed fifty days, including time spent in transit. During such period the Secretary may require him to render such services as he may deem necessary in the interests of the Government."

SEC. 5. Section 441 of such Act and the heading thereto is amended to read as follows:

"CLASSIFICATION OF POSITIONS IN THE FOREIGN SERVICE AND IN THE DEPARTMENT

"SEC. 441. (a) Under such regulations as he may prescribe, and in order to facilitate effective management, the Secretary shall classify all positions in the Service at posts abroad, excluding positions to be occupied by chiefs of mission, and in the case of those occupied by Foreign Service officers, reserve officers, and staff officers and employees, he shall establish such positions in relation to the classes established by sections 412, 414, and 415, respectively. Positions occupied by local employees and consular agents, respectively, shall be allocated to such classes as the Secretary may establish by regulation.

"(b) Under such regulations as he may prescribe, the Secretary may, notwithstanding the provisions of the Classification Act of 1949, as amended (5 U.S.C. 1701 and the following), classify positions in or under the Department which he designates as Foreign Service positions to be occupied by officers and employees of the Service, and establish such positions in relation to the classes established by sections 412, 414, and 415."

Sec. 6. (a) Section 444(a) of such Act is amended by striking out "444(a)" and inserting "444" in lieu thereof which shall read as follows:

"Sec. 444. The Secretary shall, in accordance with such regulations as he may prescribe, establish schedules of salaries for classes of positions of local (alien) employees of the Service: *Provided*, That such schedules of salaries for local employees shall be based upon prevailing wage rates and related compensation practices for corresponding types of positions in the locality, as is consistent with the public interest."

(b) Section 444(b) of such Act is hereby repealed.

Sec. 7. A new section 447 is hereby added to such Act, as follows:

"ADMINISTRATIVE ESTABLISHMENT OF HAZARDOUS DUTY PAY FOR CERTAIN CATEGORIES OF OFFICERS AND EMPLOYEES

"Sec. 447. The Secretary may, under such regulations as he may prescribe, establish rates of salary differential, not exceeding 15 per centum of basic salary, for officers or employees of the Service while they are assigned for duty as couriers."

Sec. 8. Section 517 of such Act is amended by striking the second and third sentences thereof.

Sec. 9. (a) Section 520 and the heading thereto is amended by striking out in the heading the phrase "REINSTATEMENT AND RECALL" and substituting in lieu thereof the phrase "REAPPOINTMENT, RECALL, OR REEMPLOYMENT"; and by amending paragraph (b) to read as follows:

"(b) The Secretary may recall any retired Foreign Service officer temporarily to active duty in the Service whenever he shall determine such recall is in the public interest."

(b) Section 520 of such Act is further amended by adding at the end thereof a new paragraph (c) which shall read as follows:

"(c) Notwithstanding the provisions of title 5, United States Code, section 62, and title 5, United States Code, section 715a, a Foreign Service officer heretofore or hereafter retired under the provisions of section 631 or 632 or a Foreign Service staff officer or employee hereafter retired under the provisions of section 803 shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer."

Sec. 10. Section 522 of such Act is amended by adding at the end thereof a new subparagraph (3) which shall read as follows:

"(3) extend the appointment or assignment of any Reserve officer, or continue the services of any such Reserve officer by reappointment without regard to the provisions of section 527 of this Act, for not more than five additional years if the Secretary deems it to be in the public interest to continue such officer in the Service, except that the assignment of any Reserve officer under paragraph (2) above may not be extended under the provisions of this paragraph without the consent of the head of the agency concerned."

Sec. 11. Section 531 of such Act is amended to read as follows:

"Sec. 531. The Secretary may, under such regulations as he may prescribe, appoint staff officers and employees on the basis of qualifications and experience. The Secretary may make provisions for temporary, limited, and such other type appointments as he may deem necessary. He is authorized to establish appropriate probationary periods during which newly appointed staff officers or employees, other than those appointed for temporary or limited services shall be required to serve. The Secretary may terminate at any time, without regard to the provisions of section 637, or the provisions of any other law, staff officers or employees appointed for temporary or limited service and other staff officers or employees who occupy probationary status."

Sec. 12. Section 532 of such Act is amended to read as follows:

"Sec. 532. Under such regulations as he may prescribe, the Secretary may assign a staff officer or employee to any post or he may assign him to serve in any position in which he is eligible to serve under the terms of this or any other Act. A staff officer or employee may be transferred from one post to another by order of the Secretary as the interests of the Service may require."

SEC. 13. (a) Paragraphs (a), (b), and (c) of section 571 of such Act are amended to read as follows:

"SEC. 571. (a) Any officer or employee of the Service may, in the discretion of the Secretary, be assigned or detailed for duty in any Government agency, or in any international organization, international commission, or any international body, such an assignment or combination of assignments to be for a period of not more than four years, except that under special circumstances the Secretary may extend this four-year period for not more than four additional years.

"(b) If a Foreign Service officer shall be appointed by the President, by and with the advice and consent of the Senate, or by the President alone to a position in any Government agency, any United States delegation or mission to any international organization, international commission, or any international body, the period of his service in such capacity shall be construed as constituting an assignment within the meaning of paragraph (a) of this section and such person shall not, by virtue of the acceptance of such an assignment, lose his status as a Foreign Service officer. Service in such a position shall not, however, be subject to the limitations concerning the duration of an assignment contained in that paragraph.

"(c) If the basic minimum salary of the position to which an officer or employee of the Service is assigned pursuant to the terms of this section is higher than the salary such officer or employee is entitled to receive as an officer or employee of the Service, such officer or employee shall, during the period such difference in salary exists, receive the salary and allowances of the position in which he is serving in lieu of his salary and allowances as an officer or employee of the Service. Any salary paid under the provisions of this section shall be paid from appropriations made available for the payment of salaries of officers and employees of the Service and shall be the salary on the basis of which computations and payments shall be made in accordance with the provisions of title VIII. No officer or employee of the Service who, subsequent to the effective date of this Act, is assigned to, or who, after June 30, 1960, occupies a position in the Department that is designated as a Foreign Service position, shall be entitled to receive a salary differential under the provisions of this paragraph."

"(b) Paragraph (e) of section 571 of such Act is amended by striking the phrase "with heads of Government agencies" where it appears in the second sentence and by redesignating the paragraph as "(d)".

SEC. 14. Section 625 of such Act is amended to read as follows:

"SEC. 625. Any Foreign Service officer or any Reserve officer, whose services meet the standards required for the efficient conduct of the work of the Service and who shall have been in a given class for a continuous period of nine months or more, shall, on the first day of each fiscal year, receive an increase in salary to the next higher rate for the class in which he is serving. Without regard to any other law, the Secretary is authorized to grant to any such officer additional increases in salary, within the salary range established for the class in which he is serving, based upon especially meritorious service."

SEC. 15. The heading "PART D—SEPARATION OF FOREIGN SERVICE OFFICERS FROM THE SERVICE" under title VI of such Act is amended to read as follows:

"PART D—SEPARATION OF OFFICERS AND EMPLOYEES FROM THE SERVICE".

SEC. 16. Section 631 of such Act is amended to read as follows:

"SEC. 631. Any Foreign Service officer who is a career ambassador or a career minister, other than one occupying a position as chief of mission or any other position to which he has been appointed by the President, by and with the advice and consent of the Senate, shall upon reaching the age of sixty-five, be retired from the Service and receive retirement benefits in accordance with the provisions of section 821, but whenever the Secretary shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years."

SEC. 17. Section 632 of such Act is amended to read as follows:

"SEC. 632. Any Foreign Service officer, other than one occupying a position as chief of mission or any other position to which he has been appointed by the President, by and with the advice and consent of the Senate, who is not a career ambassador or a career minister shall, upon reaching the age of sixty, be retired from the Service and receive retirement benefits in accordance with the provisions of section 821 but whenever the Secretary shall determine it to be in the public interest, he may extend such an officer's service for a period not to exceed five years."

SEC. 18. (a) Paragraphs (a), (b), (c), and (d) of section 637 of such Act and the heading thereto are amended to read as follows:

"SEPARATION FOR CAUSE

"SEC. 637. (a) The Secretary may, under such regulations as he may prescribe, separate from the Service any Foreign Service officer, Reserve officer, or staff officer or employee, on account of the unsatisfactory performance of his duties, or for such other cause as will promote the efficiency of the Service, and for reasons given in writing, but no such officer or employee shall be so separated until he shall have been granted a hearing by the Board of the Foreign Service and the unsatisfactory performance of his duties, or other cause for separation, shall have been established at such hearing, or else he shall have waived in writing his right to a hearing. The provisions of this section shall not apply to Foreign Service officers of class 8 or any other officer or employee of the Service who is in a probationary status or whose appointment is limited or temporary.

"(b) Any participant in the Foreign Service Retirement and Disability system who is:

"(1) over forty-five years of age, separated from the Service for unsatisfactory performance of duty shall be retired upon an annuity computed in accordance with the provisions of section 821 but not in excess of 25 per centum of his per annum salary at the time of his separation;

"(2) under forty-five years of age, separated from the Service for unsatisfactory performance of duty shall at the time of separation receive a payment equal to one year's salary or the refund, as provided in section 841(a), of the contributions made by him to the Foreign Service Retirement and Disability Fund, whichever shall be greater.

"(c) Any participant in the Foreign Service retirement and disability system separated under the provisions of paragraph (a) of this section, for reasons other than unsatisfactory performance of duty, may, in the discretion of the Secretary and on the basis of criteria established in advance by him, be granted the benefits of paragraph (b) of this section depending upon his age. Unless the Secretary determines at the time of separation of a participant under the provisions of paragraph (a) of this section that he shall be granted the benefits of paragraph (b) of this section his contributions to the Foreign Service Retirement and Disability Fund shall be returned to him in accordance with the provisions of section 841(a).

"(d) Any officer or employee of the Service who is not a participant in the Foreign Service retirement and disability system shall be entitled only to such benefits as shall accrue to him under the retirement system in which he is a participant."

(b) Section 637 of such Act is further amended by adding at the end thereof a new paragraph (c) which shall read as follows:

"(e) Any payments made in accordance with the provisions of paragraph (b) or (c) of this section shall be made out of the Foreign Service Retirement and Disability Fund."

SEC. 19. Section 638 of such Act and the heading thereto are amended to read as follows:

"TERMINATION OF APPOINTMENT OF FOREIGN SERVICE RESERVE OFFICERS AND STAFF OFFICERS AND EMPLOYEES UNDER LIMITED APPOINTMENT

"SEC. 638. Notwithstanding the provisions of this or any other law, the Secretary may, under such regulations as he may prescribe, terminate the services of any Reserve officer or staff officer or employee serving under limited appointment at any time."

SEC. 20. Section 641 of such Act is amended to read as follows:

"SEC. 641. All promotions of staff officers and employees to a higher class shall be made at the same or at a higher salary on the basis of performance and merit in accordance with such regulations as the Secretary may prescribe."

SEC. 21. Section 642 of such Act is amended to read as follows:

"SEC. 642. (a) Under such regulations as the Secretary may prescribe, any staff officer or employee whose services meet the standards required for the efficient conduct of the work of the Service shall receive an increase in salary at periodic intervals to the next higher salary rate for the class in which he is serving. Without regard to any other law the Secretary is authorized to grant any such officer or employee additional increases in salary within the salary range established for the class in which he is serving, based upon especially meritorious service.

"(b) Under such regulations as the Secretary may prescribe, any staff officer or employee who has achieved the maximum salary rate prescribed by section 415

for the class in which he is serving may be granted an additional in-class salary increment from time to time in recognition of longevity and proficiency in the Service. Each such salary increment shall be equal to the maximum step rate increment of the applicable class and no person shall receive more than four such salary increments while serving in the same class."

Sec. 22. Section 701 of such Act is amended by adding at the end thereof a new sentence which shall read as follows: "The Secretary may also provide appropriate orientation and language training to dependents of officers and employees of the Government if such officers and employees are assigned to foreign relations activities."

Sec. 23. Section 704 of such Act is amended by adding at the end thereof a new paragraph (e) which shall read as follows:

"(e) The Secretary may, under such regulations as he may prescribe, in the absence of suitably qualified United States citizens, employ persons who are not citizens of the United States by appointment to the staff of the Institute either on a full- or part-time basis or by contract for services in the United States or abroad at rates not in excess of those provided by the Classification Act of 1949, as amended (5 U.S.C. 1071)."

Sec. 24. (a) Section 803 (b)(2) of such Act is amended to read as follows:

"(2) have paid into the Fund a special contribution for each year of such service in accordance with the provisions of paragraph (b) of section 852."

(b) Section 803 is further amended by adding at the end thereof a new paragraph (c) which shall read as follows:

"(c)(1) In accordance with such regulations as the President may prescribe, any Foreign Service staff officer or employee appointed by the Secretary of State who has completed at least ten years of continuous service in the Department's Foreign Service, exclusive of military service, shall become a participant in the Foreign Service retirement and disability system and shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with the provisions of section 852.

"(2) Any such officer or employee who, under the provisions of paragraph (c)(1) of this section, becomes a participant in the Foreign Service retirement and disability system, shall be mandatorily retired for age during the first year after the effective date of this section if he attains age sixty-four or if he is over age sixty-four; during the second year at age sixty-three; during the third year at age sixty-two; during the fourth year at age sixty-one, and thereafter at age sixty."

Sec. 25. Section 804 of such Act is amended to read as follows:

"Sec. 804. (a) Annuitants shall be persons who are receiving annuities from the Fund on the effective date of this Act and all persons, including widows, widowers, dependent widowers, children, and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act, as amended, or in accordance with the provisions of section 5 of the Act of May 1, 1956 (70 Stat. 125).

"(b) When used in this title the term--

"(1) 'Widow' means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage.

"(2) 'Widower' means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage.

"(3) 'Dependent widower' means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

"(4) 'Child' means an unmarried child, including (a) an adopted child, and (b) a stepchild or recognized natural child who received more than one-half of his support from the participant, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support."

Sec. 26. Section 811 of such Act is amended by striking out the word "Five" and inserting the words "Six and one-half".

Sec. 27. (a) Paragraphs (a), (b), and (c) of section 821 of such Act are amended to read as follows:

"Sec. 821. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the Fund, multiplied by the number of years, not exceeding thirty-five, of service credit obtained in accordance with

the provisions of sections 851, 852, and 853. However, the highest five years of service for which full contributions have been made to the Fund shall be used in computing the annuity of any Foreign Service officer who serves as chief of mission and whose continuity of service as such is interrupted prior to retirement by appointment or assignment to any other position determined by the Secretary to be of comparable importance. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

"(b) At the time of retirement, any participant may, except as otherwise provided by section 834(a), elect to receive a reduced annuity and to provide for an annuity payable to his widow or her widower, commencing on the date following such participant's death and terminating upon the death of such surviving widow or widower. The annuity payable to the surviving widow or widower after such participant's death shall be 10 per centum of the amount of the participant's annuity, up to the full amount of his annuity, specified by him as the base for the survivor benefits computed as prescribed in paragraph (a) of this section. The annuity of the participant making such election shall be reduced by 2½ per centum of any amount up to \$2,400 he specifies as the base for the survivor benefit plus 10 per centum of any amount over \$2,400 up to the full amount of the participant's annuity so specified.

"(c) (1) If an annuitant who made the election provided for in paragraph (b) of this section dies and is survived by a widow or widower and by a child or children, there shall be paid to or on behalf of each child, in addition to the annuity payable to the surviving widow or widower under such election, an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average salary divided by the number of children; (ii) \$600; or (iii) \$1,800 divided between the number of children.

"(2) If an annuitant who did not make the election provided for in paragraph (b) dies and is survived by a widow or widower and by a child or children, or if such annuitant is not survived by a widow or widower but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average salary divided by the number of children; (ii) \$720; or (iii) \$2,160 divided between the number of children."

(b) Section 821 of such Act is further amended by adding new paragraphs (d), (e), and (f) which shall read as follows:

"(d) If a surviving widow or widower who is receiving an annuity in accordance with the provisions of paragraph (b) of this section dies or the annuity of a child is terminated, the annuity of any other child or children shall be recomputed and paid as though such wife, husband, or child has not survived the participant.

"(e) The annuity payable to a child under paragraphs (c) or (d) of this section shall begin on the first day of the next month after the participant dies and such annuity or any right thereto shall be terminated upon death, marriage, or attainment of the age of eighteen years, except that, if a child is incapable of self-support by reasons of mental or physical disability, the annuity shall be terminated only when such child dies, marries, or recovers from such disability.

"(f) A participant who is not entitled to designate a beneficiary in accordance with the provisions of paragraph (b) of this section may at the time of retirement elect to receive a reduced annuity for himself and to provide for an annuity payable after his or her death to a beneficiary whose name shall be notified in writing to the Secretary. The participant may elect that such beneficiary shall receive annuity payments either equal to 50 per centum of the participant's full annuity or to such lesser base sum as the participant shall designate. The annuity payable to a participant making such election shall be reduced by 10 per centum of an annuity computed as provided in subsection (a) of this section and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the retiring participant, but such total reduction shall not exceed 40 per centum. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments shall be due or payable. No such election of a reduced annuity payable to a beneficiary shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Secretary."

SEC. 28. (a) Paragraphs (a), (b), and (c) of section 851 of such Act are amended to read as follows:

"SEC. 831. (a) Any participant who has five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with provisions of sections 851 or 852 a)(2), and who becomes totally disabled or incapacitated for useful and efficient service by reason of dis-

ease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Secretary, be retired on an annuity computed as prescribed in section 821. If the disabled or incapacitated participant has less than twenty years of service credit toward his retirement under the system at the time he is retired, his annuity shall be computed on the assumption that he had had twenty years of service, but the additional service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.

"(b) In each case such disability shall be determined by the Secretary upon the basis of the advice of one or more duly qualified physicians or surgeons, designated by the Secretary to conduct examinations. Unless the disability is permanent, like examinations shall be made annually until the annuitant has reached the statutory mandatory retirement age for his class in the Service. If the Secretary determines, on the basis of the advice of one or more duly qualified physicians or surgeons conducting such examinations that an annuitant has recovered to the extent that he can return to active duty, the annuitant shall be given the opportunity to be reinstated or reappointed in the Service. The Secretary may reinstate any such recovered disability annuitant in the class in which he was serving at time of retirement. The Secretary may, taking into consideration the age, qualifications, and experience of such officer and the rank of his contemporaries in the Service, recommend that the President, by and with the advice and consent of the Senate, appoint him to a class higher than the one in which he was serving prior to retirement. Payment of the annuity shall continue until a date six months after the date of the examination showing recovery or until the date of reinstatement to active duty in the Service, whichever is earlier. Fees for examinations under this provision, together with reasonable traveling and other expenses incurred in order to submit to examination, shall be paid out of the Fund. If the annuitant fails to submit to examination as required under this section, payment of the annuity shall be suspended until continuance of the disability is satisfactorily established.

"(c) If a recovered disability annuitant whose annuity is discontinued is for any reason not reinstated to active duty, or reappointed to a higher class in the Service, he shall be considered to have been separated within the meaning of section 834 as of the date he was retired for disability and he shall, after the discontinuance of the disability annuity, be entitled to the benefits of that section or of section 841(a) except that he may elect voluntary retirement in accordance with the provisions of section 636 if he can qualify under its provisions."

(b) Section 831 of such Act is further amended by adding new paragraphs (d), (e), and (f) which shall read as follows:

"(d) No participant shall be entitled to receive an annuity under this Act and compensation for injury or disability to himself under the Federal Employees' Compensation Act of September 7, 1916, as amended, covering the same period of time. This provision shall not bar the right of any claimant to the greater benefit conferred by either Act for any part of the same period of time. Neither this provision nor any provision of the Act of September 7, 1916, as amended, shall be so construed as to deny the right of any person to receive an annuity under this Act by reason of his own services and to receive concurrently any payment under such Act of September 7, 1916, as amended, by reason of the death of some other persons.

"(e) Notwithstanding any provision of law to the contrary, the right of any participant entitled to an annuity under this Act shall not be affected because such participant has received an award of compensation in a lump sum under section 14 of the Act of September 7, 1916, as amended, except that where such annuity is payable on account of the same disability for which compensation under such section has been paid, so much of such compensation as has been paid for any period extended beyond the date such annuity becomes effective, as determined by the Secretary of Labor, shall be refunded to the Department of Labor, to be paid into the Federal Employees' Compensation Fund. Before such person shall receive such annuity he shall (1) refund to the Department of Labor the amount representing such computed payments for such extended period, or (2) authorize the deduction of such amount from the annuity payable to him under this Act, which amount shall be transmitted to such Department for reimbursement to such Fund. Deductions from such annuity may be made from accrued and accruing payments, or may be prorated against and paid from accruing payments in such manner as the Secretary of Labor shall determine, whenever he finds

that the financial circumstances of the annuitant are such as to warrant such deferred refunding."

SEC. 29. Section 832 of such Act is amended to read as follows:

"Sec. 832. (a) In case a participant shall die and no valid claim for annuity is payable under the provisions of this Act, his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 841(a) and 881.

"(b) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a)(2), dies before separation or retirement from the Service and is survived by a widow or a dependent widower, who qualified for an annuity under the provisions of paragraph (b) of section 821, such widow or dependent widower shall be entitled to an annuity equal to 50 per centum of the annuity computed in accordance with the provisions of paragraph (e) of this section and paragraph (a) of section 821. The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

"(c) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a)(2), dies before separation or retirement from the Service and is survived by a widow or a dependent widower, who qualifies for an annuity under the provisions of paragraph (b) of section 821, and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of paragraph (c)(1) of section 821. The child's annuity shall begin and be terminated in accordance with the provisions of paragraph (e) of section 821. Upon the death of the surviving widow or dependent widower or termination of the annuity of a child, the annuity of any other child or children shall be recomputed and paid as though such widow or dependent widower or child had not survived the participant.

"(d) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a)(2), dies before separation or retirement from the Service and is not survived by a widow or widower, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of paragraph (c)(2) of section 821.

"(e) If, at the time of his or her death, the deceased participant had less than twenty years of service credit toward retirement under the system, the annuities payable in accordance with paragraph (b) of this section shall be computed in accordance with the provisions of section 821 on the assumption he or she had had twenty years of service, but the additional service credit that may accrue to a deceased participant under this provision shall in no case exceed the difference between his or her age on the date of death and the mandatory retirement age applicable to his or her class in the Service. In all cases arising under paragraphs (b), (c), (d), or (e) of this section, it shall be assumed that the deceased participant was qualified for retirement on the date of his death."

SEC. 30. A new section 834 is hereby added to such Act as follows:

"DISCONTINUED SERVICE RETIREMENT

"Sec. 834. (a) Any participant who voluntarily separates from the Service after obtaining at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of sections 851 or 852(a)(2), may, upon separation from the Service or at any time prior to becoming eligible for an annuity, elect to have his contributions to the Fund returned to him in accordance with the provisions of section 841, or to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 821, commencing at the age of sixty years. The provisions of paragraph (f) of section 821 shall not be applicable to such participants.

"(b) If a participant who has qualified in accordance with the provisions of paragraph (a) of this section to receive a deferred annuity commencing at the age of sixty dies before reaching the age of sixty his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 841 and 881.

SEC. 31. Section 841 of such Act is amended to read as follows:

"Sec. 841. (a) Whenever a participant becomes separated from the Service without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually at the end of each fiscal year through June 30, 1958; semiannually as of December 31, 1958;

annually thereafter as of December 31, and proportionately for the period served during the year of separation including all contributions made during or for such period, except as provided in section 881, shall be returned to him.

"(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 881, with interest at 4 per centum per annum compounded annually as is provided in paragraph (a) of this section added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence upon the establishment of a valid claim therefor, and such payment shall be a bar to recovery by any other person:

"(1) To the beneficiary or beneficiaries designated by the retired participant in writing to the Secretary;

"(2) If there be no such beneficiary, to the widow or widower of such participant;

"(3) If none of the above, to the child or children of such participant and descendants of deceased children by representation;

"(4) If none of the above, to the parents of such participant or the survivor of them;

"(5) If none of the above, to the duly appointed executor or administrator of the estate of such participant;

"(6) If none of the above, to other next of kin of such participant as may be determined by the Secretary in his judgment to be legally entitled thereto.

"(c) No payment shall be made pursuant to paragraph (b)(6) of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant."

SEC. 32. Section 851 of such Act is amended to read as follows:

"SEC. 851. For the purposes of this title, the period of service of a participant shall be computed from the effective date of appointment as a Foreign Service officer, or, if appointed prior to July 1, 1924, as an officer or employee of the Diplomatic or Consular Service of the United States, or who becomes a participant under the provisions of this Act, as amended, but all periods of separation from the Service and so much of any leaves of absence without pay as may exceed six months in the aggregate in any calendar year shall be excluded, except leaves of absence while receiving benefits under the Federal Employees' Compensation Act of September 7, 1916, as amended, and leaves of absences granted participants while performing active and honorable military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States."

SEC. 33. (a) Paragraphs (a), (b), and (c) of section 852 of such Act are amended to read as follows:

"(a) A participant may, subject to the provisions of this section, include in his period of service—

"(1) service performed as a civilian officer or employee of the Government, including the municipal government of the District of Columbia, prior to becoming a participant; and

"(2) active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

"(b) A person may obtain prior civilian service credit in accordance with the provisions of paragraph (a)(1) of this section by making a special contribution to the Fund equal to 5 per centum of his basic annual salary for each year of service for which credit is sought subsequent to July 1, 1924, and prior to the effective date of this Act, and at 6½ per centum thereafter with interest compounded annually at 4 per centum per annum to the date of payment. Any such participant may, under such conditions as may be determined in each instance by the Secretary, pay such special contributions in installments.

"(c)(1) If an officer or employee under some other Government retirement system, becomes a participant in the Foreign Service retirement and disability system by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Foreign Service Retirement and Disability Fund effective as of the date such officer or employee becomes a participant in the system. Each such officer or employee shall be deemed to consent to the transfer of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other Government retirement fund on account of service rendered prior to becoming a participant in the Foreign Service retirement and disability system.

"(2) No officer or employee, whose contributions are transferred to the Foreign Service Retirement and Disability Fund in accordance with the provisions of paragraph (c)(1) of this section, shall be required to make contributions in addition to those transferred, for periods of service for which full contributions were made to the other Government retirement fund, nor shall any refund be made to any such officer or employee on account of contributions made during any period to the other Government retirement fund, at a higher rate than that fixed by section 811 of this Act for contributions to the Foreign Service retirement and disability system.

"(3) No officer or employee, whose contributions are transferred to the Foreign Service Retirement and Disability Fund in accordance with the provisions of paragraph (c)(1) of this section, shall receive credit for periods of prior service for which a refund of contributions has been made, or for which no contributions were made to the other Government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the Foreign Service Retirement and Disability Fund in accordance with the provisions of paragraph (b) of this section."

(b) Section 852 of such Act is further amended by adding at the end thereof new paragraphs (d) and (e) which shall read as follows:

"(d) No participant may obtain prior civilian service credit toward retirement under the Foreign Service retirement and disability system for any period of civilian service on the basis of which he is receiving or will in the future be entitled to receive any annuity under another retirement system covering civilian personnel of the Government.

"(e) A participant may obtain prior military or naval service credit in accordance with the provisions of paragraph (a)(2) of this section by applying for it to the Secretary prior to retirement or separation from the Service, but in the case of a participant who is eligible for and receives retired pay on account of military or naval service, the period of service upon which such retired pay is based shall not be included except that in the case of a participant who is eligible for and receives retired pay on account of a service-connected disability incurred in combat with an enemy of the United States or resulting from an explosion of an instrument of war and incurred in line of duty during an enlistment or employment as provided in Veterans Regulation Numbered 1(a), part I, paragraph I, or is awarded under title III of Public Law 810, Eightieth Congress, the period of such military or naval service shall be included. No contributions to the Fund shall be required in connection with military or naval service credited to a participant in accordance with the provisions of paragraph (a)(2) of this section."

SEC. 34. The heading "PART H—OFFICERS REINSTATED IN THE SERVICE" under title VIII of such Act is amended to read as follows: "PART H—ANNUITANTS RECALLED OR REINSTATED IN THE SERVICE OR REEMPLOYED IN THE GOVERNMENT".

SEC. 35. Section 871 of such Act is amended and a heading is added thereto as follows:

"RECALL

"SEC. 871. Any annuitant recalled to active duty in the Service in accordance with the provisions of paragraph (b) of section 520 or paragraph (b) of section 831 shall, while so serving, be entitled in lieu of his retirement allowance to the full pay of the class in which he is serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 811. The amount of his annuity when he reverts to the retired list shall be recomputed in accordance with the provisions of section 821."

SEC. 36. A new section 872 is hereby added to such Act as follows:

"REEMPLOYMENT

"SEC. 872. (a) Notwithstanding any other provision of law, any officer or employee of the Service, who has retired under this Act, as amended, and is receiving an annuity pursuant thereto, and who is reemployed in the Federal Government service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the highest basic salary such officer or employee was entitled to receive under sections 412 or 415 of the Act, as amended, on the date of his retirement from the Service. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive

under this subparagraph shall be entitled to such salary in lieu of benefits hereunder.

"(b) When any such retired officer or employee of the Service is reemployed, the employer shall notify the Department of State of such reemployment together with all pertinent information relating thereto and shall cause to be paid, by transfer or otherwise, to the Department of State funds necessary to cover gross salary, employer contributions, and gross lump sum leave payment relating to the employment of the reemployed officer or employee. The Department of State shall make to and on behalf of the reemployed officer or employee payments to which he is entitled under the provisions of paragraph (a) of this section, and shall make those withholding and deductions authorized and required by law.

"(c) In the event of any overpayment under this section the Secretary of State is authorized to withhold the amount of such overpayment from the salary payable to such reemployed officer or employee or from his annuity."

SEC. 37. (a) Paragraph (a) of section 881 of such Act is amended to read as follows:

"SEC. 881. (a) Any participant may, at his option and under such regulations as may be prescribed by the President, deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded annually at the end of each fiscal year through June 30, 1958; semiannually as of December 31, 1958; annually thereafter as of December 31, and proportionately for the period served during the year of his retirement, including all contributions made during or for such period, shall, at the date of his retirement and at his election, be—"

(b) Paragraph (c) of section 881 of such Act is amended by deleting the word "annually" and inserting in lieu thereof the phrase "as is provided in paragraph (a) of this section".

SEC. 38. (a) Section 1021 of such Act is amended by inserting the phrase "the Department including" immediately prior to the phrase "the Service" wherever it appears in this section.

(b) Section 1021(a) is further amended by striking out the phrase "if recommended by the Director General" and inserting in lieu thereof the phrase "at the discretion of the Secretary".

SEC. 39. Section 11 of Public Law 885, Eighty-fourth Congress (70 Stat. 890), is hereby amended by inserting after the phrase "Government-owned vehicles" the phrase "or taxicabs" and by inserting after the phrase "public transportation facilities" the phrase "other than taxicabs".

SEC. 40. Paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 (26 U.S.C. 104(a)(4)) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows:

"(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021)."

SEC. 41. Foreign Service staff officers and employees receiving basic compensation immediately prior to the effective date of this Act at one of the scheduled rates provided by section 415 of such Act, as amended, shall be transferred to the new classes established by section 415 of such Act, as amended, and shall receive basic compensation on and after the effective date of this Act, as follows:

Present class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended (1968)			Corresponding new class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended, by this act			Amount of adjustments	
Class	Step	Rate	Class	Step	Rate		
FSS-1-----	5	\$13,100	FSS-1-----	6	\$13,310	\$160	
	4	12,830		5	12,980	160	
	3	12,480		4	12,650	170	
	2	12,120		3	12,320	200	
	1	11,770		2	11,990	220	
FSS-2-----	5	12,120	FSS-1-----	3	12,320	200	
	4	11,770		2	11,990	220	
		3	11,485	FSS-2-----	7	11,550	65
		2	11,205		6	11,275	70
1		10,920	5		11,000	80	

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Present class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended (1958)			Corresponding new class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended, by this act			Amount of adjustments
Class	Step	Rate	Class	Step	Rate	
FSS-3	5	\$11,165	FSS-2	6	\$11,275	\$110
	4	10,885		5	11,000	115
	3	10,600		4	10,725	125
	2	10,320		3	10,450	130
	1	10,030		2	10,175	145
FSS-4	5	10,230	FSS-2	3	10,450	220
	4	9,945		2	10,175	230
	3	9,665	FSS-3	7	9,790	125
	2	9,380		6	9,515	135
	1	9,095		5	9,240	145
FSS-5	6	9,600	FSS-3	7	9,790	180
	5	9,315		6	9,515	200
	4	9,030		5	9,240	210
	3	8,745		4	8,965	150
	2	8,460		3	8,690	80
	1	8,175		2	8,415	20
FSS-6	6	8,755	FSS-3	4	8,965	210
	5	8,470		3	8,690	150
	4	8,185	FSS-4	7	8,350	25
	3	7,900		6	8,125	5
	2	7,615		5	7,900	220
	1	7,330		4	7,675	210
FSS-7	6	8,050	FSS-4	5	7,900	75
	5	7,765		4	7,675	60
	4	7,480		3	7,450	45
	3	7,195		2	7,225	35
	2	6,910		1	7,000	25
	1	6,625		7	7,350	10
FSS-8	6	7,350	FSS-5	7	7,350	10
	5	7,140		6	7,150	25
	4	6,925		5	6,950	25
	3	6,710		4	6,750	40
	2	6,495		3	6,550	55
	1	6,280		2	6,350	65
FSS-9	6	6,650	FSS-5	4	6,750	100
	5	6,435	FSS-6	7	6,500	65
	4	6,220		6	6,300	80
	3	6,005		5	6,100	95
	2	5,790		4	5,900	105
	1	5,575		3	5,700	115
FSS-10	7	6,175	FSS-6	6	6,300	125
	6	5,970		5	6,100	130
	5	5,755		4	5,900	145
	4	5,540	FSS-7	7	5,550	10
	3	5,400		6	5,400	140
	2	5,260		5	5,250	135
	1	5,115		4	5,100	105
FSS-11	7	5,500	FSS-7	7	5,550	50
	6	5,355		6	5,400	45
	5	5,215		5	5,250	35
	4	5,070		4	5,100	30
	3	4,930		3	4,950	20
	2	4,790		2	4,800	10
	1	4,650		1	4,650	75
FSS-12	7	5,025	FSS-8	7	5,100	60
	6	4,890		6	4,950	55
	5	4,745		5	4,800	45
	4	4,605		4	4,650	40
	3	4,460		3	4,500	30
	2	4,320		2	4,350	20
	1	4,180		1	4,200	70
FSS-13	7	4,580	FSS-9	7	4,650	60
	6	4,440		6	4,500	55
	5	4,295		5	4,350	45
	4	4,155		4	4,200	40
	3	4,010		3	4,050	30
	2	3,870		2	3,900	20
	1	3,730		1	3,750	45
FSS-14	7	4,155	FSS-9	4	4,200	45
	6	4,010	FSS-10	7	4,100	90
	5	3,870		6	3,900	80
	4	3,730		5	3,800	70
	3	3,585		4	3,600	60
	2	3,445		3	3,500	55
	1	3,300		2	3,400	50
FSS-15	All step rates and below		FSS-10	1	3,600	5

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SEC. 42. The annuity of each former participant under the Foreign Service retirement and disability system, who retired prior to July 23, 1956 and who at the time of his retirement had creditable service in excess of thirty years, shall be recomputed on the basis of actual years of creditable service not in excess of thirty-five years. Service which was not creditable under the Foreign Service retirement and disability system on the date a former participant retires, shall not be included as creditable service for the purpose of this recomputation. The annuities payable to such persons shall, when recomputed, be paid at the rates so determined, but no such recomputation or any other action taken pursuant to this section shall operate to reduce the rate of the annuity any such person is entitled to receive under the Foreign Service retirement and disability system.

SEC. 43. (a) The provisions of this Act shall become effective as of the first day of the first pay period which begins one month after the passage of this Act, except as provided in paragraphs (b), (c), and (d) of this section.

(b) The provisions of paragraphs (c)(1) and (c)(2) of section 803 of the Foreign Service Act of 1946, as amended by section 24(b) of this Act, shall become effective on the first day of the first month which begins one year after the effective date of this Act, except that any Foreign Service staff officer or employee, who at the time this Act becomes effective meets the requirements for participation in the Foreign Service retirement and disability system, may elect to become a participant in the system before the mandatory provisions become effective. Such Foreign Service staff officers and employees shall become participants effective on the first day of the second month following the date of their application for earlier participation.

(c) The amendment made by section 40 of this Act shall be effective with respect to taxable years ending after the date of enactment of this Act.

(d) The provisions of section 42 of this Act shall take effect on the first day of the first month which begins more than thirty days after the date of enactment of this Act.

SEC. 44. Notwithstanding the provisions of this Act, existing rules, regulations of or applicable to the Foreign Service of the United States shall remain in effect until revoked or rescinded or until modified or superseded by regulations made in accordance with the provisions of this Act, unless clearly inconsistent with the provisions of this Act.

SEC. 45. The following headings and sections in the Foreign Service Act of 1946, as amended, are hereby repealed:

- (1) Section 442 of such Act and the heading thereto.
- (2) Section 525 of such Act and the heading thereto.
- (3) Section 576 of such Act and the heading thereto.
- (4) Sections 651 and 652 of such Act and the headings thereto, including

Part F.

DEPARTMENT OF STATE,
Washington, D.C., December 31, 1958.

Hon. RICHARD M. NIXON,
President of the Senate.

DEAR MR. VICE PRESIDENT: In its continuing efforts to improve and strengthen the administration of the Foreign Service, the Department is submitting a proposed bill "To amend the Foreign Service Act of 1946, as amended, and for other purposes" (tab I) for consideration by the U.S. Senate.

The amendments proposed in this bill are urgently needed to improve and strengthen the administration of the Foreign Service. They would accomplish the following:

1. Provide an improved 10-class salary structure for the Foreign Service staff corps and authorize the Secretary to fix salary rates for U.S. citizens employed abroad.
2. Provide authority for appointment of Foreign Service staff personnel at in-class salary step rates and authorize the fixing of appointment salary rates for short-supply categories of personnel.
3. Clarify provisions governing the termination of the services of chiefs of mission.
4. Provide greater flexibility in the classification of Foreign Service positions.
5. Provide authority to pay a hazardous duty salary differential to diplomatic couriers.
6. Clarify and improve provisions governing lateral entry into the Foreign Service.

7. Improve provisions relating to reinstatement and recall of Foreign Service officers and remove existing restrictions on the reemployment by any Government agency of retired participants in the Foreign Service retirement and disability system.
 8. Provide authority for the continuation on the rolls of certain Foreign Service Reserve officers notwithstanding the usual limitation on duration of assignment.
 9. Clarify and simplify provisions governing appointment, assignment, transfer, and promotion of Foreign Service staff personnel. Establish a system of longevity for staff personnel.
 10. Clarify and simplify provisions governing the assignment of Foreign Service personnel to Government agencies.
 11. Liberalize provisions relating to extension of services of Foreign Service officers beyond mandatory retirement age.
 12. Provide a uniform basis for effecting separation for cause.
 13. Provide specific authority for the termination of officers and employees serving under limited appointment.
 14. Improve provisions governing the establishment of, the conduct of, and the use of the facilities of the Foreign Service Institute.
 15. Provide for general improvement in the Foreign Service retirement and disability system, including such specific improvements as:
 - (a) Liberalization of survivorship benefits and coverage of surviving children;
 - (b) Provision for the participation of certain Foreign Service staff personnel in the system;
 - (c) Clarification of provisions for reinstatement of recovered disability annuitants;
 - (d) Clarification of provisions relating to death in service;
 - (e) Clarification of provisions governing prior service credit;
 - (f) Provision for the automatic transfer of contributions from one retirement fund to another; and
 - (g) An increase in rate of employee contributions from 5 to 6½ percent.
 16. Improve provisions governing the acceptance of gifts.
 17. Clarify provisions relating to the use of Government-owned vehicles at posts abroad.
 18. Exempt disability annuities from income tax liability.
- Throughout the proposed draft bill there are perfecting and clarifying technical changes that relate to the proposals listed above.
- An explanation of each of the proposed amendments is enclosed (tab II), together with an estimate of the cost involved in implementing the proposed legislation (tab III).
- Enactment of this proposed legislation will provide important improvements in the personnel system for the conduct of foreign affairs. The Department recommends the passage of this bill to accomplish the purposes set forth above and trusts that it may receive favorable consideration by the Congress.
- The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this draft legislation.

Sincerely yours,

CHRISTIAN A. HERTER, *Acting Secretary.*

EXPLANATION OF PROPOSED AMENDMENTS TO THE FOREIGN SERVICE ACT OF 1956, AS AMENDED

TITLE IV. CATEGORIES AND SALARIES OF PERSONNEL

FOREIGN SERVICE STAFF OFFICERS AND EMPLOYEES

Existing legislation

Proposed legislation

SEC. 415. There shall be [twenty-two] classes of Foreign Service staff officers and employees, referred to hereafter as staff officers and employees. The per annum [rates of salary] of staff officers and employees within each class shall be as follows:

[Class 1, \$11,770, \$12,120, \$12,480, \$12,830, \$13,160
 [Class 2, \$10,920, \$11,205, \$11,485, \$11,770, \$12,120
 [Class 3, \$10,030, \$10,320, \$10,600, \$10,885, \$11,165
 [Class 4, \$9,095, \$9,380, \$9,665, \$9,945, \$10,230
 [Class 5, \$8,395, \$8,610, \$8,815, \$9,030, \$9,315, \$9,600
 [Class 6, \$7,690, \$7,905, \$8,120, \$8,325, \$8,540, \$8,755
 [Class 7, \$6,990, \$7,200, \$7,415, \$7,630, \$7,840, \$8,050
 [Class 8, \$6,285, \$6,495, \$6,710, \$6,925, \$7,140, \$7,350
 [Class 9, \$5,585, \$5,795, \$6,005, \$6,220, \$6,435, \$6,650
 [Class 10, \$5,115, \$5,260, \$5,400, \$5,540, \$5,755, \$5,970, \$6,175
 [Class 11, \$4,650, \$4,790, \$4,930, \$5,070, \$5,215, \$5,355, \$5,500
 [Class 12, \$4,180, \$4,320, \$4,460, \$4,605, \$4,745, \$4,890, \$5,025
 [Class 13, \$3,730, \$3,870, \$4,010, \$4,155, \$4,295, \$4,440, \$4,580
 [Class 14, \$3,300, \$3,445, \$3,585, \$3,730, \$3,870, \$4,010, \$4,155
 [Class 15, \$3,090, \$3,165, \$3,230, \$3,300, \$3,300, \$3,445, \$3,585, \$3,730
 [Class 16, \$2,875, \$2,950, \$3,020, \$3,090, \$3,165, \$3,230, \$3,300
 [Class 17, \$2,660, \$2,735, \$2,805, \$2,875, \$2,875, \$2,950, \$3,020, \$3,090
 [Class 18, \$2,455, \$2,520, \$2,590, \$2,660, \$2,660, \$2,735, \$2,805, \$2,875
 [Class 19, \$2,240, \$2,310, \$2,380, \$2,455, \$2,455, \$2,520, \$2,590, \$2,660
 [Class 20, \$2,025, \$2,095, \$2,165, \$2,240, \$2,240, \$2,310, \$2,380, \$2,455
 [Class 21, \$1,810, \$1,880, \$1,955, \$2,025, \$2,025, \$2,095, \$2,165, \$2,240
 [Class 22, \$1,600, \$1,670, \$1,745, \$1,810, \$1,880, \$1,955, \$2,025]

SEC. 415. (a) There shall be ten classes of Foreign Service staff officer and employees, referred to hereafter, as staff officers and employees. The per annum salaries of staff officers and employees within each class shall be as follows:

Class 1—\$11,660, \$11,990, \$12,320, \$12,650, \$12,980, \$13,310, \$13,640
 Class 2—\$9,900, \$10,175, \$10,450, \$10,725, \$11,000, \$11,275, \$11,550
 Class 3—\$8,140, \$8,415, \$8,690, \$8,965, \$9,240, \$9,515, \$9,790
 Class 4—\$7,000, \$7,225, \$7,450, \$7,675, \$7,900, \$8,125, \$8,350
 Class 5—\$6,150, \$6,350, \$6,550, \$6,750, \$6,950, \$7,150, \$7,350
 Class 6—\$5,300, \$5,500, \$5,700, \$5,900, \$6,100, \$6,300, \$6,500
 Class 7—\$4,650, \$4,800, \$4,950, \$5,100, \$5,250, \$5,400, \$5,550
 Class 8—\$4,200, \$4,350, \$4,500, \$4,650, \$4,800, \$4,950, \$5,100
 Class 9—\$3,750, \$3,900, \$4,050, \$4,200, \$4,350, \$4,500, \$4,650
 Class 10—\$3,500, \$3,600, \$3,700, \$3,800, \$3,900, \$4,000, \$4,100

No existing legislation.

(b) Notwithstanding the provisions of paragraph (a) of this section, the Secretary may, under such regulations as he may prescribe, fix the salary or compensation at lesser rates of salary than those prescribed by this section for the applicable class of officers or employees who are employed locally abroad and who are not available or are not qualified for transfer to another post or posts.

The principal purpose of this proposal is to improve the Foreign Service Staff Corps salary schedule. The structure of the Foreign Service officer salary schedule was modified in 1956 to provide basic improvements in accordance with the needs of the Service. At that time, the personnel integration program was underway and it was not possible to clearly determine the future needs of the Foreign Service Staff Corps. Since that time, a careful study has been made and perhaps the most important need for improvement in the administrative machinery affecting the Foreign Service staff corps is in connection with a revision of the present 22 class salary schedule. One of the purposes of the proposed revision is to eliminate the unnecessary and unused classes in the present schedule. Classes 15 through 22 have not been used for some time. Inasmuch as alien employees are used extensively for the performance of routine duties at Foreign Service posts, there are few cases where U.S. citizen employees are required for the level of duties represented by class 14, there being only two Foreign Service resident employees in this class at the present time. Consequently, a 10-class schedule is proposed which provides a reasonable number of levels in relation to the duties and responsibilities which are carried out by Staff Corps personnel.

This proposed schedule is specifically designed to provide a more adequate promotion ladder for these employees, including equitable and appropriate salary adjustment when promotions to the next higher class are awarded. As a consequence, a staff employee will usually receive more than, and in any case not less than, the equivalent of a within-class step increase at the time of a class promotion. This proposed 10-class schedule has several other features:

(a) The rates of the top three Foreign Service staff classes are the same as the rates contained in classes 3, 4, and 5, respectively, of the Foreign Service officer schedule. This provides equitable salary treatment for personnel serving at these officer levels and will facilitate the conversion of Staff Corps personnel at these levels who may qualify in the future for lateral entry into the Foreign Service Officer Corps.

(b) It consolidates overlapping classes, eliminates overlapping at the top levels, and improves the step-rate increment plan.

(c) It provides reasonable rates at the entrance level of new class FSS-10 (present class FSS-14), which will make this lowest class usable for some recruitment purposes in the future.

(d) Consolidation and readjustment of class and step-rate relationships, coupled with the necessity of keeping adjustment costs to a minimum, results in 6 of the present classes being split for conversion purposes, but the conversion to the 10-class schedule results in all staff corps employees, except those in present classes FSS-1 and 2, being adjusted to higher class number designations than they now hold under the present schedule. For example, employees presently at FSS-8 will be converted to new FSS-5 and employees at present FSS-5 will be converted to new FSS-3.

As a consequence of the integration program and the resulting expansion of the Foreign Service officer category, the staff category will become increasingly a specialist-technical-clerical corps. Its importance to the effective functioning of the Foreign Service, nevertheless, is not to be underestimated. Reasonably rewarding career opportunities must be provided to attract and retain competent personnel. For some years to come the Department must continue to retrain, make effective use of, and provide reasonable incentives for those staff officers who, because of age or other equally valid reasons, are unable to qualify for lateral appointment as Foreign Service officers. This group of experienced and dedicated officers will decrease gradually as a result of normal attrition and it can be anticipated that a correspondingly lesser proportion of the staff category will be required in future years in the upper salary brackets of the proposed staff corps salary schedule. On the other hand, it becomes increasingly important that an appropriate career plan be provided for the necessary staff officers and employees who serve as highly skilled specialists and technicians essential to the operations of the Service to encourage them to continue in the Foreign Service on a career basis.

New paragraph (b) of section 415 would authorize the Secretary, by administrative action, to prescribe lesser rates of salary than those stipulated in the FSS statutory salary schedule in the case of U.S. citizen employees who are employed locally in foreign areas for service at a particular post and who are not available or who are not qualified for transfer to other posts of duty.

From time to time it is in the Department's interest to employ in lieu of a local (alien) employee for a local employee position an American citizen at a Foreign Service post who has resided in the locality for many years, who may be married to an alien and frequently possesses dual citizenship, or who is otherwise not

qualified for a regular staff corps appointment. The purpose of this provision, therefore, is to enable the Secretary to equate more nearly the salaries paid to such staff personnel to rates prevailing in the locality.

SALARIES AT WHICH FOREIGN SERVICE STAFF OFFICERS AND EMPLOYEES MAY BE APPOINTED

Existing legislation

Sec. 416. [A person appointed as a staff officer or employee shall receive salary at the minimum rate provided for the class to which appointed except as otherwise provided in accordance with the provisions of part E of this title.]

[ADMINISTRATIVE ESTABLISHMENT OF NEW GROUPS OF POSITIONS FOR FOREIGN SERVICE STAFF OFFICERS AND EMPLOYEES

[Sec. 442. The Secretary may, whenever he deems such action to be in the interests of good administration and warranted by the nature of the duties and responsibilities of any group of positions occupied or to be occupied by staff officers and employees in comparison with other positions in the same class, established by regulation for any such group of positions a minimum salary computed at any one of the rates of salary above the minimum for a given class but not in excess of the middle rate provided for that class in section 415. Such groups of positions shall, for the purposes of this Act, be known as subclasses.]

Under the existing provisions of section 416, staff officers and employees must be appointed at the minimum salary of the class to which appointment is made (except when subclasses are established by regulations). Many staff personnel enter the Foreign Service by transfer from another Government agency, having already achieved within-grade salary increases in Government service in recognition of continued satisfactory service. The Department has found it necessary to appoint such a person at the minimum salary rate of the applicable class and then adjust his salary pursuant to the Secretary's authority under section 642 to grant in-class promotions to staff officers and employees. It is considered desirable, if not necessary, to provide a direct grant of legislative authority for this purpose.

Aside from the desirability of appointing staff personnel who transfer to the Service from other Government agencies at an appropriate within-class salary rate, the proposed new subsection 416(a) would enable the Secretary to take into account the qualifications and experience of prospective candidates from other recruitment sources in fixing an appropriate entering salary. Thus, a highly experienced secretary who has worked in private employment could be offered a higher starting salary than an inexperienced business school graduate, neither of whom has had previous Government experience.

The proposed new subsection (b) would enable the Secretary to take into account the needs of the Service in fixing appointment salaries. Thus, in an exceedingly tight labor market, the Secretary could prescribe a within-class salary rate as the minimum rate for a particular type of skill that was in short supply and which required special training, such as security engineers (electronics engineers). In the event the Secretary should make such a determination, however, serious morale problems would arise were no adjustments made in the salaries of employees in the same class and occupational group whose salaries are less than the rate prescribed for new appointees. New subparagraph (b), therefore, would also authorize the Secretary to make an adjustment of this type under such circumstances. As this new provision would supersede the provisions of section 442, that section should be repealed.

Proposed legislation

Sec. 416. (a) A person appointed as a staff officer or employee shall receive basic salary at one of the rates of the class to which he is appointed which the Secretary shall, taking into account his qualifications and experience and the needs of the Service, determine to be appropriate for him to receive.

(b) Whenever the Secretary determines that the needs of the Service warrant the appointment of staff officers or employees in a particular occupational group uniformly at a specific step rate above the minimum rate of the applicable class, he may adjust the basic salary of any staff officer or employee in the same class and occupational group who is receiving less than such established uniform step rate.

It may be noted that authority already exists to appointment Foreign Service officers (sec. 413) and Foreign Service reserve officers (sec. 414) above the minimum rate of the class to which appointment is made. Hence, the proposed revision would bring the staff category into line with these related provisions of the act.

PART D—TIME OF RECEIVING SALARY

CHIEFS OF MISSION

Existing legislation

SEC. 431. (a) Under such regulations as the Secretary may prescribe, a chief of mission may be entitled to receive salary from the effective date of his appointment to the date marking his return to his place of residence at the conclusion of the period of his official service as chief of mission or [the termination of time spent on authorized leave, whichever shall be later,] but no chief of mission shall be entitled to receive salary while absent from his post whenever the Secretary shall find that such absence was without authorization or justification. If a chief of mission in one position is appointed as chief of mission in another position, he shall be entitled to receive the salary pertaining to the new position commencing on the effective date of the new appointment.

(b) The official services of a chief of mission shall not be deemed terminated by the appointment of a successor but shall continue until he has relinquished charge of the mission and [has rendered such additional services to the Department as the] Secretary [may require him to render in the interests of the Government for a period not in excess of thirty] days, [exclusive of] time spent in transit.

Section 431 has been revised to clarify the provision governing the termination of the services of chiefs of mission. In its present form, this section has been subject to a number of different interpretations and has been difficult to administer equitably. As revised the section clearly establishes the fact that a chief of mission's services shall be terminated upon the date he returns to his place of residence or in no case later than 50 days after relinquishing his duties as chief of mission including time spent in transit. The period of time that a chief of mission may remain on the rolls after relinquishing his duties, up to but not exceeding 50 days, is to be determined by the Secretary. During this period he may be required to render such services as the Secretary may deem necessary in the interests of the Government.

Proposed legislation

SEC. 431. (a) Under such regulations as the Secretary may prescribe, a chief of mission may be entitled to receive salary from the effective date of his appointment to the date marking his return to his place of residence at the conclusion of the period of his official service as chief of mission or upon termination of his service in accordance with the provisions of paragraph (b) of this section, but no chief of mission shall be entitled to receive salary while absent from his post whenever the Secretary shall find that such absence was without authorization or justification. If a chief of mission in one position is appointed as chief of mission in another position, he shall be entitled to receive the salary pertaining to the new position commencing on the effective date of the new appointment.

(b) The official services of a chief of mission shall not be deemed terminated by the appointment of a successor but shall continue until he has relinquished charge of the mission and for such additional period as may be determined by the Secretary, but in no case shall such additional period exceed fifty days, including time spent in transit. During such period the Secretary may require him to render such services as he may deem necessary in the interests of the Government.

FOREIGN SERVICE ACT AMENDMENTS

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PART E—CLASSIFICATION

CLASSIFICATION OF POSITIONS IN THE FOREIGN SERVICE AND IN THE DEPARTMENT

Existing legislation

SEC. 441. [Under such regulations as he may prescribe, the Secretary shall classify all positions in the Service, including those positions at foreign posts which may be held by career ministers, and shall allocate all positions occupied or to be occupied by staff officers or employees to classes and subclasses established by sections 415 and 442, respectively, and by alien employees and consular agents to such classes as may be established by regulation.]

Proposed legislation

SEC. 441. (a) Under such regulations as he may prescribe, and in order to facilitate effective management, the Secretary shall classify all positions in the Service at posts abroad, excluding positions to be occupied by chiefs of mission, and in the case of those occupied by Foreign Service officers, Reserve officers, and staff officers and employees, he shall establish such positions in relation to the classes established by sections 412, 414, and 415, respectively. Positions occupied by local employees and consular agents, respectively, shall be allocated to such classes as the Secretary may establish by regulation.

(b) Under such regulations as he may prescribe, the Secretary may, notwithstanding the provisions of the Classification Act of 1949, as amended (5 U.S.C. 1071, et. seq.), classify positions in or under the Department which he designates as Foreign Service positions to be occupied by officers and employees of the Service, and establish such positions in relation to the classes established by sections 412, 414, and 415.

Section 441 of the act relating to the classification of positions has been modified in several respects. In a worldwide service it is essential that, with relatively few exceptions, American citizen personnel, including FSS personnel, be assigned according to the needs of the Service, with due regard to the current availability of personnel, health problems, and many other considerations. It is desirable to provide a uniform basis for classifying positions regardless of the category of American personnel used in staffing positions. The present language of section 441 draws a distinction in this respect between the FSO-FSR categories on the one hand and the FSS category on the other, which has not proved to be meaningful in practice.

The second basic change is to authorize the Secretary to classify positions in the Department in accordance with Foreign Service classification standards, title and class designation, without regard to the Classification Act of 1949, as amended, in those instances where he determines such positions are of such a character as to justify their designation as Foreign Service positions. Some 1500 positions in the Department have been designated as Foreign Service positions under the Secretary's integration program. When a position is filled by a person other than an officer or employee of the Foreign Service, it would continue to be classified in accordance with the provisions of the Classification Act of 1949, as amended, and the classification of the position under the provisions of this section would be inoperative until such position was filled by a Foreign Service officer or employee. Based on experience it might be later determined that some of these positions should no longer be designated as Foreign Service positions. It is also likely that certain additional positions, including a number of new positions, may be designated as Foreign Service positions.

CLASSIFICATION OF POSITIONS OF ALIEN CLERKS AND EMPLOYEES

Existing legislation

SEC. 444. [(a) Upon the basis of the classification provided for in section 441, the Secretary shall, with the advice of the Board of the Foreign Service, from time to time prepare schedules of salaries for classes of positions of alien clerks and employees of the Service, which classes shall be established by regulation, and shall allocate all such positions to the appropriate classes.

[(b) All alien employees in an area of comparatively uniform wage scales and standards of living, occupying positions of equal responsibility, shall receive equal pay except as there may be increases provided for length of service in accordance with uniform procedures.]

Section 444 is amended to clarify and simplify provisions for the establishment of schedules of salaries for classes of positions for local (alien) employees of the Service. The existing provisions have not proved feasible in the administration of the local (alien) personnel program. Wage and salary schedules must be based upon local prevailing wage rates and prevailing pay practices for corresponding types of positions in the locality. They are subject to frequent changes owing to fluctuating economic and labor market conditions. Further, the Department's responsibility for the administration of local personnel programs of certain other United States Government agencies operating in foreign areas requires inter-agency coordinative action which obviates the necessity for or the practicability of Board of the Foreign Service clearance on such matters.

Proposed legislation

SEC. 444. *The Secretary shall, in accordance with such regulations as he may prescribe, establish schedules of salaries for classes of positions of local (alien) employees of the Service; provided that such schedules of salaries for local employees shall be based upon prevailing wage rate; and related compensation practices for corresponding types of positions in the locality, as is consistent with the public interest.*

ADMINISTRATIVE ESTABLISHMENT OF HAZARDOUS DUTY PAY FOR CERTAIN CATEGORIES OF OFFICERS AND EMPLOYEES

Existing legislation

No existing legislation.

Proposed legislation

SEC. 447. *The Secretary may, under such regulations as he may prescribe, establish rates of salary differential, not exceeding 15 per centum of basic salary, for officers or employees of the Service while they are assigned for duty as couriers.*

New section 447 of the Foreign Service Act would authorize the Secretary to grant employees, while assigned to perform duties of a courier, a salary differential not to exceed 15 per centum of the employee's basic salary.

The principle of hazardous duty pay is recognized both in military and civilian pay systems. Couriers perform not only an arduous task, but a dangerous one. They must travel constantly regardless of flight conditions, by means of a great variety of transportation facilities, many of which do not maintain the same level of safety requirements generally found in United States commercial air lines. Couriers are on duty a minimum of 170 hours a month and are in the air most of the time. This should be compared with the policy of our commercial air lines which limits flight time for flying personnel to a maximum of eighty-five hours during any one month, with an average somewhat below that figure. Members of the Department's courier service have sustained serious injury in the line of duty and over the past few years several have given their lives in the service of their country.

A number have been injured severely in flight accidents and at least one was injured as a result of a revolution in one of the countries through which he was traveling. The proposed maximum differential of 15 percent of basic salary is regarded as an appropriate amount after due consideration of the hazards and hardship factors that are inherent in courier duty. It is the Department's plan to pay the differential to couriers whose assignments involve significant hardship conditions or hazards. Criteria for determining the amount of differential, up to 15 percent of basic salary, applicable to the various courier assignments, will be developed by the Department.

TITLE V. APPOINTMENTS AND ASSIGNMENTS

PART B—FOREIGN SERVICE OFFICERS

ADMISSION TO CLASSES 1 TO 7, INCLUSIVE

Existing legislation

SEC. 517. A person who has not served in class 8 shall not be eligible for appointment as a Foreign Service officer of classes 1 to 7, inclusive, unless he has passed comprehensive mental and physical examinations prescribed by the Board of Examiners for the Foreign Service to determine his fitness and aptitude for the work of the Service; demonstrated his loyalty to the Government of the United States and his attachment to the principles of the Constitution; and rendered at least four years of actual service prior to appointment in a position of responsibility in the service of a Government agency, or agencies, except that, if he has reached the age of thirty-one years, the requirements as to service may be reduced to three years. [After the date of enactment of the Foreign Service Act amendments of 1955 and until otherwise provided by Act of Congress, not more than one thousand two hundred and fifty persons who have not served in class 8 may be appointed to classes 1 to 7, inclusive; of such persons, not more than one hundred and seventy-five may be appointed who were not employed on March 1, 1955, in the Department, including its Foreign Service Reserve and Foreign Service Staff personnel, and who have not also served in a position of responsibility in the Department, or the Service, or both, for the required period prior to appointment as a Foreign Service officer. Notwithstanding the above provisions of this section, the limitations on the maximum number of appointments authorized herein shall not be applicable in the case of any person appointed or assigned by the Secretary of State as a Foreign Service Reserve officer and who thereafter has served in a position of responsibility in such capacity for the required period prior to appointment as a Foreign Service officer.] The Secretary shall furnish the President with the names of those persons who shall have passed such examinations and are eligible for appointment as Foreign Service officers of classes 1 to 7, inclusive. The Secretary shall, taking into consideration the age, qualifications, and experience of each candidate for appointment, recommend the class to which he shall be appointed in accordance with the provisions of this section.

Proposed legislation.

SEC. 517. A person who has not served in class 8 shall not be eligible for appointment as a Foreign Service officer of classes 1 to 7, inclusive, unless he has passed comprehensive mental and physical examinations prescribed by the Board of Examiners for the Foreign Service to determine his fitness and aptitude for the work of the Service; demonstrated his loyalty to the Government of the United States and his attachment to the principles of the Constitution; and rendered at least four years of actual service prior to appointment in a position of responsibility in the service of a Government agency, or agencies, except that, if he has reached the age of thirty-one years, the requirement as to service may be reduced to three years. The Secretary shall furnish the President with the names of those persons who shall have passed such examinations and are eligible for appointment as Foreign Service officers of classes 1 to 7, inclusive. The Secretary shall, taking into consideration the age, qualifications, and experience of each candidate for appointment, recommend the class to which he shall be appointed in accordance with the provisions of this section.

The proposed change in section 517 eliminates the temporary provision incorporated in Public Law 22 84th Congress and further amended by Public Law 828, 84th Congress which establishes, presumably for the duration of the lateral entry program, a limitation on the number of persons who can be integrated into the Foreign Service under the provisions of this section. The integration program has now been completed and a permanent provision for the lateral entry of officers to classes 1 to 7, inclusive, should be restored. Any future use of this lateral entry provision to meet the needs of the Service would be seriously handicapped by the fact that only officers who had been on the rolls of the Department as of March 1, 1955, or who have served 3 years after appointment by the Secretary of State to the Foreign Service Reserve Corps, would be eligible for appointment. It is hoped, the good judgment and commonsense of those responsible for advising the Secretary on continuing lateral entry policies can be relied upon to carry out such policies on a sound basis.

Existing legislation

**[REINSTATEMENT AND RECALL] OF
FOREIGN SERVICE OFFICERS**

SEC. 520.

(b) **[Whenever the Secretary shall determine an emergency to exist, the] Secretary may recall any retired Foreign Service officer temporarily to active [service].**

No Existing Legislation.

Proposed legislation

**REAPPOINTMENT, RECALL, OR REEMPLOY-
MENT OF FOREIGN SERVICE OFFICERS**

SEC. 520.

(b) *The Secretary may recall any retired Foreign Service officer temporarily to active duty in the Service whenever he shall determine such recall is in the public interest.*

(c) *Notwithstanding the provisions of 5 U.S.C. 62 and 5 U.S.C. 715a, a Foreign Service officer heretofore or hereafter retired under the provisions of section 631 or 632 or a Foreign Service staff officer or employee heretofore retired under the provisions of section 803 shall not, by reason of his retired status, be barred from employment in Federal Government service in any appointive position for which he is qualified. An annuitant so reemployed shall serve at the will of the appointing officer.*

Section 520(b) has been changed to liberalize the conditions under which the Secretary may recall a retired Foreign Service officer for assignment to temporary duty. It is frequently of benefit to the Department to make such assignments to special study groups, selection boards, the Foreign Service Institute, or to work on specific problems in which the retired officer has expert knowledge, yet it cannot be ordinarily maintained that an emergency exists. The proposed change would make such assignments possible without having to predict that they are required by emergency conditions. Normally, the tour of duty of an officer recalled to active service under the provisions of this subsection would be of a limited nature. The salary paid the officer recalled would be set at the discretion of the Secretary. It would normally be that of the class in which the officer was serving at the time of his retirement.

New section 520(c) provides that a participant in the Foreign Service retirement and disability system retired mandatorily for age shall not be barred from reemployment in any Government agency. New section 872 provides that an officer will receive the salary of the position in which he is reemployed, plus such part of his annuity as when added to his salary will equal the basic salary he was receiving at time of retirement. Most Foreign Service officers are mandatorily retired at age 60. Some of these possess the experience, ability, and vigor which would make them useful to other agencies of the Government. This proposed provision would make it possible for these officers to be reemployed when their services are needed.

APPOINTMENTS AND ASSIGNMENTS TO THE RESERVE

Existing legislation

SEC. 522.

No Existing Legislation.

Proposed legislation

SEC. 522.

(3) *extend the appointment or assignment or any Reserve officers, or continue the services of any such Reserve officer by reappointment without regard to the provisions of section 527 of this Act, for not more than five additional years if the Secretary deems it to be in the public interest to continue such officer in the Service, except that the assignment of any Reserve officer under paragraph (2) above may not be extended under the provisions of this paragraph without the consent of the head of the agency concerned.*

The proposed new subsection (3) of section 522 is needed by the Department to provide for the continuation on the rolls of certain Foreign Service Reserve officers whose positions together with certain functions have been transferred from ICA to the regular operations of the Department of State. Many of these officers appointed under the special authority available to ICA, with no limitation on the term of their service as Foreign Service Reserve officers, have now served in excess of 5 years yet they must be continued in their same capacities for several more years because of the program responsibilities which have been transferred to the Department. This proposed amendment will give the Secretary authority to extend the appointments of such officers as well as certain other Reserve officers whose services are determined to be essential. Where extensions are made under this provision and the officer's initial appointment was subject to the provisions of subsection (2) of this section, extension service under the new provision will be made only with the consent of the head of the agency concerned. This provision will also enable the Secretary of State in his discretion to extend the tour of duty of a Reserve officer for an additional period not in excess of 5 years if such officer is performing work of a character particularly valuable to an agency of the Government other than the Department of State and if the head of that agency should request such an extension.

PART D—FOREIGN SERVICE STAFF OFFICERS AND EMPLOYEES

APPOINTMENTS

Existing legislation

SEC. 531. [The Secretary shall appoint staff officers and employees under such regulations as he may prescribe and, as soon as practicable, in accordance with the provisions of sections 441, 442, and 443.]

Proposed legislation

SEC. 531. *The Secretary may, under such regulations as he may prescribe, appoint staff officers and employees on the basis of qualifications and experience. The Secretary may make provisions for temporary, limited, and such other type appointments as he may deem necessary. He is authorized to establish appropriate probationary periods during which newly appointed staff officers or employees, other than those appointed for temporary or limited service shall be required to serve. The Secretary may terminate at any time, without regard to the provisions of section 637, or the provisions of any other law, staff officers or employees appointed for temporary or limited service and other staff officers or employees who occupy probationary status.*

Revised section 531 is designed to emphasize the principle that staff officers and employees shall be appointed on the basis of qualifications, experience and merit. The reference in the present language to sections 441, 442, and 443 has been eliminated. It is proposed that section 442 be repealed since it is superseded by the proposed amendment to section 416. Reference to sections 441 and 443 is unnecessary, and, in fact, is misleading in the sense that the reference could be interpreted to require appointment to a particular position rather than to a class.

The other purpose of the revised section is to make it clear that in prescribing regulations concerning the appointment of staff personnel the Secretary may provide for appropriate types of appointments in terms of tenure, i.e., temporary, limited, and permanent type appointments and, in addition, to make clear that the Secretary may establish a probationary period of appropriate length and separate a newly appointed staff officer or employee who fails to meet probationary requirements without regard to the normal separation for cause procedures established by the proposed new section 637. In view of the importance of the particular personnel policies based on this section the language of the section is being clarified and made more specific.

ASSIGNMENTS AND TRANSFERS

Existing legislation

SEC. 532. [The Secretary may, in accordance with uniform procedures established in such regulations as he may prescribe, assign a staff officer or employee to a position at any post and transfer such a person from a position in one class to a vacant position within the same class, and from one post to another. Upon demonstration of ability to assume duties of greater responsibility, such person may, as provided in section 641, be promoted to a vacant position in a higher class at the same or at a higher rate of salary and he may be transferred from one post to another in connection with such promotion.]

Proposed legislation

SEC. 532. Under such regulations as he may prescribe, the Secretary may assign a staff officer or employee to any post or he may assign him to serve in any position in which he is eligible to serve under the terms of this or any other Act. A staff officer or employee may be transferred from one post to another by order of the Secretary as the interests of the Service may require.

The revision of section 532 has been made for the purpose of simplifying the language of the section to correspond more closely to the comparable provisions for Foreign Service officers and to reflect more clearly the intent of the revised section 441 relating to the classification of positions. The language of section 532 relating to promotion has been deleted, inasmuch as section 641 covers the promotion of staff officers and employees to a higher class.

PART H—ASSIGNMENT OF FOREIGN SERVICE PERSONNEL

ASSIGNMENTS TO ANY GOVERNMENT AGENCY

Existing legislation

SEC. 571. (a) Any officer or employee of the Service may, in the discretion of the Secretary, be assigned or detailed for duty in any Government agency, such an assignment or combination of assignments to be for a period of not more than four years, except that under special circumstances the Secretary may extend this four-year period for not more than four additional years.

Proposed legislation

SEC. 571. (a) Any officer or employee of the Service may, in the discretion of the Secretary, be assigned or detailed, for duty in any Government agency, or in any international organization, international commission, or any international body, such an assignment or combination of assignments to be for a period of not more than four years, except that under special circumstances the Secretary may extend this four-year period for not more than four additional years.

[(b) A Foreign Service officer may be appointed as Director General, not-

Existing legislation

withstanding the provisions of the last sentence of paragraph (a) of this section, but any such officer may not serve longer than four years in such position or positions and upon the completion of such service may not again be assigned to a position in the Department until the expiration of a period of time equal to his tour of duty as Director General or until the expiration of two years, whichever is shorter.]

[(c)] If a Foreign Service officer shall be appointed by the President, by and with the advice and consent of the Senate, to a position in [the Department,] the period of his service in such capacity shall be construed as constituting an assignment [for duty in the Department] within the meaning of paragraph (a) of this section and such person shall not, by virtue of the acceptance of such an assignment, lose his status as a Foreign Service officer. Service in such a position shall not, however, be subject to the limitations concerning the duration of an assignment [or concerning reassignment] contained in that paragraph.

[(d)] If the basic minimum salary of the position to which an officer or employee of the Service is assigned pursuant to the terms of this section is higher than the salary such officer or employee is entitled to receive as an officer or employee of the Service, such officer or employee shall, during the period such difference in salary exists, receive the salary of the position in which he is serving in lieu of his salary as an officer or employee of the Service. Any salary paid under the provisions of this section shall be paid from appropriations made available for the payment of salaries of officers and employees of the Service and shall be the salary on the basis of which computations and payments shall be made in accordance with the provisions of title VIII.

[(e)] The salary of an officer or employee assigned pursuant to the terms of this section shall be paid from appropriations made available for the payment of salaries of officers and employees of the Service. Such appropriations may be reimbursed, however, when the

Proposed legislation

(b) If a Foreign Service officer shall be appointed by the President, by and with the advice and consent of the Senate, or by the President alone to a position in any Government agency, any United States delegation or mission to any international organization, international commission, or any international body, the period of his service in such capacity shall be construed as constituting an assignment within the meaning of paragraph (a) of this section and such person shall not, by virtue of the acceptance of such an assignment, lose his status as a Foreign Service officer. Service in such a position shall not, however, be subject to the limitations concerning the duration of an assignment contained in that paragraph.

(c) If the basic minimum salary of the position to which an officer or employee of the Service is assigned pursuant to the terms of this section is higher than the salary such officer or employee is entitled to receive as an officer or employee of the Service, such officer or employee shall, during the period such difference in salary exists, receive the salary and allowances of the position in which he is serving in lieu of his salary and allowances as an officer or employee of the Service. Any salary paid under the provisions of this section shall be paid from appropriations made available for the payment of salaries of officers and employees of the Service and shall be the salary on the basis of which computations and payments shall be made in accordance with the provisions of title VIII. No officer or employee of the Service who, subsequent to the effective date of this Act is assigned to, or who after June 30, 1960, occupies a position in the Department that is designated as a Foreign Service position shall be entitled to receive a salary differential under the provisions of this paragraph.

(d) The salary of an officer or employee assigned pursuant to the terms of this section shall be paid from appropriations made available for the payment of salaries of officers and employees of the Service. Such appropriations may be reimbursed, however,

Existing legislation

Secretary enters into reimbursement agreements [with heads of Government agencies] for all or any part of the salaries of officers or employees assigned to such agencies and payment is received pursuant thereto, or when an officer or employee of the Service is assigned to a position the salary of which is payable from other funds available to the Department.

Proposed legislation

when the Secretary enters into reimbursement agreements for all or any part of the salaries of officers or employees assigned to such agencies and payment is received pursuant thereto, or when an officer or employee of the Service is assigned to a position the salary of which is payable from other funds available to the Department.

[ASSIGNMENTS TO INTERNATIONAL ORGANIZATIONS

[Sec. 576. The Secretary may, in his discretion, assign or detail an officer or employee of the Service for temporary service to or in cooperation with an international organization in which the United States participates under the same conditions as those governing the assignment or detail of officers or employees of the Service to the government of another country in accordance with the provisions of the Act of May 25, 1938, as amended (52 Stat. 442; 53 Stat. 652; 5 U.S.C. 118e).]

Section 571(a) has been revised to clearly establish authority for the Secretary to assign or detail in his discretion, officers or employees of the Service to any official delegation or mission, to any international organization, international commission, or international body as well as to any Government agency.

Paragraph (b) which originally related to authority to appoint a Foreign Service officer as Director General without regard to the limitations of paragraph (a) relating to period of assignment to duty in the Department is no longer needed as amendments to section 571(a), Public Law 22, 84th Congress, provide authority for the Secretary to extend, under special circumstances, a 4-year period of duty for a period of an additional 4 years. Paragraph (b) is, therefore, being deleted as no longer needed.

Paragraph (c) has been redesignated as paragraph (b) and has been changed to provide authority for the appointment by the President, by and with the advice and consent of the Senate, or by the President alone (e.g. International Boundary Commissions), of a Foreign Service officer to a position in any Government agency including any U.S. delegation or mission to international organizations, international commissions, or other international bodies without the requirement that the appointee shall lose his status as a Foreign Service officer. Existing section 571(b) now provides such authority for appointment of an FSO to a position in the Department but does not provide for his appointment elsewhere in Government. The recent appointment of a Foreign Service officer of career minister rank to head the USIA has emphasized the need for this broader authority.

By changing references to "the Department" to "any Government agency" the subsection is being brought into conformity with section 571(a) as amended by Public Law 22. The reference to "or concerning reassignment" has been eliminated as no longer necessary.

Paragraph (d) has been designated as paragraph (c). This section of the act provides that in the event an officer or employee of the Service is assigned or detailed to duty with any Government agency (including the Department of State), he shall receive the difference, if any, between his salary as an officer or employee of the Service and the basic minimum salary of the position to which he is assigned. This provision was included in the Foreign Service Act of 1946 to offset in part the loss of allowances that result when the officer or employee is assigned from a post abroad to a position with a Government agency in the United States. It was designed to recognize the principle of equal pay for equal work from the standpoint that an officer or employee of the Foreign Service when assigned to a position in a Government agency in the United States to work in conjunction with civil service officers, would receive at least the minimum rate

for the position to which he is assigned as determined by the classified grade of the position under civil service classification procedures.

Subsequent to the enactment of the Foreign Service Act of 1946, provision has been made for a home service transfer allowance for Foreign Service personnel incident to an assignment to the United States between foreign post assignments. Moreover, as a consequence of the Secretary's integration program, the Foreign Service will be used increasingly to staff departmental positions. A "Washington" assignment at periodic intervals is, in effect, and increasingly will become, a normal assignment. This change in assignment practices when taken in context with the proposed revision of section 441 permitting the Secretary to classify departmental positions that are occupied by Foreign Service officers under Foreign Service rather than civil service classification standards, suggests that there is no longer justification for this so-called "Washington" salary differential for officers of the Service assigned to positions in the Department. Section 571(e) will therefore exclude Foreign Service officers so assigned from "Washington" differential provisions. The provisions of this section will not, however, prevent officers or employees of the Service assigned to other Government agencies or to official delegations or missions to international organizations, international commissions, or other international bodies, from receiving a salary differential if the basic salary rate of the position to which they are assigned exceeds the salary appropriate to their personal rank.

Paragraph (e) of this section has been redesignated as paragraph (d). The phrase "with heads of Government agencies" has been deleted because reimbursement agreements may be made with officials other than heads of agencies when officers or employees are assigned to international organizations, international commissions, or international bodies.

Since the provisions of section 576 have been superseded by revised section 571, it is proposed that section 576 be deleted.

TITLE VI. PERSONNEL ADMINISTRATION

IN-CLASS PROMOTIONS OF FOREIGN SERVICE OFFICERS AND RESERVE OFFICERS

Existing legislation

Sec. 625. Any Foreign Service officer or any Reserve officer, whose services meet the standards required for the efficient conduct of the work of the [Foreign] Service and who shall have been in a given class for a continuous period of nine months or more, shall, on the first day of each fiscal year, receive an increase in salary to the next higher rate for the class in which he is serving. [The] Secretary is authorized to grant to [a Foreign Service officer or a Reserve officer, in any class,] additional increases in salary within the salary range established for the class in which he is serving, based upon especially meritorious service.

Proposed legislation

Sec. 625. Any Foreign Service officer or any Reserve officer, whose services meet the standards required for the efficient conduct of the work of the Service and who shall have been in a given class for a continuous period of nine months or more, shall, on the first day of each fiscal year, receive an increase in salary to the next higher rate for the class in which he is serving. *Without regard to any other law the* Secretary is authorized to grant to *any such officer* additional increases in salary within the salary range established for the class in which he is serving, based upon especially meritorious service.

Section 625 has been revised in order to reaffirm the Secretary's authority to grant additional inclass increments in recognition of especially meritorious service (in the light of the Fringe Benefits Act). While cash awards provided for by the Fringe Benefits Act may in general serve well in providing rewards for especially meritorious or superior service, they are not as appropriate as inclass increase awards for officers of the Foreign Service. Frequently the needs of the Service require an officer to serve for protracted periods of time in positions classified several levels above their personal rank. In many such cases officers have distinguished themselves in the performance of their duties and it is considered that an inclass promotion is more desirable and acceptable under these circumstances than a cash award would be. Further, there are a number of unusual and difficult foreign languages which owing to their uniqueness are not offered on a formal training basis; however, officers frequently upon their own initiative undertake the study of and become proficient in such languages. It is considered that the award of a meritorious inclass increase for such an accomplishment better serves the interests of the Government because it provides a continuing and more desirable incentive for the undertaking of such voluntary and specialized study by members of the Foreign Service.

PART D—SEPARATION OF **FOREIGN SERVICE OFFICERS** OFFICERS AND
EMPLOYEES FROM THE SERVICE:

FOREIGN SERVICE OFFICERS WHO ARE CAREER MINISTERS

Existing legislation

SEC. 631. Any Foreign Service officer who is a career ambassador or a career minister, other than one occupying a position as chief of mission, shall, upon reaching the age of sixty-five, be retired from the Service and receive retirement benefits in accordance with the provisions of section 821, but whenever the Secretary shall determine **[an emergency to exist, he may,]** in the public interest, extend such an officer's service for a period not to exceed five years.

Proposed legislation

SEC. 631. Any Foreign Service officer who is a career ambassador or a career minister, other than one occupying a position as chief of mission or any other position to which he has been appointed by the President, by and with the advice and consent of the Senate, shall, upon reaching the age of sixty-five, be retired from the Service and receive retirement benefits in accordance with the provisions of section 821, but whenever the Secretary shall determine *it to be* in the public interest, *he may* extend such an officer's service for a period not to exceed five years.

Section 631 changes the conditions under which the Secretary may extend the services of career ambassadors or career ministers beyond mandatory retirement age. It is further changed to provide that a career ambassador or career minister serving in any other position to which he has been appointed by the President, by and with the advice and consent of the Senate, e.g., Deputy Under Secretary, Assistant Secretary, etc., shall continue to hold such positions until the expiration of his appointment. The Department's experience has proved that it is essential to avoid interruption to the continuity of the service of Foreign Service officers serving in Presidential appointments as it is to avoid such interruption to the service of chiefs of mission. It is not contemplated that a career ambassador or career minister who is a Presidential appointee serving in a capacity other than chief of mission will have his services extended beyond the time he occupies the specific position in which he is serving when he reaches mandatory retirement age. Normally, the officer would be mandatorily retired at the end of such appointment.

Occasionally because of the specialized nature of the assignments of career ambassadors or career ministers who are not serving as chiefs of mission or in Presidential appointments and because of their unique knowledge or experience, it is in the interest of the Service to have them continue on duty for a limited period after they reach mandatory retirement age. Under present provisions, in order to make such an extension of an officer's service the Secretary must determine "an emergency to exist." This phrase has been found to be subject to different interpretations and to make it difficult for the Department to carry out the intent of this provision when the public interest can best be served by a brief delay in the retirement of certain officers. This provision will be used only in exceptional circumstances when it is clear that the continuation of the services of the officer will be in the public interest.

FOREIGN SERVICE OFFICERS WHO ARE NOT CAREER MINISTERS

Existing legislation

SEC. 632. Any Foreign Service officer who is not a career ambassador or a career minister shall, upon reaching the age of sixty, be retired from the Service and receive retirement benefits in accordance with the provisions of section 821 but **[when]** the Secretary shall determine **[an emergency to exist, he may,]** in the public interest, extend such an officer's service for a period not to exceed five years.

Proposed legislation

SEC. 632. Any Foreign Service officer, other than one occupying a position as chief of mission or any other position to which he has been appointed by the President, by and with the advice and consent of the Senate, who is not a career ambassador or a career minister shall, upon reaching the age of sixty, be retired from the Service and receive retirement benefits in accordance with the provisions of section 821 but *whenever* the Secretary shall determine *it to be* in the public interest, *he may* extend such an officer's service for a period not to exceed five years.

Section 632 is changed for the same reasons given under section 631. Provision would be made for extending briefly beyond mandatory retirement the services of a very limited number of Foreign Service officers below rank of career minister when it is clear that the continuation of the services of an officer would be in the public interest. Under present provisions, in order to make such an extension of an officer's service the Secretary must determine "an emergency to exist." This phrase has been found to be subject to different interpretations and to make it difficult for the Department to carry out the intent of this provision when the public interest can best be served by a brief delay in the retirement of certain officers. This provision will be used only in exceptional circumstances when it is clear that the continuation of the services of the officer will be in the public interest.

Existing legislation

SEPARATION FOR [UNSATISFACTORY PERFORMANCE OF DUTY]

Existing legislation

SEC. 637. (a) The Secretary may, under such regulations as he may prescribe, separate from the Service any Foreign Service officer [above class 8] on account of the unsatisfactory performance of his duties [;] but no such officer shall be so separated [from the Service] until he shall have been granted a hearing by the Board of the Foreign Service and the unsatisfactory performance of his duties shall have been established at such hearing[.]

Proposed legislation

SEPARATION FOR CAUSE

Proposed legislation

SEC. 637. (a) The Secretary may, under such regulations as he may prescribe, separate from the Service any Foreign Service officer, *Reserve officer, or staff officer or employee*, on account of the unsatisfactory performance of his duties, *or for such other cause as will promote the efficiency of the Service, and for reasons given in writing*, but no such officer or employee shall be so separated until he shall have been granted a hearing by the Board of the Foreign Service and the unsatisfactory performance of his duties, *or other cause for separation*, shall have been established at such hearing, *or else he shall have waived in writing his right to a hearing. The provisions of this section shall not apply to Foreign Service officers of class 8 or any other officer or employee of the Service who is in a probationary status or whose appointment is limited or temporary.*

[PART F—SEPARATION OF STAFF OFFICERS AND EMPLOYEES

[FOR UNSATISFACTORY PERFORMANCE OF DUTY

[SEC. 651. The Secretary may, under such regulations as he may prescribe, separate from the Service any staff officer or employee on account of the unsatisfactory performance of his duties, but no such officer or employee shall be so separated from the Service until he shall have been granted a hearing by the Board of the Foreign Service and the unsatisfactory performance of his duties shall have been established at such hearing.]

[SEPARATION FOR MISCONDUCT OR MALFEASANCE

[SEC. 638. The Secretary shall separate from the Service any Foreign Service officer or Reserve officer who shall be guilty of misconduct or malfeasance in office, but no such officer shall be so separated from the Service

Existing legislation

until he shall have been granted a hearing by the Board of the Foreign Service and his misconduct or malfeasance shall have been established at such hearing. Any officer separated from the Service in accordance with the provisions of this section shall not be eligible to receive the benefits provided by title VIII of this Act, but his contributions to the Foreign Service Retirement and Disability Fund shall be returned to him in accordance with the provisions of section 841(a).】

【FOR MISCONDUCT OR MALFEASANCE

【SEC. 652. The Secretary shall separate from the Service any staff officer or employee who shall be guilty of misconduct or malfeasance in office, but no such officer or employee shall be so separated from the Service until he shall have been granted a hearing by the Board of the Foreign Service and his misconduct or malfeasance shall have been established at such hearing.】

SEC. 637. (b) Any 【Foreign Service officer】 over forty-five years of age, separated from the Service 【in accordance with the provisions of paragraph (a) of this section,】 shall be retired upon an annuity computed in accordance with the provisions of section 821 but not in excess of 25 per centum of his per annum salary at the time of his separation【.】

【(c) Any Foreign Service officer】 under forty-five years of age, separated from the Service 【in accordance with the provisions of paragraph (a) of this section,】 shall at the time of separation receive a payment equal to one year's salary or the refund of the contributions made by him to the Foreign Service Retirement and Disability Fund, whichever shall be greater.

Proposed legislation

SEC. 637. (b) Any participant in the Foreign Service Retirement and Disability system who is—

(1) over forty-five years of age, separated from the Service for *unsatisfactory performance of duty* shall be retired upon an annuity computed in accordance with the provisions of section 821 but not in excess of 25 per centum of his per annum salary at the time of his separation;

(2) under forty-five years of age, separated from the Service for *unsatisfactory performance of duty* shall at the time of separation receive a payment equal to one year's salary or the refund, as provided in section 841 (a), of the contributions made by him to the Foreign Service Retirement and Disability Fund, whichever shall be greater.

(c) Any participant in the Foreign Service Retirement and Disability system separated under the provisions of paragraph (a) of this section, for reasons other than *unsatisfactory performance of duty*, may, in the discretion of the Secretary and on the basis of criteria established in advance by him, be granted the benefits of paragraph (b) of this section depending upon his age. Unless the Secretary determines at the time of separation of a participant under the provisions of paragraph (a) of this section that he shall be granted the benefits of paragraph (b) of this section his contributions to the Foreign Service Retirement and Disability Fund shall be returned to him in accordance with the provisions of section 841 (a).

Existing legislation

[(d)] Any payments made in accordance with the provisions of this section shall be made out of the Foreign Service Retirement and Disability Fund.

New section 637(a) combines into one section the provisions of section 637 and 651 relative to separation for unsatisfactory performance of duty as well as the provisions of sections 638 and 652 relative to separation for misconduct and malfeasance. In so doing the following substantive changes have been made:

(1) The Secretary is given the discretion to determine whether an officer or employee should be separated for cause. At present he does not have complete discretion in this matter. Under present provisions it is frequently difficult if not impossible to distinguish between unsatisfactory performance and misconduct. Gravity of a proven case may or may not warrant less stringent forms of discipline than outright dismissals.

(2) The requirement of a hearing does not apply if the officer or employee waives his right to a hearing.

(3) It may be noted that the revised section applies equally to all Foreign Service officers, Foreign Service Reserve officers, and Foreign Service staff officers and employees.

Foreign Service officers who are in probationary status and any other officers and employees of the Service whose appointments are temporary or limited are not subject to the provisions of this section as their services may be terminated at any time at the discretion of the Secretary.

Paragraph (b) has been revised to provide retirement benefits specifically for participants in the Foreign Service Retirement and Disability system who are over 45 years of age at time of separation for unsatisfactory performance of duty. This paragraph further provides that participants in the Foreign Service Retirement and Disability system who are under 45 years of age at time of separation for unsatisfactory performance of duty shall receive a payment of 1 year's salary or the refund of contributions made to the Foreign Service Retirement and Disability Fund, whichever is greater.

Paragraph (c) gives the Secretary authority to determine that the benefits of paragraph (b) may apply to officers and employees separated for cause if in his discretion such action is justified in the light of the nature of the charges causing separation.

New paragraph (d) has been added to deny nonparticipants in the Foreign Service Retirement and Disability system the benefits of "severance pay" in the form of a year's salary in lieu of a refund of retirement deductions as is provided in paragraph (b) for participants. A participant in another retirement system over which the Department will have no control could be entitled to a refund of his contributions to that system or to deferred annuity and thus could receive greater benefits than participants in the Foreign Service Retirement and Disability system who are separated for cause.

Existing paragraph (d) has been renumbered paragraph (e).

Proposed legislation

(d) Any officer or employee of the Service who is not a participant in the Foreign Service Retirement and Disability system shall be entitled only to such benefits as shall accrue to him under the retirement system in which he is a participant.

(e) Any payments made in accordance with the provisions of paragraphs (b) or (c) of this section shall be made out of the Foreign Service Retirement and Disability Fund.

TERMINATION OF APPOINTMENT OF FOREIGN SERVICE RESERVE OFFICERS AND STAFF OFFICERS AND EMPLOYEES UNDER LIMITED APPOINTMENT

Existing legislation

No existing legislation

Proposed legislation

Sec. 638. Notwithstanding the provisions of this or any other law, the Secretary may, under such regulations as he may prescribe, terminate the services of any Reserve officer or staff officer or employee serving under limited appointment at any time.

The Foreign Service Act of 1946, as amended, does not specifically provide the Secretary with clear-cut authority for the separation, when their services are no longer needed, of Foreign Service Reserve officers, whose appointments, by their designation, are recognized as being temporary or limited in nature. Further, the Foreign Service Act of 1946, as amended, does not provide clear-cut authority for the Secretary to terminate staff officers or employees who are serving under limited appointments. This amendment is designed to provide statutory authority for the termination of such employees at the end of the specified period of employment, upon expiration of the special program for which the employee was appointed, or when the need no longer exists for the employee's services.

This flexibility is needed in order to staff new programs with personnel who are willing to accept such assignments and in order to be able to terminate their services with the minimum of disruption.

PART E—PROMOTION OF FOREIGN SERVICE STAFF OFFICERS AND EMPLOYEES

CLASS PROMOTION OF STAFF PERSONNEL

Existing legislation

SEC. 641. [Any staff officer or employee may, in accordance with uniform procedures established in regulations prescribed by the Secretary, upon demonstration of ability to assume duties of greater responsibility, be promoted to a vacant position in a higher class at the same or at a higher rate of salary.]

Section 641 is amended to emphasize the fact that all promotions of staff officers and employees to a higher class shall be on a competitive basis in relation to performance, qualifications, and merit and to provide language that is more nearly consistent with the intent of section 441 relating to the classification of positions. As indicated in the explanation of the proposed Foreign Service salary schedule under section 415, staff personnel upon promotion to a higher class would receive a tangible increase in salary.

IN-CLASS PROMOTIONS OF STAFF OFFICERS AND EMPLOYEES

Existing legislation

SEC. 642. [In-class promotions of staff officers and employees shall be granted in accordance with regulations prescribed by the Secretary.]

No existing legislation.

Proposed legislation

SEC. 641. All promotions of staff officers and employees to a higher class shall be made at the same or at a higher salary on the basis of performance and merit in accordance with such regulations as the Secretary may prescribe.

Proposed legislation

SEC. 641. (a) Under such regulations as the Secretary may prescribe, any staff officer or employee whose services meet the standards required for the efficient conduct of the work of the Service shall receive an increase in salary at periodic intervals to the next higher salary rate for the class in which he is serving. Without regard to any other law the Secretary is authorized to grant any such officer or employee additional increases in salary within the salary range established for the class in which he is serving, based upon especially meritorious service.

(b) Under such regulations as the Secretary may prescribe, any staff officer or employee who has achieved the maximum salary rate prescribed by section 415 for the class in which he is serving may be granted an additional in-class salary increment from time to time in recognition of longevity and proficiency in the Service. Each such salary increment shall be equal to the maximum step rate increment of the applicable class and no person shall receive more than four such salary increments while serving in the same class.

Paragraph (a) of section 642 has been revised to clarify the present provisions for periodic in-class promotions for Foreign Service staff personnel. In addition, it provides the Secretary with the same authority to provide for staff personnel in-class increases as a reward for meritorious service as that contained in section 625 relating to such meritorious in-class promotions for Foreign Service officers and Foreign Service Reserve officers.

The principal purpose of new section 642(b) is to authorize the Secretary to establish a system of longevity pay increases for staff personnel. The principle and the practice of longevity pay is well established in government and in industry. Although the work performed by staff corps personnel is highly essential and important to the effective functioning of the Service, in the majority of the cases the nature of the duties and the qualifications required therefor impose automatic limitations on promotional opportunities in the staff corps. In addition, as a consequence of the Secretary's integration program, promotional opportunities in the staff corps cannot be as attractive as formerly; however, most staff personnel performing in Foreign Service officer positions who qualified for lateral entry were integrated into the Foreign Service officer corps. Longevity pay is not pertinent in the case of Reserve officers whose tenure is limited to a period of five years, and it is not consistent with the promotion and selection-out provisions applicable to Foreign Service officers. In the case of Foreign Service staff corps personnel a longevity pay system will meet a definite need in providing an incentive for qualified and experienced employees to continue in the Service throughout their working careers, thus providing these highly essential skills for the Service with a minimum of turnover and cost.

The proposed revision would authorize the Secretary to grant a longevity salary increment from time to time on the basis of significant longevity landmarks in terms of the total years of United States Government service rendered by an employee, provided his record of performance is sufficiently superior to merit the award of such increment. In other words, it is not intended that longevity increments would be awarded automatically on the basis of satisfactory service, as in the case of the regular within-class increases but rather the purpose of the plan is to recognize longevity in combination with proficiency in order to provide a stimulus for long-service employees who remain in the same class to continue to excel in the performance of their duties as well as to continue in the Service.

It is contemplated that the Secretary will establish by regulation the eligibility periods for longevity increments under this plan. In all probability these eligibility periods would be established as a minimum of 10 years of service for the first such increase, 15 years for the second, 20 years for the third, and 25 years for the fourth. Achievement of such longevity increases will have a continuing prestige value as they will signify the years of service as well as the fact that the employee has continued to perform his duties in a highly satisfactory manner. After experience with this plan it may be determined that different years of service landmarks might be desirable; e.g., 12 years' minimum service in lieu of 10, etc.

Further, provision will be made that employees who have already served 15, 20, or 25 years of service at the time they achieve the maximum step rate of a given class will be eligible for consecutive longevity increases on an annual (or possibly biennial) basis until they reach the longevity increase appropriate for or related to the number of years of service they have completed, provided they have continued their proficiency in the performance of their duties. In this way, some employees with many years of service already completed and who have been paid at the maximum step rate of their present class for a year or more would, at the time of the enactment of this provision, become immediately eligible for a longevity increase and might continue to be so eligible for subsequent longevity promotions on an annual (or biennial) basis; e.g., an employee who has been at the maximum step rate of his class for a year and has completed 20 years of Government service could receive three longevities on an annual basis (provided his proficiency in the performance of his duties continues) until he reached the 20-year longevity rate, at which time he would begin a 5-year waiting period for the last one.

TITLE VII. THE FOREIGN SERVICE INSTITUTE

ESTABLISHMENT OF THE INSTITUTE

Existing legislation

SEC. 701. The Secretary shall, in order to furnish training and instruction to officers and employees of the Service and of the Department and to other officers and employees of the Government for whom training and instruction in the field of foreign relations is necessary, and in order to promote and foster programs of study incidental to such training, establish a Foreign Service Institute, hereinafter called the Institute.

Proposed legislation

SEC. 701. The Secretary shall, in order to furnish training and instruction to officers and employees of the Service and of the Department and to other officers and employees of the Government for whom training and instruction in the field of foreign relations is necessary, and in order to promote and foster programs of study incidental to such training, establish a Foreign Service Institute, hereinafter called the Institute. *The Secretary may also provide appropriate orientation and language training to dependents of officers and employees of the Government if such officers and employees are assigned to foreign relations activities.*

The proposed addition to section 701 will give the Secretary specific authority to provide orientation and language training to dependents of officers and employees of the Government who are to serve in foreign relations activities abroad.

APPOINTMENT, ASSIGNMENT, AND DETAIL TO THE INSTITUTE

Existing legislation

SEC. 704.
No existing legislation.

Proposed legislation

SEC. 704.
(e) *The Secretary may, under such regulations as he may prescribe, in the absence of suitably qualified United States citizens, employ persons who are not citizens of the United States by appointment to the staff of the Institute either on a full- or part-time basis or by contract for services in the United States or abroad at rates not in excess of those provided by the Classification Act of 1949, as amended (5 U.S.C. 1071).*

A new paragraph (e) has been added to section 704. This will provide the Secretary with authority either to employ on the staff of the Institute or to contract for the services of aliens for use in language and area training programs. The primary goal of the language and area programs is to have the student achieve a comprehensive speaking and reading proficiency of a language as well as an area knowledge of a country. Frequently the persons best qualified to provide such instruction are recent emigres who have not had an opportunity to acquire American citizenship. Such persons may teach in universities to which Foreign Service personnel might be assigned, but their employment on the staff of the Institute has not heretofore been authorized. This authority will enable the Department to strengthen its language and area training programs in the Foreign Service Institute.

Both full-time and part-time language and area instructors and tutors will normally be appointed to the staff of the Institute when they are to be used on continuing programs. Authority to employ by contract is considered essential, however, since in many cases persons used in these programs are available in the United States for only short periods of time. In many instances because of the varying requirements of the Institute short term instructors can adequately fill the needs for specialized language and area training. To avoid excessive turnover in the staff of the Institute, and to meet unforeseen changes or modifications in programs, the flexibility provided by a contract provision will bring about economy in the operation of the Institute's programs.

TITLE VIII. THE FOREIGN SERVICE RETIREMENT AND
DISABILITY SYSTEM

PART A—ESTABLISHMENT OF SYSTEM

PARTICIPANTS

Existing legislation

SEC. 803. (b)
(2) have paid into the Fund a special contribution [equal to 5 per centum of his basic salary for each year of such service with interest thereon to date of payment, compounded annually at 4 per centum.]

No Existing Legislation.

Proposed legislation

SEC. 803. (b)
(2) have paid into the Fund a special contribution for each year of such service in accordance with the provisions of paragraph (b) of section 852.

(c)(1) In accordance with such regulations as the President may prescribe, any Foreign Service staff officer or employee appointed by the Secretary of State who has completed at least 10 years of continuous service in the Department's Foreign Service, exclusive of military service, shall become a participant in the Foreign Service Retirement and Disability system and shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with the provisions of section 852.

(2) Any such officer or employee who, under the provisions of paragraph (c)(1) of this section, becomes a participant in the Foreign Service Retirement and Disability system, shall be mandatorily retired for age during the first year after the effective date of this section if he attains age sixty-four or if he is over age sixty-four; during the second year at age sixty-three; during the third year at age sixty-two; during the fourth year at age sixty-one, and thereafter at age sixty.

Section 803(b)(2) has been revised to conform with revisions made in sections 811 and 852 which increase the rate of compulsory contribution to the Foreign Service Retirement Fund from 5 percent to 6½ percent.

New paragraph 803(c) provides for the participation on a mandatory basis of certain staff officers and employees in the Foreign Service Retirement and Disability system. At the present time staff officers and employees are covered by the Civil Service Retirement system. The 1956 amendments to the Civil Service Retirement Act of 1949 have substantially enhanced the attractiveness of this system. The Foreign Service Retirement system is designed to give recognition to the need for earlier retirement age for career Foreign Service personnel who spend the majority of their working years outside the United States, withstanding the rigors of moving and adjusting themselves and their families to new working and living situations every few years. At the same time, it is apparent that staff officers and employees who serve for an appreciable period are subject in large measure to the same conditions of service as Foreign Service officers who are participants under the Foreign Service Retirement and Disability system. Under the Secretary's Integration Program approximately 400 staff officers have been unable to qualify for lateral appointment as Foreign Service officers due principally to their inability to meet prescribed age requirements. A recent study of staff personnel in classes FSS-1 through 11, inclusive, indicates that there are about 450 staff officers and employees in those classes who have 10 or more years of creditable service toward retirement.

In certain instances staff officers and employees with relatively long periods of service in the Foreign Service may desire to retire voluntarily with full annuity at the earlier age permitted under the Foreign Service Retirement system. In some cases it would be in the interest of the Service and of individual officers and employees if the Foreign Service mandatory retirement provision for retirement at age 60 were made applicable to staff personnel. The need for stimulating somewhat earlier retirement, which is recognized in the case of Foreign Service

officers, is also significant in the case of certain Foreign Service staff officers and employees. The proposed provision not only would facilitate the development of a united Foreign Service, one of the principal objectives of the integration program, but it would also contribute to improved promotional opportunities for younger staff personnel.

The purpose of new paragraph 803(c)(1), therefore, is to provide that Foreign Service staff officers and employees who have completed 10 years of continuous service in the Foreign Service shall become participants in the Foreign Service Retirement and Disability system. These officers and employees will be required to make the necessary contribution to the Foreign Service Retirement and Disability Fund.

Paragraph (2) provides for the gradual phasing out of officers and employees who are above mandatory retirement age at the time they become participants in the system.

ANNUITANTS

Existing legislation

SEC. 804. Annuity shall be persons who are receiving annuities from the Fund on the effective date of this Act [] persons [who shall become entitled to receive annuities in accordance with the provisions of section 519, 631, 632, 634, 636, 637, 831, 832, and 833, and all widows] and beneficiaries of participants [who are] entitled to receive annuities in accordance with the [terms of this title.]

No existing legislation

Proposed legislation

SEC. 804. (a) Annuity shall be persons who are receiving annuities from the Fund on the effective date of this Act and all persons, including widows, widowers, dependent widowers, children, and beneficiaries of participants or annuitants who shall become entitled to receive annuities in accordance with the provisions of this Act, as amended, or in accordance with the provisions of section 5 of the Act of May 1, 1956 (70—Stat. 125).

(b) When used in this title the term—

(1) "Widow" means the surviving wife of a participant who was married to such participant for at least two years immediately preceding his death or is the mother of issue by such marriage.

(2) "Widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage.

(3) "Dependent widower" means the surviving husband of a participant who was married to such participant for at least two years immediately preceding her death or is the father of issue by such marriage, and who is incapable of self-support by reason of mental or physical disability, and who received more than one-half of his support from such participant.

(4) "Child" means an unmarried child, including (a) an adopted child, and (b) a step-child or recognized natural child who received more than one-half of his support from the participant, under the age of eighteen years, or such unmarried child regardless of age who because of physical or mental disability incurred before age eighteen is incapable of self-support.

Section 804 has been redesignated as section 804(a) and changed for purposes of simplification and to provide specifically that surviving children, widowers, and dependent widowers as well as widows may be included as survivor annuitants.

New paragraph 804(b) defines the terms "widow", "widower", "dependent widower" and "child".

PART B—COMPULSORY CONTRIBUTIONS

Existing legislation

SEC. 811. **Five** per centum of the basic salary received by each participant shall be contributed to the Fund, and the Secretary of the Treasury is directed to cause such deductions to be made and the sums transferred on the books of the Treasury Department to the credit of the Fund for the payment of annuities, cash benefits, refunds, and allowances.

Proposed legislation

SEC. 811. *Six and one-half* per centum of the basic salary received by each participant shall be contributed to the Fund, and the Secretary of the Treasury is directed to cause such deductions to be made and the sums transferred on the books of the Treasury Department to the credit of the Fund for the payment of annuities, cash benefits, refunds, and allowances.

The proposed change in this section would increase the rate of contribution to the Foreign Service Retirement and Disability Fund from 5 per centum to 6½ per centum of basic salary. This is a necessary amendment in view of the increased benefits provided by the proposed revisions in title VIII.

PART C—COMPUTATION OF ANNUITIES

Existing legislation

SEC. 821. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the Fund, multiplied by the number of years **of service**, not exceeding thirty-five **years**. However, the highest five years of service for which full contributions have been made to the Fund shall be used in computing the annuity of any Foreign Service officer who serves as chief of mission and whose continuity of service as such is interrupted prior to retirement by appointment or assignment to any other position determined by the Secretary to be of comparable importance. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

Proposed legislation

SEC. 821. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service for which full contributions have been made to the Fund, multiplied by the number of years, not exceeding thirty-five, of service credit obtained in accordance with the provisions of sections 851, 852, and 853. However, the highest five years of service for which full contributions have been made to the Fund shall be used in computing the annuity of any Foreign Service officer who serves as chief of mission and whose continuity of service as such is interrupted prior to retirement by appointment or assignment to any other position determined by the Secretary to be of comparable importance. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

(b) **At the time of his retirement**, a participant, if the husband of a wife to whom he has been married for at least three years or who is the mother of issue by such marriage, may elect to receive a reduced annuity for himself and to provide for an annuity payable to his widow, commencing on the date following his death and continuing as long as she may live. The annuity payable to his widow shall in no case exceed 25 per centum of his average basic salary as computed in accordance with subsection (a) of this section, or 66½ per centum of his reduced annuity. If the age of the participant is less than the age of the wife or exceeds her age by not more than eight years, the annuity of the participant will be reduced by an amount equal to one-half of the annuity

(b) *At the time of retirement, any participant may, except as otherwise provided by section 834 (a), elect to receive a reduced annuity and to provide for an annuity payable to his widow or her widower, commencing on the date following such participant's death and terminating upon the death of such surviving widow or widower. The annuity payable to the surviving widow or widower after such participant's death shall be 50 per centum of the amount of the participant's annuity, up to the full amount of his annuity, specified by him as the base for the survivor benefits computed as prescribed in paragraph (a) of this section. The annuity of the participant making such election shall be reduced by 2½ per centum of any amount up to \$2,400 he specifies as the base for*

Existing legislation

which he elects to have paid to his widow. If the age of the participant exceeds the age of the wife by more than eight years, the annuity of the participant will be reduced by an amount equal to one-half the annuity which he elects to have paid to his widow plus an additional reduction equal to 2 per centum of such widow's annuity for each year, or fraction thereof, that the difference in age exceeds eight. The participant may at his option also elect to have his annuity reduced by an additional 5 per centum of the amount which he elects to have paid to his widow, with a provision that, from and after the death of his wife, if the participant shall survive her, the annuity payable to the participant shall be that amount which would have been payable if no option had been elected.]

Proposed legislation

the survivor benefit plus ten per centum of any amount over \$2,400 up to the full amount of the participant's annuity, so specified.

(c)(1) If an annuitant who made the election provided for in paragraph (b) of this section dies and is survived by a widow or widower and by a child or children, there shall be paid to or on behalf of each child, in addition to the annuity payable to the surviving widow or widower under such election, an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average salary divided by the number of children; (ii) \$600; or (iii) \$1,800 divided between the number of children.

(2) If an annuitant who did not make the election provided for in paragraph (b) dies and is survived by a widow or widower and by a child or children, or if such annuitant is not survived by a widow or widower but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average salary divided by the number of children; (ii) \$720; or (iii) \$2,160 divided between the number of children.

(d) If a surviving widow or widower who is receiving an annuity in accordance with the provisions of paragraph (b) of this section dies or the annuity of a child is terminated, the annuity of any other child or children shall be recomputed and paid as though such wife, husband, or child had not survived the participant.

(e) The annuity payable to a child under paragraph (c) or (d) of this section shall begin on the first day of the next month after the participant dies and such annuity or any right thereto shall be terminated upon death, marriage, or attainment of the age of 18 years, except that, if a child is incapable of self-support by reason of mental or physical disability, the annuity shall be terminated only when such child dies, marries, or recovers from such disability.

Existing legislation

[(e) A participant who is not married at the time of his retirement or who is married to a wife who is not entitled to an annuity in accordance with the provisions of paragraph (b) of this section may elect to receive a reduced annuity for himself and to provide for an additional annuity payable after his death to a beneficiary whose name shall be notified in writing to the Secretary at the time of his retirement and who is acceptable to the Secretary. The annuity payments payable to such beneficiary shall be either equal to the deceased participant's reduced annuity payments or equal to 50 per centum of such reduced annuity payments and upon the death of the surviving beneficiary all payments shall cease and no further annuity payments shall be due or payable. To combined actuarial value of the two annuities on the date of retirement as determined by the Secretary of the Treasury shall be the same as the actuarial value of the annuity provided by paragraph (a) of this section. No such election of a reduced annuity payable to a beneficiary other than a child of the participant shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Secretary. Annuity payments payable in accordance with the provisions of this section to a beneficiary who is a child of a participant shall cease when the beneficiary reaches the age of twenty-one years.]

Proposed legislation

(f) A participant who is not entitled to designate a beneficiary in accordance with the provisions of paragraph (b) of this section may at the time of retirement elect to receive a reduced annuity for himself and to provide for an annuity payable after his or her death to a beneficiary whose name shall be notified in writing to the Secretary. The participant may elect that such beneficiary shall receive annuity payments either equal to 50 per centum of the participant's full annuity or to such lesser base sum as the participant shall designate. The annuity payable to a participant making such election shall be reduced by 10 per centum of an annuity computed as provided in subsection (a) of this section and by 5 per centum of an annuity so computed for each full five years the person designated is younger than the retiring participant, but such total reduction shall not exceed 40 per centum. Upon the death of the surviving beneficiary all payments shall cease and no further annuity payments shall be due or payable. No such election of a reduced annuity payable to a beneficiary shall be valid until the participant shall have satisfactorily passed a physical examination as prescribed by the Secretary.

Section 821 has been amended to extend to participants in the Foreign Service system many of the survivorship benefits provided at present by other Federal retirement systems.

Paragraph (b) prescribes the formula for computing a joint and survivorship annuity under which the retiring officer elects to receive a reduced annuity and provides upon death an annuity for the widow or widower. In this proposal a formula similar to that provided in the civil service retirement system has been adopted. The proposed legislation eliminates the provision of the existing legislation permitting the participant to accept a further reduction of 5 percent of the full annuity, with the provision for restoration of the full annuity if the spouse predeceases the participant. Actuaries regard this as a "gambling provision" unrelated to sound actuarial principles. It can well be eliminated if the new formula is adopted, for the retiring participant will not in that event suffer so great a loss in annuity by reason of making provision for his or her spouse.

Paragraph (c)(1) covers the case of an annuitant who elected in favor of a joint and survivorship annuity and is survived by a widow or widower and by a child or children. In such a case each child would receive in addition to the annuity received by the widow an annuity equal to the smallest of: (1) 40 percent of the annuitant's average salary divided by the number of children; (2) \$600; or (3) \$1,800 divided between the number of children.

Paragraph (c)(2) provides that if the annuitant did not make the election under paragraph (b), dies and is survived by a widow or widower and a child or children, or is survived only by children, they shall receive a higher annuity than they would under the care of a parent annuitant.

Paragraph (d) provides for an increase in the children's annuities if the surviving widow or widower dies, or another child's annuity terminates.

Paragraph (e) provides limitations on the payment of annuities to children; i.e., termination upon death, marriage, or attainment of age 18 years of con-

tinuance until death, marriage, or recovery when a child is incapable of self-support by reason of mental or physical disability.

Paragraph (f) provides for the designation of a beneficiary by a participant who is not married or who is not entitled to designate a beneficiary in accordance with the provisions of paragraph (b).

PART D—BENEFITS ACCRUING TO CERTAIN PARTICIPANTS

RETIREMENT FOR DISABILITY OR INCAPACITY—PHYSICAL EXAMINATION—RECOVERY

Existing legislation

SEC. 831. (a) Any participant who [, after serving for a total period of not less than five years,] becomes totally disabled or incapacitated for useful and efficient service by reason of disease or injury [incurred in the line of duty but] not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Secretary, be retired on an annuity computed as prescribed in section 821. If the disabled or incapacitated participant has [had] less than twenty years of service at the time he is retired, his annuity shall be computed on the assumption that he had had twenty years of service [.]

(b) In each case such disability shall be determined [by the report] of [a] duly qualified [physician] or [surgeon], designated by the Secretary to conduct [the examination]. Unless the disability is permanent, [a] like [examination] shall be made annually until the annuitant has reached the [retirement age as defined in sections 631 and 632, and the payment of the annuity shall cease from the date of a medical examination showing recovery.] Fees for examinations under this provision, together with reasonable traveling and other expenses incurred in order to submit to examination, shall be paid out of the Fund.

Proposed legislation

SEC. 831. (a) Any participant who *has five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of sections 851 or 852(a)(2) and who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Secretary, be retired on an annuity computed as prescribed in section 821. If the disabled or incapacitated participant has less than twenty years of service credit toward his retirement under the system at the time he is retired, his annuity shall be computed on the assumption that he had had twenty years of service, but the additional service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service.*

(b) In each case such disability shall be determined *by the Secretary upon the basis of the advice of one or more duly qualified physicians or surgeons, designated by the Secretary to conduct examinations. Unless the disability is permanent, like examinations shall be made annually until the annuitant has reached the statutory mandatory retirement age for his class in the Service. If the Secretary determines, on the basis of the advice of one or more duly qualified physicians or surgeons conducting such examinations that an annuitant has recovered to the extent that he can return to active duty, the annuitant shall be given the opportunity to be reinstated or reappointed in the Service. The Secretary may reinstate any such recovered disability annuitant in the class in which he was serving at time of retirement. The Secretary may, taking into consideration the age, qualifications, and experience of such officer and the rank of his contemporaries in the Service, recommend that the President, by and with the advice and consent of the Senate, appoint him to a class higher than the one in which he was serving prior to retirement. Payment of the annuity shall continue until*

Existing legislation

(c) [When the annuity is discontinued under this provision before the annuitant has received a sum equal to the total amount of his contributions, with accrued interest, the difference shall be paid to him or his legal representatives in the order of precedence prescribed in section 841.]

No existing legislation.

No existing legislation.

Proposed legislation

a date six months after the date of the examination showing recovery or until the date of reinstatement to active duty in the Service, whichever is earlier. Fees for examinations under this provision, together with reasonable traveling and other expenses incurred in order to submit to examination, shall be paid out of the Fund. If the annuitant fails to submit to examination as required under this section, payment of the annuity shall be suspended until continuance of the disability is satisfactorily established.

(c) If a recovered disability annuitant, whose annuity is discontinued, is for any reason not reinstated to active duty, or reappointed to a higher class in the Service, he shall be considered to have been separated within the meaning of section 834 as of the date he was retired for disability and he shall, after the discontinuance of the disability annuity, be entitled to the benefits of that section or of section 841(a) except that he may elect voluntary retirement in accordance with the provisions of section 636 if he can qualify under its provisions.

(d) No participant shall be entitled to receive an annuity under this Act and compensation for injury or disability to himself under the Federal Employees' Compensation Act of September 7, 1916, as amended, covering the same period of time. This provision shall not bar the right of any claimant to the greater benefit conferred by either Act for any part of the same period of time. Neither this provision nor any provision of the Act of September 7, 1916, as amended, shall be so construed as to deny the right of any person to receive an annuity under this Act by reason of his own services and to receive concurrently any payment under such Act of September 7, 1916, as amended, by reason of the death of some other persons.

(e) Notwithstanding any provision of law to the contrary, the right of any participant entitled to an annuity under this Act shall not be affected because such participant has received an award of compensation in a lump sum under section 14 of the Act of September 7, 1916, as amended, except that where such annuity is payable on account of the same disability for which compensation under such section has been paid, so much of such compensation as has been paid for any period extended beyond the date such annuity becomes effective, as determined by the Secretary of Labor, shall be refunded to the Department of Labor, to be paid into the Federal Employees' Compensation Fund. Before such person shall receive such annuity

*Existing legislation**Proposed legislation*

he shall (1) refund to the Department of Labor the amount representing such computed payments for such extended period, or (2) authorize the deduction of such amount from the annuity payable to him under this Act, which amount shall be transmitted to such Department for reimbursement to such Fund. Deductions from such annuity may be made from accrued and accruing payments, or may be prorated against and paid from accruing payments in such manner as the Secretary of Labor shall determine, whenever he finds that the financial circumstances of the annuitant are such as to warrant such deferred refunding.

Amendments to section 831 are proposed in order to remedy certain defects in existing law. The provisions concerning annual examination of disability annuitants are made more strict and a new provision is also made for reinstatement of a disability annuitant who recovers to such an extent that he may return to active duty. Under existing provisions there is no clear authorization for the reinstatement of a recovered disability annuitant.

The provisions relating to physicians and surgeons who make the examinations upon which disability retirement is determined and upon which reemployment or reinstatement may be based have been changed to provide for the designation by the Secretary of one or more physicians or surgeons. Further, the provisions have been changed to authorize the Secretary to make the determination, based on reports of the physicians and surgeons designated by him, that annuitants shall be retired on disability or reinstated or reappointed in the Service. It is contemplated that this will result in the establishment by regulation of a medical board designated by the Secretary to advise him with respect to disability retirement.

The present law provides that any participant who has 5 years of service credit is eligible for disability retirement. The proposed amendment would exclude from those 5 years free service credit granted for military service for which no contributions have been made to the fund.

The existing law provides that a disability annuitant is automatically given a minimum of 20 years of service credit. This provision is amended to limit the amount of extra service credit that can be credited to a disability annuitant to the difference between his age at the time of retirement and the mandatory retirement age applicable to his class in the Service. To credit him with more service credit than he could acquire should he continue in the Service until he reached the retirement age would be unwarranted.

Provision is also made to prevent duplication of disability benefits by the Foreign Service retirement and disability system and the Federal Employees' Compensation Bureau. The last sentence of paragraph (d) is based upon analogous provisions of the Civil Service Retirement Act and has the same intent; to permit a widow to receive an annuity in her own right; that is, based on her own service as an employee of the U.S. Government, and also to receive any compensation payable by reason of the death of her husband resulting from injury sustained in the performance of his duty as an employee of the U.S. Government.

DEATH IN SERVICE

*Existing legislation**Proposed legislation*

SEC. 832. [In case a participant shall die without having established a valid claim for annuity, the total amount of his contributions with interest thereon at 4 per centum per annum, compounded on June 30 of each year, except as provided in section 881 and as hereinafter provided in this section, shall be paid to his legal representatives in the order of precedence given under section

SEC. 832. (a) In case a participant shall die and no valid claim for annuity is payable under the provisions of this Act, his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 841(a) and 881. (b) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accord-

Existing legislation

841 upon the establishment of a valid claim therefor. If the deceased participant rendered at least five years of service, and is survived by a widow to whom he was married for at least three years, or who is the mother of issue by such marriage, such widow shall be paid an annuity equal to the annuity which she would have been entitled to receive if her husband had been retired on the date of his death and had elected to receive a reduced joint and survivorship annuity, computed as prescribed in section 821, providing the maximum annuity for his widow, unless prior to the date of his death he shall have elected, in lieu of such widow's annuity, and with the approval of the Secretary, to have his deductions returned with interest as provided in the first sentence of this section covering participants dying without having established a valid claim for annuity. If the deceased participant had had less than twenty years of service at the time of his death, the annuity payable to his widow shall be computed on the assumption that he had had twenty years of service.]

Proposed legislation

ance with the provisions of sections 851 or 852(a)(2), dies before separation or retirement from the Service and is survived by a widow or a dependent widower, who qualifies for an annuity under the provisions of paragraph (b) of section 821, such widow or dependent widower shall be entitled to an annuity equal to 50 per centum of the annuity computed in accordance with the provisions of paragraph (e) of this section and paragraph (a) of section 821. The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death of the widow or dependent widower or upon the dependent widower's becoming capable of self-support.

(c) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of sections 851 or 852(a)(2) dies before separation or retirement from the Service and is survived by a widow or a dependent widower, who qualifies for an annuity under the provisions of paragraph (b) of section 821, and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of paragraph (c)(1) of section 821. The child's annuity shall begin and be terminated in accordance with the provisions of paragraph (e) of section 821. Upon the death of the surviving widow or dependent widower or termination of the annuity of a child, the annuity of any other child or children shall be recomputed and paid as though such widow or dependent widower or child had not survived the participant.

(d) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of sections 851 and 852(a)(2), dies before separation or retirement from the Service and is not survived by a widow or widower, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of paragraph (c)(2) of section 821. The child's annuity shall begin and terminate in accordance with the provisions of paragraph (e) of section 821.

(e) If, at the time of his or her death, the deceased participant had less than 20 years of service credit toward retirement under the system, the annuities payable in accordance with paragraph (b) of this section shall be computed in accordance with the provisions of section 821 on the assumption he or she had had 20 years of service, but the additional service credit

*Existing legislation**Proposed legislation*

that may accrue to a deceased participant under this provision shall in no case exceed the difference between his or her age on the date of death and the mandatory retirement age applicable to his or her class in the Service. In all cases arising under paragraphs (b), (c), (d) or (e) of this section, it shall be assumed that the deceased participant was qualified for retirement on the date of his death.

This section is changed to take into account the fact that for the first time married females have become participants in the system. A limitation is placed on the amount of free service credit that can be counted in computing annuities for the same reason as that set forth in section 831. The provision inserted in section 831 forbidding the inclusion of credit for military service in the "five-year period of service" is included in this section also. It should be recalled here that section 821(b) authorizes a survivorship annuity only for a widow who has been married to a participant 2 years or is the mother of issue by such marriage. Section 832, by its reference to section 821, makes this limitation equally applicable in the case of a widow's annuity in the event of the death in service of a participant.

DISCONTINUED SERVICE RETIREMENT

*Existing legislation**Proposed legislation*

No existing legislation.

SEC. 834. (a) Any participant who voluntarily separates from the Service after obtaining at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of sections 851 or 852(a)(2), may, upon separation from the Service or at any time prior to becoming eligible for an annuity, elect to have his contributions to the Fund returned to him in accordance with the provisions of section 841, or to leave his contributions in the Fund and receive an annuity computed as prescribed in section 821 commencing at the age of sixty years. The provisions of paragraph (f) of section 821 shall not be applicable to such participants.

(b) If a participant who has qualified in accordance with the provisions of paragraph (a) of this section, to receive a deferred annuity commencing at the age of sixty dies before reaching the age of sixty his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 841 and 831.

Section 834 is new in Foreign Service legislation. While participation in the Foreign Service retirement system was limited to a small Foreign Service officer corps, there was comparatively little need for a provision covering discontinued service, since resignations and separations of officers were relatively infrequent after they had acquired as much as 5 years of service. Now, however, since the Foreign Service officer corps has been greatly expanded and certain staff personnel have been brought under the Foreign Service retirement system, we can expect a larger proportionate number of voluntary separations than formerly. It is for this reason that the Department needs legislation covering discontinued service annuities which are similar to those of the civil service system.

PART E—DISPOSITION OF CONTRIBUTIONS AND INTEREST IN EXCESS OF BENEFITS RECEIVED

Existing legislation

SEC. 841. (a) Whenever a participant becomes separated from the Service without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act, the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually [up to the date of such separation], except as provided in section 881, shall be returned to him.

(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 881, with interest [compounded annually] at 4 per centum added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence, upon the establishment of a valid claim therefor:

(1) To the beneficiary or beneficiaries designated by the retired participant in writing to the Secretary;

(2) If there be no such beneficiary, [to the duly appointed executor or administrator of the estate of the retired participant];

(3) [If there be no such beneficiary, or executor or administrator, payment may be made to such person or persons as may appear in the judgment of the Secretary to be legally entitled thereto, and such payment shall be a ban to recovery by any other person.]

Proposed legislation

SEC. 841. (a) Whenever a participant becomes separated from the Service without becoming eligible for an annuity or a deferred annuity in accordance with the provisions of this Act, the total amount of contributions from his salary with interest thereon at 4 per centum per annum, compounded annually *at the end of each fiscal year through June 30, 1958; semi-annually as of December 31, 1958; annually thereafter as of December 31, and proportionately for the period served during the year of separation including all contributions made during or for such period*, except as provided in section 881, shall be returned to him.

(b) In the event that the total contributions of a retired participant, other than voluntary contributions made in accordance with the provisions of section 881, with interest at 4 per centum *per annum compounded annually as is provided in paragraph (a) of this section* added thereto, exceed the total amount returned to such participant or to an annuitant claiming through him, in the form of annuities, accumulated at the same rate of interest up to the date the annuity payments cease under the terms of the annuity, the excess of the accumulated contributions over the accumulated annuity payments shall be paid in the following order of precedence, upon the establishment of a valid claim therefor, *and such payment shall be a ban to recovery by any other person:*

(1) To the beneficiary or beneficiaries designated by the retired participant in writing to the Secretary;

(2) If there be no such beneficiary, *to the widow or widower of such participant;*

(3) *If none of the above, to the child or children of such participant and descendants of deceased children by representation;*

(4) *If none of the above, to the parents of such participant or the survivor of them;*

(5) *If none of the above, to the duly appointed executor or administrator of the estate of such participant;*

(6) *If none of the above, to other next of kin of such participant as may be determined by the Secretary in his judgment to be legally entitled thereto.*

Existing legislation

Proposed legislation

(c) No payment shall be made pursuant to paragraph (b) [(3)] of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant.

(c) No payment shall be made pursuant to paragraph (b)(6) of this section until after the expiration of thirty days from the death of the retired participant or his surviving annuitant.

Sections 841 and 881 provide, in addition to other provisions, the basis upon which interest is computed on mandatory contributions that exceed benefits received under the Foreign Service retirement and disability system and upon voluntary contributions to the fund. Because they set the periods upon which interest on these contributions is compounded, they also control the recordkeeping and reporting on the Foreign Service retirement and disability fund. Paragraphs 841 (a) and (b) have been amended to establish the compounding of interest and the keeping of records on a calendar-year basis instead of a fiscal-year basis as is now required by existing language. This will simplify the administration of the Foreign Service retirement and disability fund by providing a uniform system of controls and records for all retirement and tax deductions, payrolls, and for the computation of interest on retirement deductions. At the present time records and reports pertaining to the civil service retirement fund, the Federal income tax, and the FICA tax are all maintained on a calendar-year basis. The fact that the Foreign Service retirement and disability fund has had to be maintained on a fiscal-year basis has necessitated a separate system of recordkeeping involving 6-month reports from Foreign Service posts on contributions to the fund, and a separate system for the compilation of retirement deductions. An amendment to the civil service retirement system, similar to this, was made by Public Law 216, approved March 9, 1945 (79 Stat. 577). This change in the Foreign Service retirement and disability system will help reduce the cost of the administration of the system as the number of participants increases with expansion of the Foreign Service.

The proposed additional changes in paragraphs (b) and (c) of this section are for the purpose of bringing the provisions relating to the order of precedence for the payment, when annuity payments cease, of contributions and interest in excess of benefits received into conformity with standard actuarial practice. This will be an administrative convenience since it will further standardize accounting practices in the Department.

PART F—PERIOD OF SERVICE FOR ANNUITIES

COMPUTATION OF LENGTH OF SERVICE

Existing legislation

Proposed legislation

Sec. 851. For the purposes of this title, the period of service of a participant shall be computed from the effective date of appointment as a Foreign Service officer, or, if appointed prior to July 1, 1924, as [diplomatic secretary, consul general, consul, vice consul, deputy consul, consular assistant, consular agent, commercial agent, interpreter, or student interpreter, and shall include periods of service at different times as either a diplomatic or consular officer, or while on assignment to the Department, or while on special duty or service in another department or establishment of the Government, or while on any assignment in accordance with the provisions of part II of title V,] but all periods of separation from the Service and so much of any leaves of absence as may exceed six months in the aggregate in any calendar year shall be excluded, except [sick] leaves of ab-

Sec. 851. For the purposes of this title, the period of service of a participant shall be computed from the effective date of appointment as a Foreign Service officer, or, if appointed prior to July 1, 1924, as *an officer or employee of the Diplomatic or Consular Service of the United States, or who becomes a participant under the provisions of this Act, as amended*, but all periods of separation from the Service and so much of any leaves of absence *without pay* as may exceed six months in the aggregate in any calendar year shall be excluded, except leaves of absence *while receiving benefits under the Federal Employees' Compensation Act of September 7, 1916, as amended*, and leaves of absences granted participants while performing *active and honorable* military or naval service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States.

Existing legislation

sence [for illness or injury in incurred in the line of duty, with or without pay,] and leaves of absences granted participants while performing active military or naval service in the Army, Navy, Marine Corps, or Coast Guard of the United States.

The language of the former section 851 has been simplified and clarified with respect to periods of service which are creditable toward retirement. In addition, specific provision has been made to give participants full service credit toward retirement while they are on leaves of absence during which they receive benefits from the Bureau of Employees' Compensation. The insertion of the phrase "and honorable" in relation to military and naval service precludes the possibility of a participant receiving credit for military service for which he has received a "dishonorable" discharge.

Proposed legislation

PRIOR SERVICE CREDIT

Existing legislation

SEC. 852. (a) A participant may, subject to the provisions of this section, include in his period of service—

(1) service performed as a civilian officer or employee of the Government prior to becoming a participant; and

(2) active military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

(b) A person may obtain [credit for] prior service by making a special contribution to the Fund equal to 5 per centum of his annual salary for each year of service for which credit is sought subsequent to July 1, 1924, [with interest thereon to date of payment compounded annually at 4 per centum, except that no special contributions shall be required for periods of active military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States prior to becoming a participant.] Any such participant may, under such conditions as may be determined in each instance by the Secretary, pay such special contributions in installments [during the continuance of his service].

Proposed legislation

SEC. 852. (a) A participant may, subject to the provisions of this section, include in his period of service—

(1) service performed as a civilian officer or employee of the Government, including the municipal government of the District of Columbia, prior to becoming a participant; and

(2) active and honorable military or naval service in the Army, Navy, Marine Corps, Air Force, or Coast Guard of the United States.

(b) A person may obtain prior civilian service credit in accordance with the provisions of paragraph (a) (1) of this section by making a special contribution to the Fund equal to 5 per centum of his basic annual salary for each year of service for which credit is sought subsequent to July 1, 1924, and prior to the effective date of this Act, and at 6½ per centum thereafter with interest compounded annually at 4 per centum per annum to the date of payment. Any such participant may, under such conditions as may be determined in each instance by the Secretary, pay such special contributions in installments.

(c) (1) If an officer or employee under some other government retirement system, becomes a participant in the Foreign Service Retirement and Disability system by direct transfer, such officer or employee's total contributions and deposits, including interest accrued thereon, except voluntary contributions, shall be transferred to the Foreign Service Retirement and Disability Fund effective as of the date such officer or employee becomes a participant in the system. Each such officer or employee shall be deemed to consent to the transfer

Existing legislation

Proposed legislation

of such funds and such transfer shall be a complete discharge and acquittance of all claims and demands against the other government retirement fund on account of service rendered prior to becoming a participant in the Foreign Service Retirement and Disability system.

(2) No officer or employee, whose contributions are transferred to the Foreign Service Retirement and Disability Fund in accordance with the provisions of paragraph (c)(1) of this section, shall be required to make contributions in addition to those transferred, for periods of service for which full contributions were made to the other government retirement fund, nor shall any refund be made to any such officer or employee on account of contributions made during any period to the other government retirement fund, at a higher rate than that fixed by section 811 of this Act for contributions to the Foreign Service Retirement and Disability system.

(3) No officer or employee, whose contributions are transferred to the Foreign Service Retirement and Disability Fund in accordance with the provisions of paragraph (c)(1) of this section, shall receive credit for periods of prior service for which a refund of contributions has been made, or for which no contributions were made to the other government retirement fund. A participant may, however, obtain credit for such prior service by making a special contribution to the Foreign Service Retirement and Disability Fund in accordance with the provisions of paragraph (b) of this section.

(d) No participant may obtain prior civilian service credit toward retirement under the Foreign Service Retirement and Disability system for any period of civilian service on the basis of which he is receiving or will in the future be entitled to receive any annuity under another retirement system covering civilian personnel of the Government.

(e) A participant may obtain prior military or naval service credit in accordance with the provisions of paragraph (a)(2) of this section by applying for it to the Secretary prior to retirement or separation from the Service but in the case of a participant who is eligible for and receives retired pay on account of military or naval service the period of service upon which such retired pay is based shall not be included except that in the case of a participant who is eligible for and receives retired pay on account of a service-connected disability incurred in combat with an enemy of the United States or resulting from an explosion of an instru-

No existing legislation.

[(c) Nothing in this Act shall be construed so as to affect in any manner a participant's right to retired pay, pension, or compensation in addition to the annuities herein provided, but no participant may obtain prior service credit toward an annuity under the Foreign Service Retirement and Disability System for any period of service, whether in a civilian or military capacity, on the basis of which he is receiving or will in the future be entitled to receive any annuity, pension, or other retirement or disability payment or allowance.]

Existing legislation

[CREDIT FOR SERVICE WHILE ON MILITARY LEAVE

[SEC. 854. Contributions shall not be required covering periods of leave of absence from the Service granted a participant while performing active military or naval service in the Army, Navy, Marine Corps, or Coast Guard of the United States.]

Proposed legislation

ment of war and incurred in line of duty during an enlistment or employment as provided in Veterans Regulations Numbered 1(a), part I, paragraph 1, or is awarded under title III of Public Law 810, 80th Congress, the period of such military or naval service shall be included. No contributions to the Fund shall be required in connection with military or naval service credited to a participant in accordance with the provisions of paragraph (a)(2) of this section.

Section 852(a) has been changed to include in creditable prior civilian service, service in the municipal government of the District of Columbia and to provide that creditable military service shall have been honorable service.

Section 852(b) has been changed to clarify provisions relating to prior civilian service and to provide that prior civilian service may be obtained by making special contributions to the Fund equal to 5 percent of basic salary for each year of service for which credit is sought prior to the effective date of this act and at 6½ percent thereafter with interest compounded annually at 4 percent per annum to the date of payment.

Section 852(c) has been revised to provide for an automatic transfer of contributions to the Foreign Service retirement and disability fund from any other Government retirement fund to which an employee has made contributions when he becomes a participant in the Foreign Service retirement and disability system by direct transfer. This section also is designed to avoid duplication of coverage of a participant by two retirement systems except that it permits such duplication when compensation is paid by the Veterans' Administration for disability incurred in combat or when a participant is entitled to an annuity under the provisions of title III of Public Law 810, 80th Congress. The changed language of this section by removing the clause "but no participant may obtain prior service credit * * * on the basis of which he is receiving or will in the future be entitled to receive an annuity, pension, or other payment or allowance" prevents misinterpretation and the possible denial of full annuity benefits to veterans who have been declared disabled or who may in the future be placed in such classification, or who are awarded such benefits under Public Law 810, 80th Congress.

Existing legislation

PART H—[OFFICERS REINSTATED IN THE SERVICE]

SEC. 871. [A Foreign Service officer reinstated] in the Service in accordance with the provisions of [section 520(b)] shall, while so serving, be entitled in lieu of his retirement allowance to the full pay of the class in which he is [temporarily] serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 811. [If the annuity he was receiving prior to his reinstatement in the Service was based on less than 35 years of service credit, the] amount of his annuity when he reverts to the retired list shall be recomputed [on the basis of his total service credit].

This section as amended will continue to make the recomputed annuity of an officer who has been recalled or reinstated in the Service and retired a second time, subject to the limitation on the maximum annuity payable an officer under the provisions of section 821.

Proposed legislation

PART H—ANNUITANTS RECALLED OR REINSTATED IN THE SERVICE OR REEMPLOYED IN THE GOVERNMENT

RECALL

SEC. 871. *Any annuitant recalled to active duty in the Service in accordance with the provisions of paragraph (b) of section 520 or paragraph (b) of section 831 shall, while so serving, be entitled in lieu of his retirement allowance to the full pay of the class in which he is serving. During such service, he shall make contributions to the Fund in accordance with the provisions of section 811. The amount of his annuity when he reverts to the retired list shall be recomputed in accordance with the provisions of section 821.*

Existing legislation

No Existing Legislation.

Proposed legislation

REEMPLOYMENT

SEC. 872. (a) Notwithstanding any other provision of law, any officer or employee of the Service, who has retired under this Act as amended and is receiving an annuity pursuant thereto, and who is re-employed in the Federal Government Service in any appointive position either on a part-time or full-time basis, shall be entitled to receive the salary of the position in which he is serving plus so much of his annuity payable under this Act, as amended, which when combined with such salary does not exceed during any calendar year the highest basic salary such officer or employee was entitled to receive under sections 412 or 415 of the Act as amended, on the date of his retirement from the Service. Any such reemployed officer or employee who receives salary during any calendar year in excess of the maximum amount which he may be entitled to receive under this subparagraph shall be entitled to such salary in lieu of benefits hereunder.

(b) When any such retired officer or employee of the Service is reemployed, the employer shall notify the Department of State of such reemployment, together with all pertinent information relating thereto and shall cause to be paid, by transfer or otherwise to the Department of State funds necessary to cover gross salary, employer contributions, and gross lump sum leave payment relating to the employment of the reemployed officer or employee. The Department of State shall make to and on behalf of the reemployed officer or employee payments to which he is entitled under the provisions of paragraph (a) of this section, and shall make those withholdings and deductions authorized and required by law.

(c) In the event of any overpayment under this section the Secretary of State is authorized to withhold the amount of such overpayment from the salary payable to such reemployed officer or employee or from his annuity.

Under existing legislation an officer or employee of the Service who has retired under the Foreign Service retirement and disability system and who is employed in any position in the Federal Government must forfeit his annuity during the time of such employment. An officer or employee reemployed under the Civil Service Retirement Act may be employed in Federal Government service and continue to receive his full annuity plus the difference, if any, between such annuity and the salary of the position to which appointed. Officers and enlisted personnel of the armed services are subject to a variety of provisions which permit, depending upon the circumstances, benefits which range from deferral of full annuity and receipt of full salary to the receipt of full annuity plus full salary or the election thereof.

The purpose of the proposed new section 872 is to permit the Federal Government to employ Foreign Service personnel retired under the Foreign Service Retirement and disability system in appointive positions for which they are suited by reason of experience, background, and ability. These provisions would also apply to retired officers or employees presently employed elsewhere in the Federal service and to separated officers or employees of the Service who, at a later date, become entitled to deferred annuity benefits.

This provision would permit the Government to compete on a more favorable basis with industry and to obtain the services of retired Foreign Service personnel of proven ability whose reemployment would be of benefit to the Government.

The proposed new section 872 provides that officers and employees retired under the Foreign Service retirement and disability system reemployed in appointive positions in the Federal Government service on a full-time, part-time or consultant basis will receive full salary of the position to which appointed and in addition, will receive such portion of their annuities as will make their total pay (i.e., the salary of the position to which appointed plus retirement pay) equal, during any calendar year, to the salary of one of the scheduled rates of compensation contained in sections 412 or 415 of the act that such officer or employee was receiving at the time of his retirement from the Service. The term "calendar year" as used in this section means a year which begins on January 1 and ends on December 31 of any calendar year.

Salaries paid to Foreign Service personnel while serving as ambassadors, ministers, or while assigned to positions the compensation of which exceeds the regular Foreign Service salary will not be used as the basis for determining such officer or employee's total income under the provisions of this section.

Subparagraph (b) of this section provides that in order that the limitation upon the total income imposed by subparagraph (a) may be controlled, the agency of the Federal Government reemploying the Foreign Service officer or employee shall pay to the Department of State funds necessary to cover gross salary, employer contribution, and gross lump-sum leave payment relating to the employment of such officer or employee. Further, the Department of State is authorized to pay to the officer or employee such salary and annuity as he is entitled to receive under subparagraph (a) and to make withholdings and deductions in his behalf that are authorized and required by law, such as tax and FICA withholdings and deductions for Government insurance, savings bonds, and retirement.

Since it is possible that overpayments under this section may be made, subparagraph (c) authorizes the Secretary to withhold the amount of any such overpayment from salary payments to such officer or employee or from his annuity.

PART I—VOLUNTARY CONTRIBUTIONS

Existing legislation

Sec. 881. (a) Any participant may, at his option and under such regulations as may be prescribed by the President, deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded [on June 30 of each year], shall, at the date of his retirement and at his election, be—

(c) In case a participant shall become separated from the Service for any reason except retirement on an annuity, the amount of any additional deposits with interest at 3 per centum per annum, compounded [annually], made by him under the provisions of this paragraph shall be refunded in the manner provided in section 841 for the return of contributions and interest in the case of death or withdrawal from active service.

Proposed legislation

Sec. 881. (a) Any participant may, at his option and under such regulations as may be prescribed by the President, deposit additional sums in multiples of 1 per centum of his basic salary, but not in excess of 10 per centum of such salary, which amounts together with interest at 3 per centum per annum, compounded annually at the end of each fiscal year through June 30, 1958; semiannually as of December 31, 1958; annually thereafter as of December 31, and proportionately for the period served during the year of his retirement including all contributions made during or for such period, shall, at the date of his retirement and at his election, be—

(c) In case a participant shall become separated from the Service for any reason except retirement on an annuity, the amount of any additional deposits with interest at 3 per centum per annum, compounded as is provided in paragraph (a) of this section, made by him under the provisions of this paragraph shall be refunded in the manner provided in section 841 for the return of contributions and interest in the case of death or withdrawal from active service.

Sections 881 and 841 provide, in addition to other provisions, the basis upon which interest is computed on mandatory contributions that exceed benefits received under the Foreign Service retirement and disability system and upon

voluntary contributions to the fund. Because they set the periods upon which interest on these contributions is compounded, they also control the recordkeeping and reporting on the Foreign Service retirement and disability fund. Paragraphs 881 (a) and (c) have been amended to establish the compounding of interest and the keeping of records on a calendar year basis instead of a fiscal year basis as is now required by existing language. This will simplify the administration of the Foreign Service retirement and disability fund by providing a uniform system of controls and records for all retirement and tax deductions, payrolls, and for the computation of interest on retirement deductions. At the present time records and reports pertaining to the civil service retirement fund, the Federal income tax, and the FICA tax are all maintained on a calendar year basis. The fact that the Foreign Service retirement and disability fund has had to be maintained on a fiscal year basis has necessitated a separate system of recordkeeping involving 6 months' reports from Foreign Service posts on contributions to the fund, and a separate system for the compilation of retirement deductions. An amendment to the civil service retirement system, similar to this, was made by Public Law 216, approved March 9, 1945 (79 Stat. 577). This change in the Foreign Service retirement and disability system will help reduce the cost of the administration of the system as the number of participants increases with expansion of the Foreign Service.

TITLE X. MISCELLANEOUS

PART C—GIFTS

Existing legislation

SEC. 1021. (a) The Secretary may accept on behalf of the United States gifts made unconditionally by will or otherwise for the benefit of the Service or for the carrying out of any of its functions. Conditional gifts may be so accepted if recommended by the Director General, and the principal of and income from any such conditional gift shall be held, invested, reinvested, and used in accordance with its conditions, but no gift shall be accepted which is conditioned upon any expenditure not to be met therefrom or from the income thereof unless such expenditure has been approved by Act of Congress.

(b) Any unconditional gift of money accepted pursuant to the authority granted in paragraph (a) of this section, the net proceeds from the liquidation (pursuant to paragraph (c) or paragraph (d) of this section) of any other property so accepted, and the proceeds of insurance on any such gift property not used for its restoration, shall be deposited in the Treasury of the United States and are hereby appropriated and shall be held in trust by the Secretary of the Treasury for the benefit of the Service, and he may invest and reinvest such funds in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Such gifts and the income from such investments shall be available for expenditure in the operation of the Service and the performance of its functions, subject to the same examination and audit as is provided for appropriations made for the Service by Congress.

Proposed legislation

SEC. 1021. (a) The Secretary may accept on behalf of the United States gifts made unconditionally by will or otherwise for the benefit of the *Department including* the Service or for the carrying out of any of its functions. Conditional gifts may be so accepted *at the discretion of the Secretary*, and the principal of and income from any such conditional gift shall be held, invested, reinvested, and used in accordance with its conditions, but no gift shall be accepted which is conditioned upon any expenditure not to be met therefrom or from the income thereof unless such expenditure has been approved by Act of Congress.

(b) Any unconditional gift of money accepted pursuant to the authority granted in paragraph (a) of this section, the net proceeds from the liquidation (pursuant to paragraph (c) or paragraph (d) of this section) of any other property so accepted, and the proceeds of insurance on any such gift property not used for its restoration, shall be deposited in the Treasury of the United States and are hereby appropriated and shall be held in trust by the Secretary of the Treasury for the benefit of the *Department including* the Service, and he may invest and reinvest such funds in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Such gifts and the income from such investments shall be available for expenditure in the operation of *the Department including* the Service and the performance of its functions, subject to the same examination and audit as is provided for appropriations made for *the Department including* the Service by Congress.

Existing legislation

(c) The evidences of any unconditional gift of intangible personal property, other than money, accepted pursuant to the authority granted in paragraph (a) of this section, shall be deposited with the Secretary of the Treasury and he, in his discretion, may hold them, or liquidate them except that they shall be liquidated upon the request of the Secretary whenever necessary to meet payments required in the operation of the Service or the performance of its functions. The proceeds and income from any such property held by the Secretary of the Treasury shall be available for expenditure as is provided in paragraph (b) of this section.

(d) The Secretary shall hold any real property or any tangible personal property accepted unconditionally pursuant to the authority granted in paragraph (a) of this section and he shall permit such property to be used for the operation of the Service and the performance of its functions or he may lease or hire such property, and may insure such property, and deposit the income thereof with the Secretary of the Treasury to be available for expenditure as provided in paragraph (b) of this section. The income from any such real property or tangible personal property shall be available for expenditure in the discretion of the Secretary for the maintenance, preservation, or repair and insurance of such property and any proceeds from insurance may be used to restore the property insured. Any such property when not required for the operation of the Service or the performance of its functions may be liquidated by the Secretary, and the proceeds thereof deposited with the Secretary of the Treasury, whenever in his judgment the purposes of the gifts will be served thereby.

Proposed legislation

(c) The evidences of any unconditional gift of intangible personal property, other than money, accepted pursuant to the authority granted in paragraph (a) of this section, shall be deposited with the Secretary of the Treasury and he, in his discretion, may hold them, or liquidate them except that they shall be liquidated upon the request of the Secretary whenever necessary to meet payments required in the operation of *the Department including* the Service or the performance of its functions. The proceeds and income from any such property held by the Secretary of the Treasury shall be available for expenditure as is provided in paragraph (b) of this section.

(d) The Secretary shall hold any real property or any tangible personal property accepted unconditionally pursuant to the authority granted in paragraph (a) of this section and he shall permit such property to be used for the operation of *the Department including* the Service and the performance of its functions or he may lease or hire such property, and may insure such property, and deposit the income thereof with the Secretary of the Treasury to be available for expenditure as provided in paragraph (b) of this section. The income from any such real property or tangible personal property shall be available for expenditure in the discretion of the Secretary for the maintenance, preservation, or repair and insurance of such property and any proceeds from insurance may be used to restore the property insured. Any such property when not required for the operation of *the Department including* the Service or the performance of its functions may be liquidated by the Secretary, and the proceeds thereof deposited with the Secretary of the Treasury, whenever in his judgment the purposes of the gifts will be served thereby.

The proposed amendment to section 1021 would broaden the authority of the Department to accept and use gifts on a departmentwide basis rather than solely for the Foreign Service. In using gifts for training purposes the Foreign Service Institute is now restricted to training Foreign Service personnel whereas the inclusion of departmental personnel in the same training programs might be fully justifiable. Many of the positions in the Department are classified as dual service positions and they may be occupied alternatively by either Foreign Service or departmental personnel. While training programs made possible by gifts will usually be designed for Foreign Service personnel it will be in the public interest to include in such programs certain departmental officers and employees.

NEW MISCELLANEOUS PROVISIONS

SEC. 39. Section 11 of Public Law 885, 84th Congress (70 Stat. 890) is hereby amended by inserting after the phrase "Government-owned vehicles" the phrase "or taxicabs" and by inserting after the phrase "public transportation facilities" the phrase "other than taxicabs".

Under the existing provisions of section 11 of Public Law 885 the Secretary of State may authorize any chief of a diplomatic mission to approve the use of Government-owned vehicles in any foreign country for transportation of U.S. Government employees from their residence to the office and return when public transportation facilities are unsafe or are not available. Under this authority the Department provides, when circumstances warrant, transportation for U.S. employees, including Marine guards who are stationed at Foreign Service posts for official guard duty, from their place of residence to the place of their employment. Frequently this type of transportation is required only for those U.S. Government employees and Marine guards who are assigned to night duty, since public transportation facilities are considered safe and are available during normal business daytime hours. When public transportation facilities such as street railway systems, subway systems, and buses are inoperative or are on drastically reduced schedules during the nighttime hours, adequate and satisfactory taxicab service is often available. However, taxicab service is considered part of "public transportation facilities" and personnel using taxicabs may not be reimbursed for taxicab fares. As a result, at many posts Government-owned vehicles must be operated by Government employed chauffeurs during the night hours, exclusively for the use of a small number of U.S. Government employees, including Marine guards. In many instances the cost of maintaining this chauffeur-operated vehicle service is not justified by the number of people transported. The cost of such transportation could be considerably reduced if taxicabs could be utilized. It is for this reason that the change in section 11 of Public Law 885 has been proposed.

SEC. 40. Paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 (26 U.S.C. 104(a)(4)) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows: "(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021)."

Section 41 amends paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 to exempt disability annuities from Federal income tax. This is in keeping with provisions relating to disability annuities payable by the Federal Employees' Compensation Bureau. This proposed amendment to the Internal Revenue Code has been approved by the Bureau of Internal Revenue, Treasury Department.

TEMPORARY PROVISIONS

SEC. 41. Foreign Service staff officers and employees receiving basic compensation immediately prior to the effective date of this Act at one of the scheduled rates provided by section 415 of such Act, as amended, shall be transferred to the new classes established by section 415 of such Act, as amended, and shall receive basic compensation on and after the effective date of this Act, as follows:

Present class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended (1958)			Corresponding new class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended by this act			Amount of adjustments
Class	Step	Rate	Class	Step	Rate	
FSS-1-----	5	\$13,160	FSS-1-----	6	\$13,310	\$150
	4	12,830		5	12,980	150
	3	12,480		4	12,650	170
	2	12,120		3	12,320	200
	1	11,770		2	11,990	220
FSS-2-----	6	12,120	FSS-1-----	3	12,320	200
	5	11,770		2	11,990	220
	4	11,485		FSS-2-----	7	11,550
3	11,205	6	11,275		70	
2	10,920	5	11,000		80	
1	10,600	4	10,725		110	
FSS-3-----	5	11,165	FSS-2-----	5	11,000	115
	4	10,885		4	10,725	125
	3	10,600		3	10,450	130
	2	10,320		2	10,175	145
	1	10,030				

Present class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended (1958)			Corresponding new class and step rate of sec. 415 of the Foreign Service Act of 1946, as amended by this act			Amount of adjustments
Class	Step	Rate	Class	Step	Rate	
FSS-4-----	5	\$10,230	FSS-2-----	3	\$10,450	\$220
	4	9,945		2	10,175	230
FSS-5-----	3	9,665	FSS-3-----	7	9,790	125
	2	9,380		6	9,515	135
	1	9,095		5	9,240	145
	6	9,600		7	9,790	190
FSS-6-----	5	9,315	FSS-3-----	6	9,515	200
	4	9,030		5	9,240	210
	3	8,815		4	8,965	150
	2	8,610		3	8,690	80
FSS-6-----	1	8,395	FSS-3-----	2	8,415	20
	6	8,755		4	8,965	210
	5	8,540		3	8,690	150
FSS-7-----	4	8,325	FSS-4-----	7	8,350	25
	3	8,120		6	8,125	5
	2	7,905		6	8,125	220
	1	7,690		5	7,900	210
	6	8,050		6	8,125	75
FSS-7-----	5	7,840	FSS-4-----	5	7,900	60
	4	7,630		4	7,675	45
	3	7,415		3	7,450	35
	2	7,200		2	7,225	25
FSS-8-----	1	6,990	FSS-5-----	1	7,000	10
	6	7,350		7	7,350	---
	5	7,140		6	7,150	10
FSS-9-----	4	6,925	FSS-5-----	5	6,950	25
	3	6,710		4	6,750	40
	2	6,495		3	6,550	55
	1	6,285		2	6,350	65
FSS-9-----	6	6,650	FSS-5-----	4	6,750	100
	5	6,435		FSS-6-----	7	6,500
4	6,220	6	6,300		80	
3	6,005	5	6,100		95	
2	5,795	4	5,900		105	
FSS-10-----	1	5,585	FSS-6-----	3	5,700	115
	7	6,175		6	6,300	125
	6	5,970		5	6,100	130
	5	5,755		4	5,900	145
FSS-11-----	4	5,540	FSS-7-----	7	5,550	10
	3	5,400		6	5,400	---
	2	5,260		6	5,400	140
	1	5,115		5	5,250	135
	7	5,500		7	5,550	50
FSS-12-----	6	5,355	FSS-7-----	6	5,400	45
	5	5,215		5	5,250	35
	4	5,070		4	5,100	30
	3	4,930		3	4,950	20
FSS-12-----	2	4,790	FSS-8-----	2	4,800	10
	1	4,650		1	4,650	---
	7	5,025		7	5,100	75
	6	4,890		6	4,950	60
	5	4,745		5	4,800	55
FSS-13-----	4	4,605	FSS-8-----	4	4,650	45
	3	4,460		3	4,500	40
	2	4,320		2	4,350	30
	1	4,180		1	4,200	20
FSS-13-----	7	4,580	FSS-9-----	7	4,650	70
	6	4,440		6	4,500	60
	5	4,295		5	4,350	55
	4	4,155		4	4,200	45
	3	4,010		3	4,050	40
FSS-14-----	2	3,870	FSS-9-----	2	3,900	30
	1	3,730		1	3,750	20
	7	4,155		4	4,200	45
FSS-15-----	6	4,010	FSS-10-----	7	4,100	90
	5	3,870		5	3,900	30
	4	3,730		4	3,800	70
	3	3,585		2	3,600	15
	2	3,445		1	3,500	55
FSS-15-----	1	3,300	FSS-10-----	1	3,500	200
	(1)	(1)	FSS-10-----	1	3,500	6

1 All step rates and below.

The temporary provisions proposed above provide for an orderly and equitable conversion of all personnel paid in accordance with the present rates of the Foreign Service staff salary schedule to the new classes and rates of the proposed Foreign Service staff schedule. The salary adjustments involved are held to the minimum possible while maintaining present salary relationships of personnel. While the conversion plan necessitates new class designations in most all cases, the large majority of personnel will receive a higher class number by virtue of the reduction in the total number of classes in the schedule.

SEC. 42. The annuity of each former participant under the Foreign Service Retirement and Disability system, who retired prior to July 28, 1956, and who at the time of his retirement had creditable service in excess of thirty years, shall be recomputed on the basis of actual years of creditable service not in excess of thirty-five years. Service which was not creditable under the Foreign Service Retirement and Disability system on the date a former participant retires, shall not be included as creditable service for the purpose of this recomputation. The annuities payable to such persons shall, when recomputed, be paid at the rates so determined, but no such recomputation or any other action taken pursuant to this section shall operate to reduce the rate of the annuity any such person is entitled to receive under the Foreign Service Retirement and Disability system.

Public Law 828, 84th Congress, amended section 821(a) by increasing from thirty to thirty-five the number of years of creditable service that may be used in the computation of annuities. It is believed that through oversight this provision was not at that time made applicable to former participants in the system who had retired with more than thirty years of creditable service but whose annuities had been computed on the basis of only thirty years' service. This proposed temporary section will make it possible to recompute the annuities of all former participants in the system who did not receive the full benefit of their creditable service at the time of their retirement. The provision is applicable only to former participants and does not apply to surviving annuitants.

SEC. 43. (a) The provisions of this Act shall become effective as of the first day of the first pay period which begins one month after the passage of this Act, except as otherwise provided in paragraphs (b), (c), and (d) of this section.

(b) The provisions of paragraphs (c)(1) and (c)(2) of section 803 of the Foreign Service Act of 1946, as amended, by section 24(b) of this Act, shall become effective on the first day of the first month which begins one year after the effective date of this Act, except that any Foreign Service staff officer or employee, who at the time this Act becomes effective meets the requirements for participation in the Foreign Service Retirement and Disability system, may elect to become a participant in the system before the mandatory provisions become effective. Such Foreign Service staff officers and employees shall become participants effective on the first day of the second month following the date of their application for earlier participation.

(c) The amendment made by section 41 of this Act shall be effective with respect to taxable years ending after the date of enactment of this Act.

(d) The provisions of section 43 of this Act shall take effect on the first day of the first month which begins more than thirty days after the date of enactment of this Act.

The purpose of this section is self-evident.

SEC. 44. Notwithstanding the provisions of this Act, existing rules, regulations of or applicable to the Foreign Service of the United States shall remain in effect until revoked or rescinded or until modified or superseded by regulations made in accordance with the provisions of this Act, unless clearly inconsistent with the provisions of this Act.

Section 45 is a necessary provision as it may not be possible to revise completely all regulations and Executive orders now affecting the Service before the effective date of the act. Without a provision such as that contained in this section, there might be a question regarding the continuing effect of some of these regulations.

SEC. 45. The following headings and sections in the Foreign Service Act of 1946, as amended, are hereby repealed:

- (1) Section 442 of such Act and the heading thereto.
- (2) Section 525 of such Act and the heading thereto.
- (3) Section 576 of such Act and the heading thereto.
- (4) Sections 651 and 652 of such Act and the headings thereto including Part F.

The repeal of the various sections of the bill presently contained in the Foreign Service Act of 1946, as amended, are proposed for the following reasons:

- (1) Section 442—Proposed new section 416 supersedes the provisions of section 442.
- (2) Section 525—This provision which authorizes the Secretary to define by regulation periods during which a Reserve officer may be considered as on active duty is one that has not been used in the Foreign Service. Foreign Service Reserve officers are appointed for limited periods and are subject to termination at the discretion of the Secretary. An "inactive" Foreign Service Reserve Officer Corps does not exist and Foreign Service Reserve officers are not normally recalled to "active duty."
- (3) Section 576—Revised section 571 supersedes section 576 and contains the provisions of section 576 which the Department wishes to retain.
- (4) Sections 651 and 652—Revised section 637 supersedes sections 651 and 652 and includes the provisions of these sections which the Department wishes to retain.

ESTIMATED COST OF PROPOSED BILL

<i>Item</i>	<i>Department of State</i>	<i>1st year cost</i>
1. Conversion to the proposed 10 class FSS schedule (sec. 415). Comment: The estimated cost is based on salary adjustments of Foreign Service staff employees of the Department of State (3691), who are paid in accordance with section 415, of the Foreign Service Act of 1946, as amended.....		\$187, 640
2. Hazardous duty pay for diplomatic couriers (sec. 447). Comment: The estimated cost is based on an average 10 percent salary adjustment for 55 of the 63 couriers on the Department's rolls as of October 31, 1958.....		28, 362
3. In-class promotion of Foreign Service staff officers and employees (sec. 642). Comment: It is estimated that 1 percent of FSS employees (37) would receive in-class promotions and 1.9 percent (70) would receive longevity increases. The estimated cost of \$21,935 was computed by multiplying 107 times \$205, the average within class increment.....		21, 935
4. Revised formula for computing reduction in officer's annuities when survivorship benefits are elected (sec. 803). Comment: At present elected survivors' annuities average about \$2,400 for which the respective officer's annuity is reduced by approximately 50 percent or \$1,200. Under the revised formula the comparable reduction in the officer's annuity would be 12½ percent or \$300. During the first year of operation under the revised formula the additional cost to the retirement fund would be negligible. Eventually the cost would average 6.6 percent of the retired rolls.....		
5. Coverage of present FSS officers (sec. 803). Comment: Approximately 475 FSS officers presently on the rolls have been in the Service at least 10 years and qualify for the proposed coverage. The additional liability for the coverage of this group under the Foreign Service retirement system is estimated at \$14 million. It is pointed out, however, that the civil service retirement fund would be relieved of a comparable liability.....		
6. Coverage of approximately 25 additional FSS officers annually (sec. 803). Comment: An average of 25 FSS officers would qualify for coverage annually upon completion 10 years of service. The additional liability for this group would be approximately \$250,000. Again it is pointed out that the civil service retirement fund would be relieved of a comparable liability.....		
7. Crediting officers now on retired rolls with up to 35 years service credit (sec. 34). Comment: Based on analysis of officers on the retired rolls at the beginning of fiscal year 1958, the cost of the provision would be approximately \$190,000 during the first year. Thereafter the annual cost would decrease and eventually disappear with the death of such officers.....		190, 000
Total.....		427, 937

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, April 15, 1959.

HON. J. W. FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate

DEAR MR. CHAIRMAN: Your letter of March 18, 1959, acknowledged March 25, requests our comments upon S. 443, entitled the Foreign Service Act Amendments of 1959, which would effect numerous changes in the existing provisions of the Foreign Service Act of 1946, as amended, 22 United States Code 801 et seq.

While for the most part the bill involves matters of policy upon which we offer no recommendation, we should like to direct your attention to certain of its provisions which we think warrant further consideration.

Section 9 and 36.—Section 9 would amend section 520 of the Foreign Service Act and section 36 would add a new section (section 872) to that act. Their combined effect would be to provide express statutory authority for a person's receiving an annuity under the Foreign Service Act to accept a Government position and—within the limitations specified in the new section 872—receive the compensation of that position concurrently with such annuity. Subsection (b) of the new section 872 would prescribe a rather cumbersome procedure for paying annuitants who accept employment in Government agencies other than the Department of State. In such a case the employing agency, rather than its paying the employee directly, would transfer the gross amount of all salary due him to the Department of State which would then pay the salary together with such portion of the annuity as he would be entitled to receive under section 872. That procedure would be particularly cumbersome were an annuitant upon employment to earn compensation greater than the "highest basic salary" to which he was entitled on the date of his retirement.

We think there is considerable merit to the view that the receipt of a retirement annuity under the Foreign Service retirement system concurrently with the compensation of a position in which the annuitant is actively employed is inconsistent in principle (see 16 Comp. Gen. 121; 32 id. 89; *Brunswick v. Elliott*, 103 F. (2) 746) and that either the annuity should be suspended during the period of active employment or the compensation payable to the employee during such period should be reduced by an amount equivalent to the amount of the annuity he receives. Such reduction in compensation would be consistent with and would conform with the Civil Service Retirement Act which requires a reduction in the compensation payable to an annuitant under that act who is employed by the Government by an amount equal to the annuity he receives. If either of these alternatives is acceptable to your committee, then the procedure prescribed in subsection (b) of the new section 872 would be unnecessary and such paragraph could be eliminated from the bill.

Section 14.—This section would amend section 625 of the Foreign Service Act of 1946 to authorize the Secretary of State without regard to any other law to grant a Foreign Service officer or a Foreign Service Reserve officer additional salary rate increases within the range of salary rates established for the class in which he is serving based upon "especially meritorious service." The Congress by the enactment of title III of the act of September 1, 1954, 68 Stat. 1112, entitled the "Government Employees Incentive Awards Act" provided a single uniform system for rewarding employees of the various Departments and agencies (including officers and employees of the Foreign Service) for especially meritorious service. The provisions of section 14 of the bill appear clearly contrary to the policy enunciated by the Congress in enacting the Government Employees Incentive Awards Act. Therefore, we entertain serious reservation concerning the necessity or desirability of this provision. However, should you decide that the inclusion of a provision such as that contained in this section is desirable and that salary rate increases based upon "especially meritorious service" should be provided for, then we would suggest that the section expressly specify whether its intent, so far as the Foreign Service is concerned, is to supersede or merely supplement the present authority contained in the Government Employees Incentive Awards Act. We also offer for your consideration the question whether some limitation should be placed upon the number of meritorious rate increases that may be granted Foreign Service officers and Reserve officers within any specified period of time.

Section 21.—This section would amend section 642 of the Foreign Service Act of 1946, as amended, to authorize the granting of meritorious rate increases to Staff officers and employees. The comments made with respect to section 14 are equally applicable to this section.

The section also would authorize periodic rate increases within the range of rates of the class in which the officer or employee is serving. We suggest that the section be amended to specify a minimum period which must be served by an officer or employee to entitle him to a periodic salary rate increase. Similarly, the section authorizes the granting of four additional salary rate increases—over and above the rates specified in the bill for each class—in recognition of longevity and proficiency in service. We recommend that standards be prescribed in the section setting forth minimum requirements that must be complied with as conditions of eligibility for such increases. We think also that the term “proficiency in the service” as used in the section either should be defined or omitted from the section.

Section 22.—This section would amend section 701 of the Foreign Service Act of 1946 to authorize orientation and language training of dependents of officers and employees of the Government who are assigned to “foreign relations activities.” The term “foreign relations activities” is not defined in the bill and it is difficult to determine just what that term is intended to encompass. Conceivably, it could be interpreted to apply to all activities conducted by Government departments and agencies in foreign countries regardless of the relative significance or importance of such activities. Moreover, the term “dependents” as used in this section is not defined. We do not know whether it is intended to apply to children regardless of age or to persons who are not members of the immediate family of the officer or employee but who might be dependent upon him for support. We recommend that the section be clarified in these respects.

Section 33(b).—This section would amend section 852 of the Foreign Service Act of 1946 by the addition of new paragraphs (d) and (e). These new paragraphs apparently are modeled after comparable provisions in the Civil Service Retirement Act Amendments of 1956—title IV of the act of July 31, 1956, 70 Stat. 743. We recommend that the proposed new paragraph (e) be amended to accomplish the following purposes:

(1) Preclude the granting of credit for military service if the participant is entitled to receive retirement pay based upon military service unless such retired pay is awarded on account of a service-connected disability (1) incurred in combat with an enemy of the United States or (2) caused by an instrumentality of war and incurred in line of duty during an enlistment or employment as provided in Veterans Regulation No. 1(a), part I, paragraph I or is awarded under title III of Public Law 810, 80th Congress. This action would be consistent with the present provisions contained in section 3(b) of the Civil Service Retirement Act.

(2) Limit the number of years of military service for which credit may be received after the date of enactment of this bill. If an individual by his own choice elects to remain in the military service for long periods of time, there appears little reason why this entire period should be creditable for Foreign Service Retirement Act purposes. The Civil Service Retirement Act places a limitation of 5 years on the military service that is creditable.

As a technical matter the term “an explosion of” should be omitted from line 9, page 35, of the bill if it is intended that this exception conform with similar exceptions appearing in section 212(b) of the act of June 30, 1932, as amended, 5 United States Code, 59a, and section 3(b) of the Civil Service Retirement Act, 70 Stat. 746.

Sincerely yours,

JOSEPH CAMPBELL,

Comptroller General of the United States.

[S. 2233, 86th Cong., 1st sess.]

A BILL To amend the Foreign Service Act of 1946, as amended and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the “Foreign Service Act Amendments of 1959”.

SEC. 2. Section 444 of such Act and the heading thereto is amended to read as follows:

“COMPENSATION PLANS FOR ALIEN CLERKS AND EMPLOYEES

“SEC. 444. (a) The Secretary shall, in accordance with such regulations as he may prescribe, establish compensation plans for local (alien) employees of the Service: *Provided,* That such compensation plans for local employees shall be based upon prevailing wage rates and compensation practices for corresponding types of positions in the locality, as is consistent with the public interest.

"(b) For the purpose of performing functions abroad, other departments and agencies of the Government are authorized to administer local (alien) employee programs in accordance with the applicable provisions of this Act."

SEC. 3. (a) The heading to section 516 of such Act is amended to read as follows: "ADMISSION TO CLASS 7 OR 8".

(b) Section 516 of such Act is amended by striking out "Sec. 516" and inserting in lieu thereof "Sec. 516. (a)" and by adding at the end thereof a new paragraph (b) which shall read as follows:

"(b) The Secretary may furnish the President with the names of those persons who have passed such examinations and are eligible for appointment as Foreign Service officers of class 8, whom he recommends for appointment directly to class 7 when in his opinion, their age, experience, or other qualifications make such an appointment appropriate."

SEC. 4. Section 517 of such Act is amended by inserting in the first sentence after the phrase "classes 1 to 7, inclusive," the phrase "except as provided in section 516(b) of this Act," and by striking out the second and third sentences thereof.

SEC. 5. (a) Subparagraphs (1) and (2) of paragraph (b) of section 634 of such Act are amended to read as follows:

"(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, from the Foreign Service Retirement and Disability Fund, in three equal installments on the 1st day of January following the officer's separation and on the two anniversaries of this date immediately following: *Provided*, That in special cases, the Secretary may in his discretion accelerate or combine the installments; and

"(2) a refund of the contributions made to the Foreign Service Retirement and Disability Fund, with interest as provided in section 841(a), except that in lieu of such refund such officer may, if he has at least five years of service credit toward retirement under this system, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a), elect to receive retirement benefits on reaching the age of sixty in accordance with the provisions of section 821. In the event that an officer who was separated from classes 4 or 5 and who has elected to receive retirement benefits dies before reaching the age of sixty, his death shall be considered a death in service within the meaning of section 832. In the event that an officer who was separated from classes 6 and 7 and who has elected to receive retirement benefits dies before reaching the age of sixty, the total amount of his contributions made to the Foreign Service Retirement and Disability Fund, with interest as provided in section 841(a)."

(b) Paragraph (c) of section 634 of such Act shall be amended by striking out the word "retired" in the first sentence and inserting in lieu thereof the word "separated".

SEC. 6. Section 635 of such Act and the heading thereto are amended to read as follows:

"FOREIGN SERVICE OFFICERS RETIRED FROM CLASS 7 OR 8

"SEC. 635. Any Foreign Service officer in class 7 who is appointed under the provisions of section 516(b) and any Foreign Service officer in class 8 shall occupy probationary status. The Secretary may terminate his service at any time.

SEC. 7. Paragraphs (b) and (c) of section 637 of such Act are amended to read as follows:

"(b) Any participant in the Foreign Service Retirement and Disability System separated under the provisions of paragraph (a) of this section shall receive a refund of the contributions made to the Foreign Service Retirement and Disability Fund, with interest, as provided in section 841(a) except that in lieu of such refund such officer may, if he has at least five years of service credit toward retirement under this System, excluding military or naval service that is credited in accordance with the provisions of sections 851 or 852(a), elect to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 821 commencing at the age of sixty years. In the event that an officer who has elected under the provisions of this section to receive a deferred annuity dies before reaching the age of sixty, his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 841 and 881.

"(c) Any officer or employee of the Service who is not a participant in the Foreign Service Retirement and Disability System shall be entitled only to such

FOREIGN SERVICE ACT AMENDMENTS

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benefits as shall accrue to him under the retirement system in which he is a participant."

SEC. 8. Section 912 of such Act is amended by changing the heading thereto to read "LOAN OF HOUSEHOLD FURNISHINGS AND EQUIPMENT" and by inserting between the words "with household" the word "basic" and by inserting between the words "household equipment" the phrase "furnishings and".

SEC. 9. Section 913 of such Act and the heading thereto is amended to read as follows:

"TRANSPORTATION OF MOTOR VEHICLES

"SEC. 913. The Secretary may, notwithstanding the provisions of any other law, transport for (or) on behalf of an officer or employee of the Service, a privately owned motor vehicle or replacement thereof in any case where he shall determine that water, rail, or air transportation of the motor vehicle or replacement thereof is necessary or expedient for any part or of all the distance between points of origin and destination."

SEC. 10. (a) Paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 (26 U.S.C. 104(a)(4)) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows:

"(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021)."

(b)(1) Section 402(a) of the Internal Revenue Code of 1954 (relating to the taxability of a beneficiary of an employee's trust) is hereby amended as follows:

(a) By striking out in the first sentence of paragraph (1) thereof "paragraph (2)" and inserting in lieu thereof "paragraphs (2) and (3)", and

(b) By redesignating paragraph (3) thereof as paragraph (4) and by inserting after paragraph (2) thereof the following new paragraph:

"(3) The amount includible under this subsection as the gross income of a nonresident alien individual with respect to a distribution made by the United States in respect of services performed by an employee of the United States shall not exceed an amount which bears the same ratio to the amount includible in gross income without regard to this paragraph as the aggregate compensation paid by the United States to such employee for such services and includible in gross income under this subtitle or prior income tax laws bears to the aggregate compensation paid by the United States to such individual whether or not includible in gross income."

(2) Section 871 of the Internal Revenue Code of 1954 (relating to the tax imposed on nonresident alien individuals) is hereby amended by striking out subsection (d) thereof and inserting in lieu thereof the following new subsection:

"(c) CROSS REFERENCE.—

(1) For doubling of tax on citizens of certain foreign countries, see section 891.

(2) For taxability of amounts paid by the United States to certain nonresident alien employees or their beneficiaries, see section 402(a)(3)."

SEC. 11. The amendment made by section 10 of this Act shall be effective with respect to taxable years ending after the date of enactment of this Act.

SEC. 12. Notwithstanding the provisions of this Act, existing rules, regulations of or applicable to the Foreign Service of the United States shall remain in effect until revoked or rescinded or until modified or superseded by regulations made in accordance with the provisions of this Act, unless clearly inconsistent with the provisions of this Act.

SEC. 13. The following section in the Foreign Service Act of 1946, as amended, is hereby repealed:

(1) Section 637(d) of such Act.

DEPARTMENT OF STATE,
June 11, 1959.

HON. RICHARD M. NIXON,
President of the Senate.

DEAR MR. VICE PRESIDENT: On December 31, 1958, the Department submitted to you a proposed bill to amend the Foreign Service Act of 1946, as amended, and for other purposes, for consideration by the U.S. Senate. This proposed bill was introduced by Senator Green as S. 443 on January 17, 1959, and referred to the Committee on Foreign Relations.

Since the submission of this original bill, the Department has prepared a supplemental proposed bill which it wishes to have considered at the same time the original bill receives the attention of the U.S. Senate. The additional amendments proposed in this bill, to amend the Foreign Service Act of 1946, as amended, and for other purposes, (tab I) are urgently needed to improve and strengthen the administration of the Foreign Service. They would accomplish the following:

1. Clarify and simplify provisions for the establishment of compensation plans for local (alien) employees of the Service and provide for the use of these provisions by other departments and agencies of the Government authorized to administer local (alien) employee programs.
2. Provide authority for the appointment directly to class FSO-7 of a limited number of persons who have qualified for FSO-8 appointment.
3. Clarify provisions relating to the selection out of Foreign Service officers in classes 4, 5, 6, and 7.
4. Further clarify and simplify provisions relating to separation for cause.
5. Clarify provisions relating to the furnishing of household equipment in order to effect economy in transportation costs.
6. Clarify provisions relating to the transportation and replacement of motor vehicles.
7. Exempt from income tax liability annuities paid under the civil service retirement and disability system to nonresident aliens who are retired employees of the U.S. Federal Government.

It is suggested that the proposed new section 7 of the attached bill be substituted for section 18 of S. 443.

An explanation of each of the proposed amendments (tab II) is also attached. Enactment of the proposed bill will not result in any direct cost to the Department of State. Section 10 of the bill proposing elimination of the 30-percent tax now withheld from Government annuities of retired alien employees would result in additional annuity payments totaling approximately \$400,000. This amount relates to all nonresident aliens receiving such annuities who are retired employees of the U.S. Government regardless of agency.

Enactment of this proposed supplemental legislation as a part of the original bill will provide important improvements for the conduct of foreign affairs. The Department recommends the passage of this legislation and trusts that it may receive favorable consideration by the Congress.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this draft legislation.

Sincerely yours,

LEY W. HENDERSON,
Acting Secretary.

EXPLANATION OF PROPOSED AMENDMENTS TO THE FOREIGN SERVICE ACT OF 1946, AS AMENDED

June 1959--Department of State

Existing legislation

Proposed legislation

CLASSIFICATION OF POSITIONS OF ALIEN CLERKS AND EMPLOYEES

COMPENSATION PLANS FOR ALIEN CLERKS AND EMPLOYEES

SEC. 444. [(a) Upon the basis of the classification provided for in section 441, the Secretary shall, with the advice of the Board of the Foreign Service, from time to time prepare schedules of salaries for classes of positions of alien clerks and employees of the Service, which classes shall be established by regulation, and shall allocate all such positions to the appropriate classes.

[(b) All alien employees in an area of comparatively uniform wage scales and standards of living, occupying positions of equal responsibility, shall receive equal pay except as there may be increases provided for length of service in accordance with uniform procedures.]

SEC. 444. (a) *The Secretary shall, in accordance with such regulations as he may prescribe, establish compensation plans for local (alien) employees of the Service: Provided, That such compensation plans for local employees shall be based upon prevailing wage rates and compensation practices for corresponding types of positions in the locality, as is consistent with the public interest.*

(b) *For the purpose of performing functions abroad, other departments and agencies of the Government are authorized to administer local (alien) employee programs in accordance with the applicable provisions of this Act.*

Section 444 is amended to clarify and simplify the provisions for the establishment of compensation plans for local (alien) employees of the Service. Existing paragraphs (a) and (b) have been incorporated and clarified in new paragraph (a). Wage and salary schedules must be based upon local prevailing pay practices for corresponding types of positions in the locality. They are subject to frequent changes owing to fluctuating economic and labor market conditions. The Department's responsibility for interagency coordinative action in administering local (alien) personnel in foreign areas obviates the necessity for or the practicability of Board of the Foreign Service advice on such matters.

New paragraph (b) of this section provides other departments and agencies of the Government employing local personnel in the performance of functions abroad with authority to utilize provisions of this act which are applicable to local (alien) personnel as deemed appropriate by such departments and agencies. Thus, the various Federal departments and agencies employing local personnel abroad are enabled to operate as a single employer by providing uniform employment conditions for all U.S. Government local employees in a given foreign labor market area who are working under similar conditions and circumstances.

PART B—FOREIGN SERVICE OFFICERS

Existing legislation

ADMISSION TO CLASS 8

SEC. 516. No person shall be eligible for appointment as a Foreign Service officer of class 8 unless he has passed such written, oral, physical, and other examinations as the Board of Examiners for the Foreign Service may prescribe to determine his fitness and aptitude for the work of the Service and has demonstrated his loyalty to the Government of the United States and his attachment to the principles of the Constitution. The Secretary shall furnish the President with the names of those persons who have passed such examinations and are eligible for appointment as Foreign Service officers of class 8.

Proposed legislation

ADMISSION TO CLASS 7 OR 8

SEC. 516. (a) No person shall be eligible for appointment as a Foreign Service officer of class 8 unless he has passed such written, oral, physical, and other examinations as the Board of Examiners for the Foreign Service may prescribe to determine his fitness and aptitude for the work of the Service and has demonstrated his loyalty to the Government of the United States and his attachment to the principles of the Constitution. The Secretary shall furnish the President with the names of those persons who have passed such examinations and are eligible for appointment as Foreign Service officers of class 8.

(b) *The Secretary may furnish the President with the names of those persons who have passed such examinations and are eligible for appointment as Foreign Service officers of class 8, whom he recommends for appointment directly to class 7 when in his opinion, their age, experience, or other qualifications make such an appointment appropriate.*

The proposed amendment to section 516 would permit the appointment directly to class FSO-7 of a limited number of persons who have qualified for FSO-8 appointment under the provisions of this section. While it is anticipated that this authority would rarely be used, there are occasions when direct appointment to class 7 would be desirable and fully justified in the interest of the Service and of the individual appointee. The Department intends, if this amendment is enacted, to issue regulations limiting such appointments to the most mature and experienced candidates who: (1) Are at least 28 years old; (2) have a record of graduate training or employment in Government or industry which clearly demonstrates ability or special skills; and (3) have a modern foreign language competence. Under existing legislation, it has been necessary for some older, more experienced men to take substantial salary reductions to accept appointment at the same level as younger men just out of college. While these men have accepted appointment willingly, it is only natural that they have been concerned about their losses in income. In this respect the proposed provision would improve morale among the younger officers by giving recognition to age and experience.

PART B—FOREIGN SERVICE OFFICERS

ADMISSION TO CLASSES 1 TO 7, INCLUSIVE

Existing legislation

SEC. 517. A person who has not served in class 8 shall not be eligible for appointment as a Foreign Service officer of classes 1 to 7, inclusive, unless he has passed comprehensive mental and physical examinations prescribed by the Board of Examiners for the Foreign Service to determine his fitness and aptitude for the work of the Service; demonstrated his loyalty to the Government of the United States and his attachment to the principles of the Constitution; and rendered at least four years of actual service prior to appointment in a position of responsibility in the service of a Government agency, or agencies, except that, if he has reached the age of thirty-one years, the requirement as to service may be reduced to three years. [After the date of enactment of the Foreign Service Act amendments of 1955 and until otherwise provided by Act of Congress, not more than one thousand two hundred and fifty persons who have not served in class 8 may be appointed to classes 1 to 7, inclusive; of such persons, not more than one hundred and seventy-five may be appointed who were not employed on March 1, 1955, in the Department, including its Foreign Service Reserve and Foreign Service Staff personnel, and who have not also served in a position of responsibility in the Department, or the Service, or both, for the required period prior to appointment as a Foreign Service officer. Notwithstanding the above provisions of this section, the limitation on the maximum number of appointments authorized herein shall not be applicable in the case of any person appointed or assigned by the Secretary of State as a Foreign Service Reserve officer and who thereafter has served in a position of responsibility in such capacity for the required period prior to appointment as a Foreign Service officer.] The Secretary shall furnish the President with the names of those persons who shall have passed such examinations and are eligible for appointment as Foreign Service officers of classes 1 to 7, inclusive. The Secretary shall, taking into consideration the age, qualifications, and experience of each candidate for appointment, recommend the class to which he shall be appointed in accordance with the provisions of this section.

Proposed legislation

SEC. 517. A person who has not served in class 8 shall not be eligible for appointment as a Foreign Service officer of classes 1 to 7, inclusive, *except as provided in section 516(b) of this Act*, unless he has passed comprehensive mental and physical examinations prescribed by the Board of Examiners for the Foreign Service to determine his fitness and aptitude for the work of the Service; demonstrated his loyalty to the Government of the United States and his attachment to the principles of the Constitution; and rendered at least four years of actual service prior to appointment in a position of responsibility in the service of a Government agency, or agencies, except that, if he has reached the age of thirty-one years, the requirement as to service may be reduced to three years. The Secretary shall furnish the President with the names of those persons who shall have passed such examinations and are eligible for appointment as Foreign Service officers of classes 1 to 7, inclusive. The Secretary shall, taking into consideration the age, qualifications, and experience of each candidate for appointment, recommend the class to which he shall be appointed in accordance with the provisions of this section.

The proposed changes in section 517 accomplish the following: (1) They permit the appointment to class 7 (without the requirement that they must previously

have served in class 8) of certain persons qualified by examination for appointment to class FSO-8 as is proposed under the revised provision of section 516(b); and (2) they eliminate the temporary provision incorporated in Public Law 22, 84th Congress and further amended by Public Law 828, 84th Congress, which established, presumably for the duration of the lateral entry program a limitation on the number of persons who can be integrated into the Foreign Service under the provisions of this section. The integration program has now been completed and a permanent provision for the lateral entry of officers to classes 1 to 7, inclusive, should be restored. Any future use of this lateral entry provision to meet the needs of the Service would be seriously handicapped by the fact that only officers who had been on the rolls of the Department as of March 1, 1955, or who have served 3 years after appointment by the Secretary of State to the Foreign Service Reserve Corps, would be eligible for appointment. It is hoped, the good judgment and commonsense of those responsible for advising the Secretary on continuing lateral entry policies can be relied upon to carry out such policies on a sound basis.

SELECTION-OUT BENEFITS

Existing legislation

SEC. 634. (b) Any Foreign Service officer in classes 4, 5, 6 or 7 who is retired from the Service in accordance with the provisions of section 633 shall receive—

(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, in three equal installments on the 1st day of January following the officer's [retirement] and on the two anniversaries of this date immediately following; and

(2) a refund of the contributions made to the Foreign Service Retirement and Disability Fund, with interest [thereon at 4 per centum, compounded annually], except that in lieu of such refund such officer may [elect to receive retirement benefits on reaching the age of sixty-two, in accordance with the provisions of section 821.] In the event that an officer who was separated from classes 4 or 5 and who has elected to receive retirement benefits dies before reaching the age of [sixty-two], his death shall be considered a death in service within the meaning of section 832. In the event that an officer who was separated from classes 6 and 7 and who has elected to receive retirement benefits dies before reaching the age of [sixty-two], the total amount of his contributions made to the Foreign Service Retirement and Disability Fund, with interest [thereon at 4 per centum, compounded annually shall be paid in accordance with the provisions of section 841.]

Proposed legislation

SEC. 634. (b) Any Foreign Service officer in classes 4, 5, 6 or 7 who is retired from the Service in accordance with the provisions of section 633 shall receive—

(1) one-twelfth of a year's salary at his then current salary rate for each year of service and proportionately for a fraction of a year, but not exceeding a total of one year's salary at his then current salary rate, payable without interest, from the Foreign Service Retirement and Disability Fund, in three equal installments on the 1st day of January following the officer's separation and on the two anniversaries of this date immediately following: *Provided, That in special cases, the Secretary may in his discretion accelerate or combine the installments;* and

(2) a refund of the contributions made to the Foreign Service Retirement and Disability Fund, with interest *as provided in section 841(a)*, except that in lieu of such refund such officer may, *if he has at least 5 years of service credit toward retirement under this system, excluding military or naval service that is credited in accordance with the provisions of sections 851 or 852(a)*, elect to receive retirement benefits on reaching the age of sixty in accordance with the provisions of section 821. In the event that an officer who was separated from classes 4 or 5 and who has elected to receive retirement benefits dies before reaching the age of sixty, his death shall be considered a death in service within the meaning of section 832. In the event that an officer who was separated from classes 6 and 7 and who has elected to receive retirement benefits dies before reaching the age of sixty, the total amount of his contributions made to the Foreign Service Retirement and Disability Fund, with interest *as provided in section 841(a)*.

Existing legislation

(c) Notwithstanding the provisions of section 3477 of the Revised Statutes, as amended (31 U.S.C. 302) or the provisions of any other law, a Foreign Service officer who is [retired] in accordance with the provisions of section 633 shall have the right to assign to any person or corporation the whole or any part of the benefits receivable to him pursuant to paragraph (b)(1) of this section. Any such assignment shall be on a form approved by the Secretary of the Treasury and a copy thereof shall be deposited with the Secretary of the Treasury by the officer executing the assignment.

Proposed legislation

(c) Notwithstanding the provisions of section 3477 of the Revised Statutes, as amended (31 U.S.C. 302) or the provisions of any other law, a Foreign Service officer who is *separated* in accordance with the provisions of section 633 shall have the right to assign to any person or corporation the whole or any part of the benefits receivable to him pursuant to paragraph (b)(1) of this section. Any such assignment shall be on a form approved by the Secretary of the Treasury and a copy thereof shall be deposited with the Secretary of the Treasury by the officer executing the assignment.

Subsection (b)(1) of section 634 is amended to authorize the Secretary in special instances to accelerate or combine the "installments" of the "severance" payment of up to but not exceeding 1 year's salary, without interest, which is authorized by this section. While the provision for paying this sum in three equal installments on the first day of January following the officer's separation and on the two anniversaries of this date immediately following usually is satisfactory, there are circumstances when it is desirable to accelerate or combine the payments in accordance with the needs of individual officers. The authority herein provided will make it possible for the Secretary to exercise his discretion in adjusting payments on an individual case basis.

Although the present provisions do not specifically state that the payments made under authority of this section shall be paid from the Foreign Service retirement and disability fund, a decision by the Comptroller General made shortly after passage of the Foreign Service Act of 1946 has resulted in the payments being made from that fund. This section as amended clearly authorizes the use of the Foreign Service retirement and disability fund for this purpose.

Subsection (b)(2) of section 634 is amended to conform with changes made in sections 841 and 881 which establish the computing of interest and the keeping of records relating to the retirement fund on a calendar year basis instead of a fiscal year basis as is now required by existing language. Further, this subsection has been revised to clarify requirements relating to prior service credit governing an officer's entitlement to deferred annuity benefits.

References to age "sixty-two" throughout subsection (b) have been changed to "sixty" to conform with other sections of this act.

PART D—SEPARATION OF FOREIGN SERVICE OFFICERS FROM THE SERVICE

Existing legislation

FOREIGN SERVICE OFFICERS RETIRED FROM CLASS 8

SEC. 635. Any Foreign Service officer in class 8 shall occupy probationary status. The Secretary may terminate his service at any time.

Proposed legislation

FOREIGN SERVICE OFFICERS RETIRED FROM CLASS 7 OR 8

SEC. 635. Any Foreign Service officer in class 7 who is appointed under the provisions of section 516(b) and any Foreign Service officer in class 8 shall occupy probationary status. The Secretary may terminate his service at any time.

The provisions of this section have been amended to provide for the probationary status of any Foreign Service officer of class 7 who is appointed under the provisions of section 516(b) as well as any Foreign Service officer in class 8.

Existing legislation

SEC. 637. (b) [Any Foreign Service officer over forty-five years of age, separated from the Service in accordance with the provisions of paragraph (a) of this section, shall be retired upon an annuity computed in accordance with the provisions of section 821 but not in excess of 25 per centum of his per annum salary at the time of his separation.]

(c) Any Foreign Service officer under forty-five years of age, separated from the Service in accordance with the provisions of paragraph (a) of this section, shall at the time of separation receive a payment equal to one year's salary or the refund of the contributions made by him to the Foreign Service Retirement and Disability Fund, whichever shall be greater.

(d) Any payments made in accordance with the provisions of this section shall be made out of the Foreign Service Retirement and Disability Fund.]

Paragraph (b) has been revised to provide that a participant separated from the Service for cause may receive a refund of contributions to the Foreign Service retirement and disability fund, with interest, or may elect in lieu of a refund of such contributions to receive a deferred annuity payable when he reaches age 60. This brings into line the retirement provisions relating to this section, retirement provisions covering other types of separation from the Foreign Service. Under present provisions relating to separation for cause, officers 45 years of age or over who are separated for unsatisfactory performance of duty are entitled to an immediate annuity based upon their years of service, computed in accordance with the provisions of section 821, but such annuity may not exceed 25 percent of their basic per annum salary at the time of separation. Officers under 45 years of age who are separated from the Service for unsatisfactory performance are entitled to a payment of 1 year's salary or the refund of contributions made to the Foreign Service retirement and disability fund, "whichever shall be greater." Under present provisions officers separated for misconduct or malfeasance are denied annuity benefits and are entitled only to a refund of contributions made by them to the Foreign Service retirement and disability fund.

It is the Department's view that there should be no "penalty" clause relating to retirement benefits when there is separation for cause. Further, it is the Department's view that an officer who has contributed to the retirement fund and has served for a sufficient number of years (i.e., at least 5 years of civilian service) to qualify for a deferred annuity should not be denied the benefits he has earned regardless of the reason for his separation, and that he therefore should have the choice of a refund of retirement contributions or a deferred annuity.

New paragraph (c) has been added to make clear that retirement benefits under the Foreign Service retirement and disability system relating to separation for cause apply only to participants in that system. Other officers or employees of

Proposed legislation

SEC. 637. (b) Any participant in the Foreign Service Retirement and Disability system separated under the provisions of paragraph (a) of this section shall receive a refund of the contributions made to the Foreign Service Retirement and Disability Fund, with interest, as provided in section 841(a) except that in lieu of such refund such officer may, if he has at least five years of service credit toward retirement under this system, excluding military or naval service that is credited in accordance with the provisions of section 851 or 852(a), elect to leave his contributions in the Fund and receive an annuity, computed as prescribed in section 821 commencing at the age of sixty years. In the event that an officer who has elected under the provisions of this section to receive a deferred annuity dies before reaching the age of sixty, his contributions to the Fund, with interest, shall be paid in accordance with the provisions of sections 841 and 881.

(c) Any officer or employee of the Service who is not a participant in the Foreign Service Retirement and Disability system shall be entitled only to such benefits as shall accrue to him under the retirement system in which he is a participant.

FOREIGN SERVICE ACT AMENDMENTS

the Service separated under the provisions of this section are entitled only to such benefits as shall accrue to them under any other retirement system in which they are participants.

PART B—TRAVEL AND RELATED EXPENSES

Existing legislation

Proposed legislation

LOAN OF HOUSEHOLD EQUIPMENT

LOAN OF HOUSEHOLD FURNISHINGS AND EQUIPMENT

Sec. 912. The Secretary may, if he shall find it in the interests of the Government to do so as a means of eliminating transportation costs, provide officers and employees of the Service with household equipment for use on a loan basis in personally owned or leased residences.

Sec. 912. The Secretary may, if he shall find it in the interests of the Government to do so as a means of eliminating transportation costs, provide officers and employees of the Service with *basic* household *furnishings and* equipment for use on a loan basis in personally owned or leased residences.

The existing provision of section 912 authorizes the Secretary to provide officers and employees of the Service with household equipment to use on a loan basis in personally owned or leased residences as a means of eliminating transportation costs. The language and the legislative history of this section does not make entirely clear the Department's authority to provide basic articles of furnishings such as divans, dining room furniture, etc., as distinguished from equipment items such as "refrigerators" (the example used in the H. Rept. 2508, 79th Cong., 2d sess., for "heavy articles of household equipment"), which the Government should lend instead of transporting as personal and household effects. Experience has proved that it is in the interest of the Government to establish a clear legislative basis for providing basic furnishings in privately leased quarters which would not be subject to any misinterpretation where such quarters and furnishings are available. Savings in transportation costs resulting from the furnishing of divans, dining room furniture, and other heavy furniture can equal or exceed savings which result from the provision of such items as refrigerators, stoves, and other appliances.

PART B—TRAVEL AND RELATED EXPENSES

Existing legislation

Proposed legislation

TRANSPORTATION OF [AUTOMOBILES]

TRANSPORTATION OF MOTOR VEHICLES

Sec. 913. The Secretary may, notwithstanding the provisions of any other law, transport for or on behalf of an officer or employee of the Service, a privately owned [automobile] in any case where he shall determine that water, rail, or air transportation of the [automobile] is necessary or expedient for any part or of all the distance between points of origin and destination.

Sec. 913. The Secretary may, notwithstanding the provisions of any other law, transport for or on behalf of an officer or employee of the Service, a privately owned *motor vehicle or replacement thereof* in any case where he shall determine that water, rail, or air transportation of the *motor vehicle or replacement thereof* is necessary or expedient for any part or of all the distance between points of origin and destination.

The proposed amendment to section 913 substitutes "motor vehicles or replacement thereof" for the word "automobile". It is necessary for Foreign Service personnel to replace their motor vehicles from time to time, particularly at posts having adverse climatic and road conditions, in order to have adequate transportation as well as to carry out their responsibilities as official representatives of the U.S. Government.

There are occasions when conditions at oversea posts justify the use of motor vehicles other than automobiles. Since the Comptroller General has ruled that the Department does not have authority to transport motor vehicles other than automobiles, e.g., motorcycles and motor scooters, the use of the broader term "motor vehicle" is suggested.

Sec. 10. (a) Paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 (26 U.S.C. 104 (a)(4)) (relating to the exclusion from gross income of compensation for injuries and sickness) is hereby amended to read as follows:

"(4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces

of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 831 of the Foreign Service Act of 1946, as amended (22 U.S.C. 1081; 60 Stat. 1021)."

(b) (1) Section 402(a) of the Internal Revenue Code of 1954 (relating to the taxability of a beneficiary of an employee's trust) is hereby amended as follows:

(a) By striking out in the first sentence of paragraph (1) thereof "paragraph (2)" and inserting in lieu thereof "paragraphs (2) and (3)", and

(b) By redesignating paragraph (3) thereof as paragraph (4) and by inserting after paragraph (2) thereof the following new paragraph:

"(3) The amount includible under this subsection is the gross income of a nonresident alien individual with respect to a distribution made by the United States in respect of services performed by an employee of the United States shall not exceed an amount which bears the same ratio to the amount includible in gross income without regard to this paragraph as the aggregate compensation paid by the United States to such employee for such services and includible in gross income under this subtitle or prior income tax laws bears to the aggregate compensation paid by the United States to such individual whether or not includible in gross income."

(2) Section 871 of the Internal Revenue Code of 1954 (relating to the tax imposed on nonresident alien individuals) is hereby amended by striking out subsection (d) thereof and inserting in lieu thereof the following new subsection:

"(c) CROSS REFERENCE.—

(1) For doubling of tax on citizens of certain foreign countries, see section 891.

(2) For taxability of amounts paid by the United States to certain nonresident alien employees or their beneficiaries, see section 402(a)(3)."

Section 10(a) amends paragraph (4) of section 104(a) of the Internal Revenue Code of 1954 to exempt disability annuities from Federal income tax. This is in keeping with provisions relating to disability annuities payable by the Federal Employees' Compensation Bureau. This proposed amendment to the Internal Revenue Code has been approved by the Bureau of Internal Revenue, Treasury Department.

Section 10(b) amends sections 402 and 871 of the Internal Revenue Code of 1954 to provide tax exemption for annuities paid to nonresident aliens who are retired employees of American Government installations abroad and to dependents of such aliens.

Under the Treasury Department's interpretation of the existing provisions of the Internal Revenue Code of 1954 the annuities paid under the Civil Service Retirement and Disability system to nonresident aliens who are retired employees of the United States Federal Government, have been subject to a 30-percent withholding tax on the full amount of the annuity since January 1952. The imposition of this 30-percent tax on annuities, many of which amount to \$600 or less per year, has caused severe hardship in many cases and engenders resentment against the United States for its failure to comply with its contractual obligation to pay retired employees the pension they had been led to expect.

In a letter directed to the chairman of the House Committee on Ways and Means, dated August 8, 1958, the statement was made by the Treasury Department that the 30-percent withholding rate on annuity payments to nonresident aliens was not intended to apply to former employees of the United States and that the Department of the Treasury was in favor of legislation which would provide tax exemption for these annuitants. The amendment to section 402(a) of the Internal Revenue Code of 1954 proposed in this section is identical with that which the Treasury Department submitted to the House Ways and Means Committee during the last session of Congress. This draft amendment has been approved by the Bureau of the Budget, the Civil Service Commission, and the Department of State. The Treasury Department has indicated that in the interest of obtaining this remedial legislation expeditiously, it does not object to the inclusion of this amendment in this bill.

Senator MANSEFIELD. Mr. Henderson you are also a witness on this subject—the first witness.

**STATEMENT OF HON. LOY W. HENDERSON, DEPUTY UNDER
SECRETARY OF STATE FOR ADMINISTRATION**

Mr. HENDERSON. Mr. Chairman, I have here a prepared statement which I might read. It will take probably 20 minutes to read it. Would you prefer I submit this statement for the record?

Senator MANSFIELD. I would prefer, Mr. Secretary, that you go through it and pick out the high spots because I see that it is 18 pages long.

Mr. HENDERSON. If it is agreeable with you, I will submit it for the record and then I will summarize it briefly for your benefit.

Senator MANSFIELD. Fine.

BILLS AND AMENDMENTS FAVORED BY STATE DEPARTMENT

Mr. HENDERSON. For a period of more than a year, the Department of State has been studying the Foreign Service Act of 1946, as amended, for the purpose of determining how the Foreign Service might be strengthened by the passage of further amendments to that act.

In late December 1958 a draft bill was submitted to the Congress and was introduced by Senator Green on January 17, 1959, as S. 443.

Since that time the Department has prepared and obtained Bureau of the Budget clearance on several additional and desirable proposed changes in the Foreign Service Act which were introduced by Senator Fulbright on June 23, 1959, as S. 2233.

In developing these amendments, the Department has borrowed several proposals from the bill introduced as S. 1243 on March 2, 1959, by Senator Saltonstall for himself and for Senator Mansfield.

We are most grateful to you, Mr. Chairman, and to Senator Saltonstall for your encouragement and assistance in our efforts to strengthen the Foreign Service.

There is one proposal in S. 1243 which the Department would have liked to have included in its proposed amendments to the Foreign Service Act, but which we could not include only because of time factors.

I refer to section 4 of S. 1243, which would authorize "special monetary or other incentives to encourage Foreign Service personnel to acquire or retain proficiency in foreign languages or special abilities needed in the Service."

Senator MANSFIELD. Mr. Secretary, may I interrupt you to say we are not conducting a hearing on S. 1243 this morning because we have already had such a hearing.

Mr. HENDERSON. That is right.

Senator MANSFIELD. But your suggestion will be given every consideration.

Mr. HENDERSON. Yes.

In S. 443 and S. 2233, the Department is suggesting a number of amendments which, in its opinion, would be in the interest of: increasing the general effectiveness of the Foreign Service; providing greater flexibility to the Secretary in the management of the Department and of the Foreign Service, and in administering their personnel programs; strengthening the training programs and otherwise raising the qualifications of members of the Foreign Service; and consoli-

dating the gains which have already been made as a result of the Secretary's integration program.

Other suggested amendments would remedy certain deficiencies in the retirement system. If adopted, certain staff personnel would receive retirement benefits similar to those given members of the Foreign Service Officer Corps, and surviving dependents of Foreign Service personnel would be provided for in the manner similar to that under which dependents are protected under other Federal retirement systems.

STRENGTHENING OF STAFF CORPS

The first group of amendments relate to the strengthening of the staff corps.

We are proposing amending section 415 so as to introduce a new class structure of Foreign Service staff personnel which would have 10 classes instead of the 22 which it now has.

We believe that this would be a more logical arrangement. It would still facilitate our management of the staff corps, and would make a smooth flow of promotions.

This new structure would correspond to the new structure of the Foreign Service Officer Corps which was provided for in legislation 2 years ago.

Senator MANSFIELD. Mr. Secretary, if I may interrupt at this point, I would like to say that this reformation in the staff corps is long overdue, is it not?

You will recall that we have discussed this on occasion in the past 5 or 6 years.

Mr. HENDERSON. Yes, sir. That is right.

Senator MANSFIELD. Is it your opinion that what the Department has proposed will give greater stability and more opportunity for advancement to the people in the staff corps—both those who will be coming in and those who have been in for some years?

Mr. HENDERSON. That is right.

We feel it will assist greatly in stabilizing the staff corps, giving the members of the staff corps a feeling that they have some future, and that their promotions are being given in a more systematic manner.

INCLASS PROMOTIONS AND LATERAL ENTRY INTO STAFF CORPS

I may say that one feature of our amendments is a provision which would give longevity pay increases to staff personnel.

We have not had that feature before. It is in some of the civil service provisions, and we would like to introduce that here.

There are certain occupational categories in the staff corps upon which there are classification ceilings. A longevity pay plan will provide some incentive for personnel occupying positions in these categories.

We also have a provision that would provide for the recruitment of staff corps at other than the minimum rates of each class.

The present law makes it necessary for us to bring in new recruits at the bottom of each class. I will not go into that in detail. I think the proposal would give us more flexibility by making it possible to take in new recruits at various steps in the appropriate classes.

Senator MANSFIELD. New personnel would be brought in laterally?

Mr. HENDERSON. Yes, laterally, at various steps in class.

Would you like to have me just touch briefly on each amendment or treat them in a general way?

Senator MANSFIELD. I think you treat them fairly specifically in your statement, from what I have been able to read so far. So now you may if you will, just treat them generally.

Mr. HENDERSON. All right, sir.

Senator MANSFIELD. We will have your complete statement in the record which will give the details.

Mr. HENDERSON. The amendments would provide for additional salary increments in each class based on proficiency and length of service. I have just mentioned that.

TEMPORARY SERVICE IN STAFF CORPS

At the present time we have no authorization to hire members of the Staff Corps on a temporary basis, such as we have in the Foreign Service Reserve Corps. There are occasions when we would like to hire staff personnel, say, for 2 years to do a specific job, and we would like to have the authority to do that.

We also would like to have the authority to bring in Staff Corps personnel on a trial, or probationary, basis. We would like for their first assignment to be, under regulations, for perhaps 2 years.

If, during those 2 years—or whatever the period may be—they would not live up to expectations they could be released without going through the usual procedure for separation from the Service. We have that procedure at the present time in the Foreign Service Officer Corps.

We also are suggesting amendments to provide for the separation of staff personnel on the same basis as now provided for Foreign Service officers in case they later do not live up to expectations.

BRINGING STAFF PERSONNEL UNDER FOREIGN SERVICE RETIREMENT SYSTEM

One important amendment would provide that Foreign Service Staff personnel who have been in the Foreign Service for a period of 10 years or more would come under the Foreign Service retirement and disability system rather than remain as they are under the civil service retirement system.

It is our belief that the Foreign Service retirement system can be better adapted to the needs of the Staff Corps than the civil service system.

That would mean that ordinarily members of the Staff Corps would retire at 60 instead of at 70 as at present.

It would also mean that at the age of 50, after 20 years of service, they could retire voluntarily.

Senator MANSFIELD. Did you say that the Staff Corps personnel cannot retire until they reach the age of 70?

Mr. HENDERSON. They can retire as in the civil service at the age of 62 at the present time, and normally must retire at 70.

They can also retire somewhat earlier with certain reductions in annuities.

Under the Foreign Service retirement system they can retire voluntarily after they are 50 years of age and been in the Service 20 years and receive full annuity credit for their years in service.

We feel if a person has served many years abroad, he should have the opportunity to retire when he reaches the age of 50.

Senator MANSFIELD. What is the mandatory retirement age in the civil service?

Mr. HENDERSON. Seventy, with at least 15 years service, or upon completion of 15 years service.

FLEXIBILITY OF CIVIL SERVICE AND FOREIGN SERVICE POSITIONS

There are also a series of amendments which would provide greater flexibility in managing the service and in recruiting and utilizing foreign service personnel.

One of the amendments falling under this heading would, in accord with the recommendations of the Wriston Committee, give the Secretary authority to convert civil service positions in the Department to Foreign Service positions and vice versa.

At the present time we have established what we call dual service positions in the Department in which either a Foreign Service officer or a civil servant can be the incumbent.

LATERAL ENTRY AND DIRECT APPOINTMENT TO CLASS 7 OF OFFICER CORPS

Another amendment which we are proposing would remove the presently existing numerical limitation upon lateral entry into the Foreign Service Officer Corps.

We feel the numerical limitation is no longer necessary and that we should have some discretion in deciding who should be brought into the corps, and who should not be brought in.

Another amendment would permit the appointment to class 7 of a limited number of persons who have qualified for FSO-8 appointment when age, experience, and other qualifications make such higher level appointments appropriate. This provision is similar to the one which was incorporated in the bill S. 1243.

EXTENDING SERVICE OF OFFICERS BEYOND RETIREMENT AGE AND RECALLING RETIRED OFFICERS

Another amendment would authorize the Secretary, if he determined it to be in the public interest, to extend beyond retirement age the service of officers who are approaching mandatory retirement, and also to recall temporarily into service officers who have been retired.

At present, the Secretary may extend the service of officers beyond retirement age or he may recall retired officers only when he has determined an emergency to exist.

The suggested use of the phrase "in the public interest" would give the Secretary more discretion in utilizing the specialized skills of experienced officers as the need for their services occurs.

Another amendment would permit the assignment of Foreign Service personnel, without the loss of their Foreign Service status,

to other governmental agencies and to international organizations or commissions.

Another amendment would restore authority for inclass promotions for especially meritorious service.

This amendment is necessary in view of a determination by the Comptroller General that authority of this nature, which the Secretary formerly had, was made inoperative by the Incentive Awards Act.

SEPARATION FROM THE FOREIGN SERVICE

The proposed amendments would combine into one section of the Foreign Service Act provisions governing separation for cause that would be applicable to all employees of the Foreign Service on a uniform basis.

At the present time we have four different sections relating to separation from the service for cause. We feel this provision would be more just, and that it would also facilitate the process of the separation.

FOREIGN SERVICE INSTITUTE AND TENURE OF RESERVE OFFICERS

Proposed amendments relating to the Foreign Service Institute would provide authority for dependents of Foreign Service personnel to receive language orientation and other training at the Institute when such training is in the interest of the Service.

Authority to employ persons who are noncitizens of the United States, for use in specialized language and area training programs when citizen instructors are not available, would also be provided.

Another proposed amendment would extend the period of service of Reserve officers, the tenure of whom at present is limited to 5 years by another period up to an additional 5 years if the Secretary determines that such extension would be in the public interest.

There are certain technical reasons for this which I have touched upon in my principal witness statement, so I shall not go into them at the present time unless you would like for me to do so.

Senator MANSFIELD. Mr. Secretary, I have here a number of questions. Rather than take up your time in this hearing, I will give them to you and would appreciate receiving detailed answers to each one. (See p. 205, appendix II.)

Mr. HENDERSON. Yes, sir.

Senator MANSFIELD. In this group I shall give you a copy of a letter to take back with you to the Department, involving a personnel action by Mr. Hugh S. Cumming, Jr. I would like to have your answers to two questions in the letter: One. Do you agree with the judgment exercised by Mr. Cumming in this case? And, two, is this case typical of the personnel policy of the Department in this regard?

I shall insert the letter in the record at this point and put your answers in the record later.

(The letter referred to follows:)

WOODROW WILSON HALL,
February 18, 1959.

HON. HUGH S. CUMMING, JR.,
Director for Intelligence and Research,
Department of State, Washington, D.C.

DEAR MR. AMBASSADOR: In a letter of February 11, Mr. Bartos, Director of your Executive Staff, informed me that you would support a request of the

Division of Research and Analysis for the Far East to recruit me as either a Foreign Service Reserve officer, class 6, or a civil-service employee, GS-11, at an annual salary of \$7,030, and to assign me to the same position I was in when I requested leave of absence to complete my Ph. D. I much appreciate your interest and assistance in my desire to return to the Foreign Service, and I am grateful for your helping to arrange this offer of employment.

After much deliberation I have decided, however, to take a combined teaching-administrative job at Indiana University. Indiana now has one of the fastest growing and most imaginative programs of Russian studies in the United States, and within a few years I believe that it will be among the best and most productive American centers for teaching and research on Russia and Eastern Europe. I am pleased to have an opportunity to participate in this development at Indiana, and I look forward to returning to teaching and to my scholarly studies of Soviet foreign policy and Russian history.

I regret very much not being able to reenter the Foreign Service, for I feel that the challenges and satisfactions in such a career are very great. I believe, however, that I can make a contribution in academic life and that, for the moment at least, it offers me greater freedom and more opportunities for the development of my intellectual interests and previous training in Soviet affairs than does the Foreign Service.

In any case, if I had decided to return to Government service, I would have accepted a position at the GS-13 level offered me by another Government agency. With four children, it would not be possible to make ends meet on the salary offered me in DRF. While I realize that an officer could hardly be rewarded for having left the Service to complete his doctorate, I do not think that he should be penalized, either. I would welcome an opportunity to take up again research and analysis on Indonesian affairs, the job I occupied at the time of my resignation, but I could hardly be expected to return at exactly the same salary and grade level I then commanded, in view of the additional training and experience as a researcher, administrator, and student of diplomacy I have acquired in the intervening 2 years. Moreover, if I were recruited without reference to my prior grade in the Service, it seems probable that my training and experience would qualify me for a GS-12 position.

It is, of course, unfortunate that I originally entered the Service somewhat older and with more training and preparation than most beginning FSO's. I have not lost hope, however, that some day the personnel policies of the Service will adopt the widely accepted practice in most enterprises today of recognizing and making allowance for comparable experience and accomplishment in other organizations and fields of endeavor.

After my return from the Soviet Union and Western Europe in May, I hope that Frisky and I can arrange a trip to Washington before we move to Indiana. If so, we look forward to seeing you and Mrs. Cumming then.

Best wishes,

JOHN M. THOMPSON.

Cc: Joseph T. Bartos.

(The memorandum subsequently received from Mr. Henderson is as follows:)

Before giving specific answers to the committee's direct questions on this subject, I think it would be helpful to give a description of the events which preceded Mr. Thompson's letter of February 18, 1959.

Mr. Thompson was appointed to the Foreign Service in June 1954 as an FSO-6. He was assigned to Djakarta later that same year, was converted to class 7 with the change in the FSO class structure in July 1956, and was promoted to class 6 in January 1957. At the conclusion of his tour of duty in Djakarta, Mr. Thompson was assigned to a vacant position in the Bureau of Intelligence and Research, a position in which his experience in Indonesia would be extremely valuable and for which he was specifically requested by the Bureau. Shortly after his return to the United States in early 1957, Mr. Thompson requested leave without pay in order to complete his academic work for a Ph. D. and to take advantage of a grant which had been offered him by the Joint Committee on Slavic Studies. After careful consideration of this request, the Department decided that it could not be granted because no other officer was available for the position to which he had been assigned, he already had an extensive academic background in Soviet affairs and his thesis would not be of outstanding

importance to the Department. The Department did undertake to assure Mr. Thompson that, when he could be replaced, a request for leave without pay might be given favorable consideration. Mr. Thompson thereupon decided to resign from the Foreign Service.

In September 1958, Mr. Thompson called on the Deputy Assistant Secretary for Personnel to discuss his interest in reinstatement in the Foreign Service when he completed his work for his Ph. D. degree in the spring of 1959. At that time, Mr. Brown explained the possibility of his appointment as a Foreign Service Reserve officer and ultimate lateral entry into the Foreign Service Officer Corps. In December Mr. Thompson pursued the possibility of reinstatement in the Department in discussions with officers of the Bureau of Intelligence and Research. Consideration was given at that time by Mr. Cumming and other officers of the Bureau to requesting the Department's Office of Personnel to appoint Mr. Thompson as a Foreign Service Reserve officer to fill a vacancy in the Bureau. It might be mentioned that this was at a time when the Department's financial situation was quite serious and almost no appointments to the Reserve Corps were being made. The question of offering Mr. Thompson such an appointment was kept very informal until Mr. Cumming was able to determine whether there was sufficient need for his services to warrant outside recruitment. Mr. Cumming decided in early February that from the point of view of his Bureau there was a need for an officer of Mr. Thompson's background and experience in a vacant Foreign Service officer position at the class 6 level, a need sufficient to warrant a recommendation to the Office of Personnel that Mr. Thompson be appointed. This possibility was explained to Mr. Thompson who replied in his letter of February 18, a copy of which the committee has.

Mr. Thompson's salary at the time of his resignation as an FSO-6 was \$6,100 but if he had continued in his position classified at the GS-11 level, he would have been paid at the rate of \$6,390. With the pay increase effective in 1958 the position would carry a salary of \$7,030 which was the rate of the tentative offer made to him.

The first question posed by the committee is, "Do you agree with the judgment exercised by Mr. Cumming in this case?"

It is presumed from reference to Mr. Thompson's letter that the matter of "judgment" has to do with the level of the tentative offer made to Mr. Thompson. My answer to this question is that in the circumstances I do agree that Mr. Cumming's offer was an appropriate one. The vacancy for which he was being considered was the only available one in the Bureau of Intelligence and Research which might warrant filling by recruitment from outside the Service and was at the FSO-6/GS-11 level. On this ground then it would not have been appropriate for Mr. Cumming to have suggested consideration of him at a higher level. It is perhaps important to note that Mr. Thompson has academic background and qualifications for service in positions calling for special knowledge of Soviet Russia and, because of his experience in the Service, for positions having to do with Indonesia. The Service now has many officers at all levels qualified in the Soviet field but relatively few officers who are expert in Indonesia. If Mr. Thompson had accepted Mr. Cumming's tentative offer the only justification for appointing him as a Reserve officer would have been because of his valuable experience in Indonesia.

The second question is, "Is this case typical of the personnel policies of the Department in this regard?"

I am not certain which policies are meant but I shall mention some policies and practices which appear to be related. The Department's general policy with respect to the appointment of Foreign Service Reserve officers has been implied in the above. Briefly, the Department's policy is to fill vacancies in Foreign Service officer positions from within the Foreign Service, but if no Foreign Service officer is available for a vacancy within a reasonable time, a person may, if funds are available, be appointed in the Foreign Service Reserve to fill the position if he has the special qualifications required. There was a need for a person with Mr. Thompson's general ability and specific Indonesian experience in the Bureau of Intelligence and Research at the FSO-6 level and Mr. Thompson's appointment might have been justified in spite of our tight budgetary situation.

The question also implies that the Department as a general rule disregards added maturity, qualifications and experience gained by a former officer during his absence from the Department. In this connection, let us assume Mr. Thompson had decided to remain in the Service in 1957 and accept his assignment to the position in the Bureau of Intelligence and Research. It is possible that he would have earned a promotion to class 5 after 2 years. If his request for leave without

pay had been granted, however, he could not have earned a promotion since the selection boards would have had no record of performance covering the period since his last promotion in 1957. Does he suggest that, by obtaining a Ph. D. and gaining certain experience outside the Department, he should have been promoted in competition with his colleagues whose experience in the Service was of more direct benefit to the Department?

I do not understand Mr. Thompson's reference to being penalized for having left the Service to complete work toward his doctorate. In spite of the Department's genuine need for his services, Mr. Thompson chose to resign in 1957 when his personal wishes could not be immediately satisfied. In the Department's view he had no right to reinstatement at any level; the question of reappointment would have to be considered, as it was, on its own merits at the time in relation to the needs of the Department.

Mr. Thompson referred also to personnel policies of the Department which in his view should "adopt the widely accepted practice in most enterprises today of recognizing and making allowance for comparable experience and accomplishment in other organizations and fields of endeavor." Mr. Thompson was 28 years and 3 months old at the time of appointment, had an AB and MA and had taught at Rutgers and Columbia. The committee is aware of the Department's support of the pending amendment which would permit appointment at the class 7 level in certain cases. However, it is interesting to note that the average age of FSO-8's at the time of appointment is 26 years and 3 months. Of a representative sample of 265 FSO-8's now on the rolls of the Department, 81 have done some graduate work without obtaining a degree and 86 have earned M.A.'s or higher, including Ph. D.'s and LL.B.'s. It is therefore true that at the time of his entrance into the Service Mr. Thompson was somewhat older than the average age of beginning officers but it is not true that his academic attainments and work experience were very unusual.

Senator MANSFIELD. Mr. Henderson, do you have anything further to say on these two bills?

I note you have Mr. Aaron Brown, and Mr. William Woodyear with you. Do they have any testimony to give?

Mr. HENDERSON. No.

(The prepared statement of Mr. Henderson follows:)

BY HON. LOY W. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION

Mr. Chairman, I am glad to have the opportunity to appear before this committee again in support of further legislative improvements in the Foreign Service Act of 1946. As I am sure you are aware, the continued and constructive interest of the committee in the problems and needs of the Foreign Service is greatly appreciated.

For a period of more than a year the Department of State has been studying the Foreign Service Act of 1946, as amended, for the purpose of determining how the Foreign Service might be strengthened by the passage of further amendments to that act. In late December 1958, a draft bill (the Foreign Service Act Amendments of 1959) was submitted to the Congress and was introduced by Senator Green on January 17, 1959, as S. 443. Since that time the Department has prepared and obtained Bureau of the Budget clearance on several additional and desirable proposed changes in the Foreign Service Act which were introduced by Senator Fulbright on June 23, 1959, as S. 2233.

DEPARTMENT OF STATE STRESSES NEED FOR PROVISION IN S. 1243 TO ESTABLISH STANDARDS OF LANGUAGE PROFICIENCY

In developing these amendments, the Department has "borrowed" several proposals from the bill introduced as S. 1243 on March 2, 1959 by Senator Saltonstall for himself and for Senator Mansfield. We are most grateful, Mr. Chairman, to you and Senator Saltonstall for your encouragement and assistance in strengthening the Foreign Service.

There is one proposal made in S. 1243 which the Department would have liked to include in its proposed amendments to the Foreign Service Act, but which we could not include only because of timing factors. I refer to section 4 of S. 1243 which would authorize "special monetary or other incentives to encourage Foreign

Service personnel to acquire or retain proficiency in foreign languages or special abilities needed in the Service." We believe this would be a very desirable amendment to the Foreign Service Act.

GENERAL PURPOSES OF S. 443 AND S. 2233

In S. 443 and S. 2233, the Department is suggesting a number of amendments which in its opinion would be in the interest of: increasing the general effectiveness of the Foreign Service; providing greater flexibility to the Secretary in the management of the Department and of the Foreign Service and in administering their personnel programs; strengthening the training programs and otherwise raising the qualifications of members of the Foreign Service; and consolidating the gains which have already been made as a result of the Secretary's integration program. Other suggested amendments would remedy certain deficiencies in the retirement system. If adopted, certain staff personnel would receive retirement benefits similar to those given members of the Foreign Service Officer Corps, and surviving dependents of Foreign Service personnel would be provided for in a manner similar to that under which dependents are protected under other Federal retirement systems.

For the purpose of presenting the proposed amendments and indicating their effect on the Foreign Service, it may be helpful if I group them in four general categories.

STRENGTHENING OF STAFF CORPS

The first of these categories covers amendments that would strengthen the Staff Corps. It will be recalled that one of the recommendations of the Wriston committee was that Staff officer positions, with the exception of a limited number of highly technical positions, should be converted into Foreign Service officer positions and that the current incumbents of Staff officer positions, unless unable to meet certain established standards, should be offered commissions as Foreign Service officers. This recommendation has been carried out with the result that opportunity for advancement in the Staff Corps has been severely limited because of the relatively small number of high level positions now remaining in the corps. Since work performed by staff personnel is essential to the effectiveness of the Foreign Service, it is desirable that staff personnel have designed for them a program that will assure the recruitment and retention of persons possessing appropriate qualifications and that will insure the maintenance of high morale in the Staff Corps. Among the amendments proposed are several which, it is hoped, will strengthen the Staff Corps and will give added incentive to young men and young women seeking careers in the Foreign Service Staff Corps.

THE 10-CLASS STRUCTURE RECOMMENDED

The new 10-class salary structure recommended by the Department for the Staff Corps would provide significant improvements in the Foreign Service Staff Corps salary schedule. The structure of the Foreign Service officer schedule was modified in 1956 to provide basic improvements in accordance with the needs of the Service. At that time the personnel integration program was underway and it was not possible to determine clearly the future needs of the Foreign Service Staff Corps. The proposed new class and salary schedule for the Staff Corps is specifically designed to provide a more adequate promotion ladder for ladder for these employees, including equitable and appropriate salary adjustments when promotions to the next higher class are awarded. The proposed 10-class schedule has several other features:

(a) The rates of the top three Foreign Service Staff classes are the same as the rates contained in classes 3, 4, and 5, respectively, of the Foreign Service officer schedule. This provides equitable treatment for personnel serving at similar levels and will facilitate the conversion of Staff Corps personnel at these levels who may qualify in the future for lateral entry into the Foreign Service Officer Corps.

(b) It consolidates overlapping classes, eliminates overlapping at the top levels, and improves the step-rate increment plan.

(c) It provides for consolidation of the present 22-class structure into a 10-class structure with the result that the lower classes (14 through 22) that are not being used are eliminated.

(d) It provides that with the exception of classes 1 and 2 all staff personnel will be adjusted to class number designations higher than those held under the present schedule.

OTHER BENEFITS FOR STAFF CORPS

The proposed amendments would also make it possible to bring personnel into the Staff Corps in any salary rate of a given class which might be appropriate on the basis of former experience and earning levels; they would provide for in-step promotions in the Staff Corps on the basis of merit; they would provide for additional salary increments within each class based on proficiency and length of service; they would make it possible for members of the Staff Corps to be appointed to temporary, limited, or permanent positions and for the establishment of probationary periods for such appointees; they would provide for the separation of staff personnel on the same basis as is now provided for Foreign Service officers; and they would provide that certain members of the Staff Corps would become participants in the Foreign Service retirement and disability system.

GREATER FLEXIBILITY IN MANAGING THE SERVICE AND IN RECRUITING AND UTILIZING FOREIGN SERVICE PERSONNEL

This group of amendments would clarify certain existing provisions of the act, make possible greater flexibility in managing the Service, and provide the Department with more leeway in recruiting and utilizing Foreign Service personnel.

One of the amendments would, in accord with the recommendations of the Wriston Committee, give the Secretary authority to convert civil service positions in the Department to Foreign Service positions and vice versa. As the needs of the Service change to meet new conditions, situations develop from time to time which require that certain classified civil service positions in the Department be changed to Foreign Service positions or that Foreign Service positions be reconverted to civil service positions.

In order that the Department may have more freedom in selecting persons who through previous governmental service and background have developed certain specialties urgently needed in the Service, one of the amendments provides for the removal of the presently existing numerical limitation upon lateral entry into the Foreign Service Officer Corps. It is not the intention of the Department to weaken the career principles which must be maintained if there is to be a highly efficient professional Foreign Service. Nevertheless, the Department should be able to recruit especially well qualified and needed personnel laterally from other agencies of the Government without being restricted in such recruitment by numerical limitations. A proposed amendment would also permit the direct appointment to class 7 of a limited number of persons who have qualified for FSO-8 appointment when age, experience, and other qualifications make such higher level appointments appropriate.

EXTENDING RETIREMENT AGE AND TEMPORARY RECALL OF RETIRED OFFICERS

Other amendments under consideration would authorize the Secretary, if he determined it to be in the public interest, to extend beyond retirement age the service of officers who are approaching mandatory retirement and also to recall temporarily into service officers who have been retired. At present, the Secretary may extend the service of officers beyond retirement age or he may recall retired officers only when he has determined "an emergency to exist." The suggested use of the phrase, "in the public interest," would give the Secretary more discretion in utilizing the specialized skills of experienced officers as the need for their services occurs. It is not the intention of the Department to extend the service of officers beyond retirement age or to recall retired officers into the Service except under unusual conditions. Experience has demonstrated, however, that it would be in the public interest, from time to time, even though no emergency exists, if officers of particular value in certain positions could be retained beyond retirement age or if retired officers could be recalled to active duty to perform specific tasks.

ASSIGNMENT OF FOREIGN SERVICE PERSONNEL TO OTHER AGENCIES WITHOUT LOSS OF FOREIGN SERVICE STATUS

Another proposed amendment would permit the assignment of Foreign Service personnel, without the loss of their Foreign Service status, to other Government agencies and to international organizations or commissions. Under present provisions, a Foreign Service officer may not serve as a Presidential appointee in an agency other than the Department of State without retiring or resigning from the Service. Furthermore, the Department has encountered certain difficulties which this amendment would remove in assigning officers to international organi-

FOREIGN SERVICE ACT AMENDMENTS

zations or commissions in which it is in the interest of the United States to have representatives.

INSTEP PROMOTIONS AND SEPARATION FROM SERVICE

A proposed amendment to restore instep promotions within classes for especially meritorious service is necessary in view of a determination by the Comptroller General that authority of this nature which the Secretary formerly had was made inoperative by the Incentive Awards Act. Cash awards authorized by the Incentive Awards Act are not as appropriate for career Foreign Service officers as are meritorious inclass promotions.

The proposed amendments would combine into one section of the Foreign Service Act provisions governing separation for cause that would be applicable to all employees of the Foreign Service on a uniform basis. Under the present provisions separation for cause is covered in four separate sections of the act in such a manner that there is not equitable application of the provisions to all categories of Foreign Service personnel.

FOREIGN SERVICE INSTITUTE AND TENURE OF RESERVE OFFICERS

Proposed amendments which relate to the Foreign Service Institute would provide authority for dependents of Foreign Service personnel to receive language, orientation, and other training at the institute when such training is in the interest of the Service. Authority to employ persons who are noncitizens of the United States for use in specialized language and area training programs when citizen instructors are not available would also be provided.

Under the proposed amendments, it would be possible in special circumstances for the Secretary to extend the period of service of Reserve officers, the tenure of whom at present is limited to 5 years. This authority is needed by the Department to provide for the continuation on the rolls of certain Foreign Service Reserve officers whose positions together with certain functions have been transferred from ICA to the regular operations of the Department. Many of these officers appointed under this special authority available to ICA, with no limitation on the term of their service as Foreign Service Reserve officers, have now served in excess of 5 years, yet they must be continued in their same capacity for several more years because of the program responsibilities which have been transferred to the Department. This provision will also enable the Secretary to extend the tour of duty of a Reserve officer for an additional period not in excess of 5 years if such officer is performing work of a character particularly valuable to an agency of the Government other than the Department of State, if the head of that agency should request such an extension.

DISCONTINUANCE OF SALARY DIFFERENTIAL FOR CIVIL SERVICE EMPLOYEES IN FOREIGN SERVICE

At the present time, a number of Foreign Service officers are assigned to positions in the Department, which are classified under civil service at rates of pay higher than the Foreign Service officer's salary. Under present provisions such officers now receive differentials to cover the differences between their salaries and those of the civil service positions to which they are assigned. One of the proposed amendments would eliminate this salary differential. It is believed that with the integrated departmental and Foreign Service program now in effect and the resultant rotation of Foreign Service officers between field posts and the Department on a regular basis, there is no justification for the continuance of these differential payments. Foreign Service officers assigned to overseas posts do not receive a differential regardless of the nature of their assignments and it is not the Department's intention to continue to pay salary differentials when such officers are assigned to Foreign Service officer positions in the Department.

IMPROVEMENTS IN THE RETIREMENT SYSTEM

The proposed amendments include a number of changes in title VIII of the Foreign Service Act which, as you know, relates to the Foreign Service retirement and disability system.

During the 12 years since the passage of the Foreign Service Act of 1946, there have been substantial improvements in the provisions of other Federal retirement systems which have not been reflected in similar improvements in the Foreign Service retirement and disability system. As a result of this, the Foreign Service system now is in need of major changes if it is to provide equitable annuities for

Foreign Service officers and their surviving dependents. Among the proposed improvements in the Foreign Service retirement and disability system are: A provision I have already mentioned which will include certain Staff officers and employees in the system; liberalization and clarification of provisions relating to the computation of annuities and survivorship benefits which will bring the Foreign Service system in line with other Federal retirement systems; clarification of the provisions relating to retirement for disability and to the reinstatement of recovered disability annuitants; and clarification of the provisions relating to death in service. Further proposed amendments to title VIII will provide discontinued service annuities similar to those of other Federal retirement systems, an increase in the rate of participant contributions to the Foreign Service retirement and disability fund from 5 percent to 6½ percent of basic salary, and a number of other clarifying and simplifying changes.

MISCELLANEOUS AMENDMENTS

Also recommended are a number of miscellaneous amendments which, if adopted, would strengthen and improve the administration of the Service.

These include proposals to clarify and simplify provisions for the establishment of compensation plans for local (alien) employees and to provide for the use of these provisions by other departments and agencies of the Government authorized to administer local (alien) employee programs; to grant couriers, in view of the hazardous nature of their assignments, a salary differential of up to 15 percent of their basic pay; to clarify provisions relating to the selection out of Foreign Service officers in classes 4, 5, 6, and 7; to further clarify and simplify provisions relating to separation for cause; to clarify provisions relating to the furnishing of household equipment in order to effect economy in transportation costs; and to clarify provisions relating to the transportation and replacement of motor vehicles.

With the approval of the Treasury Department, we are also including among our miscellaneous proposals two amendments to the Internal Revenue Code of 1954 which are of great importance to the Department. One will exempt from income-tax liability annuities paid to participants in the Foreign Service retirement and disability system who are retired for disability. The other is a change in the Internal Revenue Code which will solve a very serious problem relating to the annuities paid nonresident aliens who are retired employees of the U.S. Government. The majority of these retired local nationals of other countries who have served the U.S. Government loyally and well, over periods of many years, have been retired on annuities which amount to only a few hundred dollars per year. These annuities have come to be considered a contractual obligation of the United States which many pensioned employees, after having made contributions to the civil service retirement fund during the years of their employment, count on to provide for them in their old age. However, on the basis of a Treasury Department interpretation of existing provisions of the Internal Revenue Code, these annuities have since January 1952 been subject to a 30-percent withholding tax on the full amount of the annuity. This has caused severe hardship in many cases and has reflected unfavorably upon the United States as an employer.

While affected alien annuitants can be found in limited numbers throughout the world, it is significant that a great majority of those affected (approximately 3,000) are in the Philippines. These annuitants considered themselves American citizen employees of the U.S. Government while the Philippines were a possession of the United States. They lost their American nationality when independent status was given to the Philippines. Now being considered alien employees, they have had their annuities reduced by one-third. This has been the subject of protests from the Philippine Government to the U.S. Government each year since the imposition of this 30 percent tax. The Treasury Department now agrees that the tax should not be applied to the annuities of aliens who were former employees of the United States. The draft amendment to the Internal Revenue Code has the approval of the Civil Service Commission as well as that of the Treasury Department and the Department of State.

This concludes my statement concerning S. 443 and S. 2233. Members of my staff and I are at your disposal to discuss individual proposed amendments and to supply you with any background data or supplementary information you may need.

I do not know how you desire to proceed, Mr. Chairman. If you wish me at this time to comment also on S. 1243, I would like to offer for the record a copy of my statement made at the committee's hearing on this bill held April 16, 1959. If, however, you wish to take up S. 1243 as a separate item, I shall be glad to hold the statement until the appropriate time.

CREATION OF OFFICE OF UNDER SECRETARY OF STATE FOR WESTERN
HEMISPHERE AFFAIRS

Senator MANSFIELD. We will next turn to S. 106, a bill by Senator Smathers to authorize an Under Secretary of State for Western Hemisphere Affairs.

(S. 106, together with executive branch comments, follow:)

[S. 106, 86th Cong., 1st sess.]

A BILL To authorize an Under Secretary of State for Western Hemisphere Affairs

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of May 26, 1949, as amended (5 U.S.C. 151a-151e), relating to the organization of the Department of State, is further amended as follows:

(1) In section 2, add the following new subsection:

"(c) There is hereby established in the Department of State the Office of the Under Secretary of State for Western Hemisphere Affairs, which shall be filled by appointment by the President, by and with the advice and consent of the Senate. The Under Secretary of State for Western Hemisphere Affairs shall receive compensation at the rate of \$22,500 per year and shall perform such duties as may be prescribed by the Secretary of State."

DEPARTMENT OF STATE,
Washington, February 18, 1959.

Hon. J. W. FULBRIGHT,
*Chairman, Committee on Foreign Relations,
U.S. Senate.*

DEAR SENATOR FULBRIGHT: The Department fully approves of the basic intent underlying S. 106 introduced by Senator Smathers on January 9, 1959 to authorize an Under Secretary of State for Western Hemisphere Affairs. Perhaps at no time in our history has it been of greater importance to the United States to concentrate on and improve our relations with our Hemisphere neighbors. The Department of State seeks to improve the organization, as well as substantive aspects of its relationships with nations of the Western Hemisphere and inter alia is giving full consideration to the recommendations of the Milton S. Eisenhower report.

While the creation of the new title and position of Under Secretary of State for Western Hemisphere Affairs might contribute in certain respects to the end which is mutually desired, the Department of State is of the opinion that the disadvantages of such a title change outweigh the advantages. It would destroy the existing pattern of organization of the Department by elevating above the Assistant Secretary level one of the five geographic bureaus, thus violating the concept of equality of areas advocated in Senator Smathers' speech. It would have the disadvantage of adding one more Under Secretary of State position, all of which now have functional not regional authority. In this connection, it is essential to recognize that the Under Secretary and the Under Secretary for Economic Affairs, as well as the two Deputy Under Secretaries (Political Affairs and Administration), all share responsibilities for the major problems in our relations with Western Hemisphere nations. It should not be considered, therefore, that these problems receive only fifth-echelon attention and consideration through the Assistant Secretary for Inter-American Affairs.

Be assured that Senator Smathers' cogent assessment of the sensitivity of and importance of our problems with the Western Hemisphere finds no dissent within the Department of State. We will continue to seek to improve by all substantive means the conduct of our relations with the peoples of our own hemisphere.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this report.

Sincerely yours,

WILLIAM B. MACOMBER, JR.,
Assistant Secretary
(For the Acting Secretary of State).

Senator MANSFIELD. Mr. Secretary, Senator Smathers will submit a letter in support of his measure at this time.

(The letter referred to follows:)

U.S. SENATE,
COMMITTEE ON FINANCE,
July 2, 1959.

HON. MIKE MANSFIELD,
*Chairman, Subcommittee on State Department Organization and Public Affairs,
Foreign Relations Committee, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Due principally to other official commitments I regret it is not possible for me to personally appear before you and your subcommittee in connection with the consideration of S. 106, a bill which I introduced on January 9 of this year, to authorize the appointment of an Under Secretary of State for Western Hemisphere Affairs.

However, I am grateful for the opportunity afforded me to submit this statement in lieu of my personal appearance.

We are all conscious of the turmoil that presently exists in Latin America today. Hardly a day passes that the newspapers throughout the country fail to give some mention of what appears to be a continuing deterioration of affairs in this area, with the inference, and I believe rightly so, that much of it is brought about as a result of complacency on our part to give the forthright leadership required.

I have on numerous occasions pointed out that our attention is directed by virtue of various emergencies in other areas of the world, and there has been a feeling existing for too long a period of time that everything is well south of the border, or at least not of sufficient magnitude as to require major attention in connection with the administration of our foreign policy. Of late, we are becoming more conscious of the need for able and forthright leadership which our friends to the south have been seeking and looking forward to us to furnish. The seeds of discord provide a fertile field for the Soviet economic offensive which is gaining momentum at a rapid pace in the area today. Where the Communists were at one time confined to and later driven from Guatemala, they now are gaining ground throughout the entire Latin American area. The consequences of Soviet success defy calculation. The danger is real. Inestimable damage can result to our own security and economy unless swift action is taken to cope with the situation as it exists.

We must accept and successfully meet the Soviet challenge and assist our Latin American neighbors in their hour of need, or else be prepared to suffer the consequences.

On numerous occasions I have pointed out many things which we could do to assist the area with the problems that beset it. One of these is the pending proposal to authorize the appointment of an Under Secretary of State for Western Hemisphere Affairs. The creation of this new post would recognize, and give institutional expression to, an existing set of facts—namely, that American foreign policy now is, and to an extent must be, so thoroughly preoccupied with the problems of the immediate present, that little attention is directed to less urgent matters. This is true, even though in the long run the less urgent problems may be the more crucial ones.

The change which would be brought about by my proposal may seem, outwardly, to be insignificant. But as a result of the foreign policy tendency which I have outlined, and of what might otherwise be called the inevitable hot-spot method, all of our officials in the Department of State are disposed to give priorities to matters outside this hemisphere.

The bill is not intended as a criticism of the Department of State, or of the Assistant Secretary of State for Inter-American Affairs, but is meant to be a constructive proposal rooted in what I conceive to be an inescapable fact—namely, that the present structure of the Department of State, given the situation of worldwide attention and recurrent crises, leads inevitably to preoccupation with immediate troubles and to neglect long-range needs.

All of us can agree that such a state of affairs is completely undesirable. Our objective should be to secure an effective balance between a foreign policy shaped to fit present problems and one adapted to future needs, as well.

Balance is needed; and it can be accomplished by the creation of the new post of Under Secretary of State for Western Hemisphere Affairs, within the State Department, in such a fashion as to give equal footing to officers charged with the development of the two aspects of policy. It is my firm conviction that the creation of this new post must be accomplished only on the level of Under Secretary, thus giving the two persons named to these offices equal access to the Secretary of State, and, in the absence of the Secretary, equal access to the President of the United States.

Many problems—all of them important—now exist between the United States and its allies in the Western Hemisphere; and each of these problems is receiving attention, although in varying degrees.

However, it is my judgment that all of these problems can be solved and a longer step can be taken toward the establishment of a cooperative and happy hemisphere if we recognize that the essential first step is the appointment of an Under Secretary for the Western Hemisphere. To make this step is to let the other peoples of this hemisphere know of the important position they occupy in the minds of the people of the United States of America, their principal neighbor.

The purpose of this bill is to satisfy their justified longing and desire for recognition; it is to set in motion machinery which will reverse the policy of "Latin America last," and will—as it properly should—put the Western Hemisphere first.

It is clear, beyond sensible doubt, that the importance of these problems justifies and, in fact, demands the creation in our Government of a position which will enable an individual of ability to have the rank and the prestige of a position which will enable him to go directly to the President of the United States, and thus cut through redtape and delay which now separate the Assistant Secretary in charge of the Inter-American affairs from the Secretary of State and the President of the United States.

Unquestionably, the lack of rank, prestige, and influence of the existing position of Assistant Secretary of Inter-American Affairs has made it difficult for anyone who occupies that position to come to grips properly and directly with the many and varied problems which exist, and to solve them expeditiously and wisely.

The result has been, throughout the whole Western Hemisphere, smoldering fires, which from time to time erupt into bright flames. On such occasions, we see the use, once again, of our "fire truck" foreign policy—when some of our top officials rush in, and do their best to extinguish the flames, but leave the fire smoldering.

Too long have the problems of the Western Hemisphere received only fifth-echelon attention and consideration. To enable us to prevent neglect and postponed consideration of these problems while the Secretary of State and other top-level officials look intently at flames—which may appear to be burning more brightly—in the Mideast and in other areas of the world, it is essential that we insure the current consideration of Western Hemisphere problems at the level their importance demands, by having them considered by one who will have the prestige of the position of Under Secretary of State for Western Hemisphere Affairs.

For these reasons, I believe it imperative that we give to Western Hemisphere policy, not priority, but a greater measure of equality. I trust that our present state of affairs in the area will serve as an adequate, sufficient, and timely warning to all of us.

I sincerely trust that the subcommittee will act promptly and favorably on S. 106. In so doing, an inestimable contribution will be made toward the development of an effective and stabilized foreign policy.

I shall appreciate it if you will have this letter made a part of the record of your hearings.

With kind regards, I am,
Sincerely yours,

GEORGE SMATHERS, *U.S. Senator.*

Senator MANSFIELD. Mr. Secretary, we will let you carry the ball on the measure now before us.

STATEMENT OF HON. LOY W. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION

Mr. HENDERSON. Mr. Chairman, I have a statement which I should like to submit for the record, and if you would permit me, I would like to give, orally, a short statement.

Senator MANSFIELD. Fine.

ELEVATION OF ONE ASSISTANT SECRETARY TO UNDER SECRETARY WOULD
DIMINISH PRESTIGE OF OFFICE OF ASSISTANT SECRETARY

Mr. HENDERSON. I might say that there are five Assistant Secretaries of State in charge of extremely important geographical bureaus. The elevation of any one of these Assistant Secretaries to an under-secretaryship or to a deputy under secretaryship would tend to lower the prestige of the rank of assistant secretary and thereby reduce the effectiveness of other assistant secretaries.

The rank of an Assistant Secretary of State is traditionally high. He has a position at least as important as the positions of the chiefs of our key diplomatic missions abroad. I personally am inclined to believe that to describe the Assistant Secretary for Inter-American Affairs as a "fifth-level figure" gives an incorrect picture of what his true position is. As Assistant Secretary he has access to the Secretary of State at any time. He may be and is in fact called upon from time to time to attend conferences relating to the American Republics in the White House. He frequently explains our policies with regard to the American Republics and developments in that area to congressional committees. A change of his title to that of Under Secretary would not, in the opinion of the Department, facilitate the conduct of our relations with the countries of this hemisphere. Such a move would certainly distort the organization of the Department. It would disturb a balance which has been worked out as a result of many years of experience.

IMPORTANCE OF WESTERN HEMISPHERE VIS-A-VIS OTHER GEOGRAPHICAL
AREAS

Senator MANSFIELD. Now, Mr. Secretary, how do you consider the Western Hemisphere in relation to the other geographic areas?

Mr. HENDERSON. We consider the Western Hemisphere as extremely important. It is hard for me to make a comparison, to say that, for instance, the Western Hemisphere is more important to the United States than the continent of Europe.

I certainly think that it is just as important. At the present time, Asia is also becoming increasingly important to us.

It would be very difficult to try to draw comparisons which would indicate that one area of the world is more important to us than any other area of the world.

Senator MANSFIELD. Let me put it this way: Do you think we are paying more attention to other areas of the world and less attention in comparison to Latin America?

ATTENTION FOCUSED ON INTERNATIONAL COMMUNISM

Mr. HENDERSON. I think, at the present time, probably more attention is being concentrated upon our problems arising from the existence of an aggressive international communism than on problems of any other character from any other factor.

Senator MANSFIELD. Where? What area are you referring to?

Mr. HENDERSON. International communism is busy in all areas of the world.

At the present time, of course, we are particularly preoccupied with directing the administrative center of international communism, that is, on the Soviet Union.

Senator MANSFIELD. Do you think international communism is a danger in the Caribbean and in Latin America, particularly?

Mr. HENDERSON. It is a danger in all parts of the world, but we are making special efforts to deal with international communism in this area. I can assure you that a great deal of attention has been paid to international Communist activities in the Caribbean.

Senator MANSFIELD. But haven't we been dealing with it in a more intensive manner in every other region of the world, other than Latin America, until comparatively recently?

Mr. HENDERSON. I think that probably we have not, up until recent years, given the attention to the inroads of international communism in this hemisphere that we should have given.

HAS THE UNITED STATES TAKEN LATIN AMERICA FOR GRANTED?

Senator MANSFIELD. Would you say that we have been taking Latin America for granted?

Mr. HENDERSON. Mr. Chairman, I am not in a position to answer some of these questions, but I do not think we have been taking Latin America for granted.

Senator MANSFIELD. How does it happen, then, that when a number of sudden outbreaks take place at our own back door, in our own hemisphere, we all of a sudden develop a real interest in Latin America?

We try to give added authority to the Organization of American States; we are in the process of developing an Inter-American Bank; we are paying more attention now to Latin America than we have in the past; but only, in my opinion, because we have been forced to.

Unlike you, Mr. Secretary, I can express a personal opinion and get away with it—and I think that our chickens are coming home to roost.

When we were in trouble, we turned to the Latin American States, and they gave willingly and unstintingly of their resources to help us in a conflict in which we were primarily engaged. They gave us all kinds of support and encouragement. But then when the conflict was over—and this happened after both the First and Second World Wars—we seemed to turn elsewhere, and develop a greater interest in Europe, in Asia, and now in Africa. Our interest turns to Latin America only when we are, in a sense, forced to turn to it because of events which have occurred down there which might have been circumvented had we watched our p's and q's, and done the kind of a job we should have with our hemispheric neighbors in the meantime.

SENATOR SMATHERS' ATTEMPTS TO STRENGTHEN INTER-AMERICAN RELATIONS

The Latin-American situation does worry me, and I can understand Senator Smathers' desire to bring about a degree of added recognition for all Latin America. I can understand and sympathize with his desire to give added strength to the OAS through the creation of a police force and a regional court of justice.

I would hope that these proposals made by Senator Smathers who, I think, is our strongest Latin America man in the Senate, would be

given the consideration due them by the Department of State. Such due consideration would encourage Senator Smathers in what he has been doing for so many years, and for which he has received so little recognition.

Mr. HENDERSON. Mr. Chairman, could I say that we in the Department have great respect for the views of Senator Smathers with regard, particularly, to this hemisphere, and we certainly will give and are giving careful consideration to the views which he may express.

WAYS IN WHICH ADDED RECOGNITION COULD BE ACCORDED THE LATIN AMERICAN REPUBLICS

Senator MANSFIELD. But you do not think it advisable that an Under Secretary of State for Western Hemisphere Affairs be selected—is that correct?

Mr. HENDERSON. We do not think it would be advisable, Mr. Chairman.

We feel that there are other ways of giving more concentrated attention to our problems in the Americas than by appointing an Under Secretary for the Western Hemisphere.

Senator MANSFIELD. Mr. Secretary, would you furnish this committee a list of these other ways in which we can give added recognition and prestige to Latin America in our relations with that area?

Mr. HENDERSON. I shall be glad to do so.

(The material subsequently supplied by Mr. Henderson is as follows:)

I believe, Mr. Chairman, that the record of the past several years will show no lack of attention paid by high officials of this Government to our inter-American relations. The President, the Vice President, the Secretary of State, and on several occasions the Assistant Secretary of State for Inter-American Affairs have visited the region. As you know, the President sent his brother, Dr. Milton Eisenhower, on two factfinding and good-will missions to the area. There have been in addition a number of inter-American meetings attended by other high officials of this Government, such as the Secretary of the Treasury, the Deputy Under Secretary of State, and the President of the Export-Import Bank. The United States was instrumental in obtaining the convocation of a special meeting of the Presidents of the American Republics held in Panama in 1956. The Committee of Presidential Representatives resulted, which, meeting over a period of several months, made a number of significant recommendations for improving the activities of the OAS and subordinate agencies to deal with growing social and economical problems of the region. The record, therefore, will show, I think, that high officials from the President down have in fact devoted a good deal of attention and time to Latin America.

In addition, Mr. Chairman, it would be inaccurate in my opinion to conclude that the United States has merely reacted to events in Latin America. May I refer, as an example, to the tremendous problems of economic and social development which have been of major current concern to our Latin American friends. The Department noted the increasing economic stresses which developed in the region in 1956 and 1957. Following the Buenos Aires Economic Conference in 1957—when it became clear that the worldwide break in basic commodity prices, the business recession in this country, and other adverse factors were having a damaging impact on the economies of many of the American Republics and on their development programs—the Secretary of State, in January 1958, established a departmental task force to undertake a basic policy review of our inter-American economic relations. The recommendations resulting from this policy review led directly to such later measures as U.S. participation in the organization of a regional development bank, participation in international commodity study groups, increased support for sound regional market planning, and to other similar steps.

High-level attention and preoccupation with these matters can be further demonstrated by the support the United States has extended to the multilateral effort to develop Latin America's economic potential, which has come to be known as Operation Pan America. May I emphasize particularly the invitation extended by Secretary Dulles to the other American Foreign Ministers to meet in Washington last September to discuss these problems. The result, as you know, was the establishment of the Committee of 21 and the speeded-up negotiation of a charter for the Inter-American Development Bank. I should also point out, Mr. Chairman, that the Department of the Treasury, the Development Loan Fund, the Export-Import Bank and other agencies of the Government have also devoted high-priority time and attention to Latin American economic problems:

Similarly, the Department, during recent years, has given high priority to the problems and the dangers posed by international communism in Latin America. It was our concern on this score that led to our sponsorship of Resolution XXXII adopted by the Ninth International Conference of American States at Caracas in 1954. This resolution, by which it was agreed that international communism in effect constituted intervention in the affairs of the American Republics, laid the groundwork for continuous cooperation among the American States on this problem. The United States has been in the forefront of the effort of all the American Republics to counter the threats and dangers posed by international communism and has sought in every appropriate way to help the other American States meet the Communist threat.

The Department is, in short, acutely aware that Latin America is a dynamic area, undergoing important changes and consequently experiencing serious economic, political, and social stresses. We are equally aware of the need to give our best effort and thought to meeting the problems this situation poses for us, and consequently of the special place which Latin America necessarily holds in our foreign relations.

I mentioned in my earlier testimony, Mr. Chairman, that the administrative step of establishing the position of Under Secretary of State for Inter-American Affairs would not in my opinion necessarily meet the objective of insuring continued focus and attention on this major sector of our international relations. This proposal seems to misjudge the effectiveness of the present system, and introduces the danger of prejudicing the overall effectiveness of the Department by the creation of an imbalance in its organizational structure.

Precisely in order to meet the objective of continuous improvement in our handling of Latin American matter, while at the same time avoiding the disadvantages of the Under Secretaryship proposal, the Department has adopted or has under consideration the following specific measures:

1. In keeping with the recommendation of Dr. Milton Eisenhower, we are taking steps to establish a National Advisory Committee on Inter-American Affairs which will be composed of six outstanding leaders and experts on Latin America from private life and which will be chaired by the Secretary of State. This committee will consider current and long-range problems in our relations with Latin America and make recommendations to the Secretary of State in connection therewith. I am convinced that this committee will serve a very helpful function both in terms of developing additional useful ideas with respect to our inter-American relations and in promoting a wider understanding and appreciation of these relations among the people of this country.

2. Steps are being taken to implement a resolution recently passed by the Council of the Organization of American States which requested that member governments establish national commissions to disseminate and promote an understanding of the principles of pan-Americanism and of the OAS and its function. We propose a National Commission for the Organization of American States, which would be comprised of a substantial number of national leaders, such as educators, editors, writers, businessmen, agriculture and labor leaders, public officials, and prominent individuals from social and cultural institutions. Its function would be to promote, with the advice and consultation of the Secretary of State, a wider public understanding of pan-Americanism, the activities of the OAS, and the social, cultural, and political life of the other nations of the Americas by means of appropriate cultural, artistic, and scientific activities. This, I believe, will provide a very effective means of giving added recognition and prestige to Latin America.

3. The executive branch, as you know, has requested appropriate legislation from the Congress to permit the United States to participate in the Inter-American Development Bank. The establishment of such a bank, to which the United States would contribute a substantial amount of funds, represents a definite

recognition of the special importance of Latin America and of pressing economic needs in the area. In terms of this country's foreign economic policy, participation by this Government in this organization will provide a special focus for our economic relations with Latin America and that region's economic problems.

4. In September 1958 the Department's Bureau of Inter-American Affairs was reorganized to permit more efficient handling of the area's problems. The previous two geographic offices were expanded to four, which are now responsible for the conduct of U.S. foreign relations with the 20 American Republics. The creation of the two additional offices was designed to enable each office director to concentrate to a greater extent on his area, and to effect closer coordination between Foreign Service posts and the Department on significant political, economic, and consular activities.

5. A recent reorganization of the research areas of the Department will make it possible for the Department to place greater emphasis on studies of the problems of this hemisphere and particularly of the problems flowing from the activities of international communism. Furthermore, the results of these studies will be made available not only to our personnel engaged in work on the American hemisphere, but to key personnel of the Department and of the Foreign Service as a whole. We are also planning to devote more attention in the Foreign Service Institute to matters relating to the American hemisphere. We are also making strenuous efforts to raise the level of the language and other qualifications of our personnel in the American Republics. Already, as a result of our efforts during recent years, the majority of our key personnel in the American Republics speak the language of the country.

I am convinced, Mr. Chairman, that these and other measures, which have been taken or are planned, do indeed constitute an effective recognition of the special importance to us of Latin America and will add up to an increased effectiveness in the handling of our relations with that area.

(The prepared statement of Mr. Henderson follows:)

STATEMENT BY HON. LOY W. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION, ON S. 106, TO AUTHORIZE AN UNDER SECRETARY OF STATE FOR WESTERN HEMISPHERE AFFAIRS

Mr. Chairman, the Department has carefully reviewed S. 106, the bill introduced by Senator Smathers to authorize an Under Secretary of State for Western Hemisphere Affairs.

We appreciate the basic purpose of this bill—to aid the U.S. Government and the Department of State in particular in concentrating on and thereby improving its relations with the other nations of the Western Hemisphere. Perhaps never before in our history have our relations with Canada or the nations to the south of us been of such crucial importance.

We do not believe, however, that the specific organizational change which S. 106 seeks to make in the Department would help us to focus on Western Hemisphere affairs and we fear that it might even hamper our efforts in this regard.

EFFECTS OF CREATION OF OFFICE OF UNDER SECRETARY OF STATE FOR WESTERN HEMISPHERE AFFAIRS

The establishment of the position and office of Under Secretary of State for Western Hemisphere Affairs would have the following undesirable effects:

1. It would elevate one geographic region to an organizational level in the Department above that accorded the other geographic regions. This would violate the concept of equality of areas propounded by Senator Smathers in his speech of August 16, 1958. The existing pattern of organization—each regional bureau headed by an Assistant Secretary—facilitates a balanced consideration of the political affairs of each of the major geographical divisions of the world.

2. The jurisdictional boundary between an Under Secretary of State with regional responsibilities and other Under Secretaries and Deputy Under Secretaries of State with worldwide responsibilities would be impossible to establish and might well lead to duplication of effort and the necessity for burdensome clearance procedures.

It is essential to recognize that when an Assistant Secretary of State in charge of a geographic area works on the major problems of his area, he does so in participation with one or more of the following: The Secretary, the Under Secretary, the Under Secretary of State for Economic Affairs, or the two Deputy Under Secretaries. These problems receive, therefore, first rather than "fifth echelon attention and consideration."

Several recent actions taken by our Government offer tangible evidence of the importance which we attach to our relations with the nations of the Western Hemisphere. For example, the President in his message to the Congress on May 11, 1959, urged prompt action by Congress to enable the United States to join with other members of the Organization of American States in an Inter-American Development Bank. This regional economic development institution will provide for economic cooperation on a sound financial basis among the nations of the Western Hemisphere.

In addition, we are taking steps to establish a National Advisory Committee on Inter-American Affairs in accordance with the recommendation made by Dr. Milton Eisenhower in his report to the President on United States-Latin American relations. The Committee will review current problems relating to all aspects of our inter-American relations and will advise on policies both intermediate and long range.

These substantive actions by the Department indicate that we are acutely aware of the sensitivity and importance of our problems in the Western Hemisphere.

PROJECTION OF FOREIGN SERVICE BUILDINGS PROGRAM

Senator MANSFIELD. Now we will go on to the next measure before us. S. 1044, introduced by Mr. Fulbright by request, is a bill to amend the Foreign Service Buildings Act of 1926, as amended. (S. 1044, together with executive branch comments, follows:)

[S. 1044, 86th Cong., 1st sess.]

A BILL To amend the Foreign Service Buildings Act of 1926, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Foreign Service Buildings Act, 1926, as amended (22 U.S.C. 295), is amended by adding at the end thereof the following new subsection:

"(c) For the purpose of carrying into effect the provisions of this Act there is hereby authorized to be appropriated, in addition to amounts previously authorized, an amount not to exceed \$100,000,000, of which \$50,000,000 shall be available exclusively for payments representing the value, in whole or in part, of property or credits in accordance with the provisions of the Act of July 25, 1946 (60 Stat. 663). Sums appropriated pursuant to this authorization shall remain available until expended."

DEPARTMENT OF STATE,
Washington, February 3, 1959.

HON. RICHARD M. NIXON,
President of the Senate.

DEAR MR. VICE PRESIDENT: The Department submits and recommends for your consideration the enclosed proposed legislation amending the Foreign Service Buildings Act, 1926 (22 U.S.C. 292-300).

Authorizations of appropriations to carry out the provisions of the Foreign Service Buildings Act from 1926 to the present total \$231,625,000, of which \$200 million is authorized to be used exclusively for payments to agencies of the U.S. Government for foreign credits and currencies. After the appropriation for the current fiscal year, there remains an unappropriated balance of authorization of \$28,095,000, of which \$27,234,000 is for the procurement of foreign currencies and \$861,000 is in dollar authorization. These amounts will be reduced further by the appropriation for the fiscal year which ends June 30, 1960.

Thus far, under its Foreign Service buildings program, the Department of State has acquired residences, office buildings, and staff housing valued in excess of \$158 million. Even so, many of the personnel at overseas posts are working and living in accommodations far below the standards considered minimum in the United States of America. In order to assess the total needs overseas, the Department initiated a post-by-post survey of buildings requirements, and as a result of this survey prepared a program to meet the basic requirements. A copy of the program is enclosed. It contemplates expenditure of an estimated \$120 million in the period from fiscal year 1961 through fiscal year 1965.

Acquisitions under the Foreign Service Buildings Act have been financed largely through the use of foreign currencies and credits. Surplus property and lend-lease credits have provided foreign currencies for a substantial portion of the

program. The use of these credits permitted the conversion of a portion of the debts to tangible assets of lasting value. The disposal of surplus agriculture commodities authorized by Public Law 480 currently is providing foreign currencies useful in financing the buildings program.

There are, however, certain limitations to the use of foreign currencies and credits. A substantial portion of them are held in countries where the need for building facilities no longer is acute. Under regulations prescribed by the U.S. Treasury Department and placed in effect on December 1, 1953, all agencies of the U.S. Government needing foreign exchange are required to purchase it from U.S. Treasury holdings, and they may not purchase from external sources unless the Treasury cannot supply the kind of currency needed. Only a relatively small number of foreign currencies are held by the Treasury in substantial amounts, relative to overall U.S. needs, and this number is being reduced wherever possible by exchange conversion of surplus holdings into currencies in demand.

Conversely, many of the Department's most urgent and compelling buildings needs are in countries where credits or local currencies in excess of current disbursing requirements are not held by the United States. In addition, the buildings program funds the maintenance and operating costs for owned and long-term leased buildings of the Department of State overseas, and a number of these buildings are located in areas where no currency credits are available. U.S. dollars must be expended to meet obligations in these circumstances. Consequently, the dollar requirements have increased in recent years and probably will continue to increase in the future.

The proposed amendment to section 4 will authorize additional appropriations of \$100 million of which \$50 million is to be in foreign currency credit authorization. A statement reflecting the authorizations and appropriations under the Foreign Service Buildings Act is enclosed.

The Department of State has been informed by the Bureau of the Budget that there is no objection to the presentation to the Congress of the proposed legislation.

A letter similar to this is being sent to the Speaker of the House of Representatives.

Sincerely yours,

JOHN FOSTER DULLES.

Enclosures:

1. Copy of draft bill (became S. 1044, see p. 120).
2. Copy of foreign buildings requirements, 1961-65, inclusive. (See p. 131.)
3. Copy of Department of State authorizations and appropriations for the foreign buildings program. (See p. 130.)

Senator MANSFIELD. Mr. Secretary, do you want to start off on this bill, or do you want Mr. William P. Hughes, the Director of the Office of Foreign Buildings, to take the lead?

STATEMENT OF HON. LOY W. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION, ACCOMPANIED BY WILLIAM P. HUGHES, DIRECTOR, OFFICE OF FOREIGN BUILDINGS

Mr. HENDERSON. Mr. Chairman, could I present my principal witness statement together with the documents?

Senator MANSFIELD. Fine.

Mr. HENDERSON. At this point I believe that Mr. Hughes should come up and join me.

Senator MANSFIELD. Mr. Hughes, will you please come up and sit with the Secretary?

Mr. HENDERSON. I believe my principal witness statement, together with the attachments to it, present most of the problems in a rather clear form connected with this bill.

Mr. HUGHES. Mr. Chairman, with your permission, I offer to the committee a detailed statement on the projection of the buildings program, complete with a general statement and the supporting schedules that show area by area and country by country as we see

our needs in the immediate years ahead. With your permission, I shall be very happy to brief the statement in a simple summary.

The Department presents for your consideration, Mr. Chairman, an increase of \$100 million in the authorization for the Foreign Service building program.

The Foreign Service Buildings Act of 1926 authorized the overseas program of the Department of State.

The original act has been amended from time to time to accommodate the many special and unusual circumstances encountered in the operation of the program overseas.

FOREIGN CURRENCY INCREMENT TO FOREIGN SERVICE BUILDINGS PROGRAM

You will note that in addition to a U.S. dollar authorization, the Congress included an authorization in foreign currencies first in 1946. At that time, as a result of lend-lease, surplus property disposals, and other agreements, this Government either owned or was owed substantial amounts of foreign currencies, and after careful consideration the Congress recognized the building program was one means of converting these currencies into useful and lasting facilities to be used by the diplomatic and consular establishments abroad.

The reasons for that decision are as valid today as they were in 1946. While the properties we own throughout the world today are valued in excess of \$160 million, our expanded responsibilities impose additional burdens on our present facilities by creating demands for new facilities in places where none has existed heretofore.

We are also mindful of the foreign currency requirements of the Department's international education exchange program.

An analysis of the requirements of this program and the building program reveals no serious competition for limited local currency resources.

As this committee knows, an increasing proportion of the local currencies used for the educational exchange program are obtained under the provisions of Public Law 480.

I should like to emphasize that the building program has a significant effect on the morale of our people abroad. In many remote and difficult living areas the success of our various programs depends, in large measure, upon our physical plant, not alone for the physical comforts but for the health and safety of these people assigned overseas.

Mr. Henderson and I are happy that we are able to present this to you in detail, and I hope we shall be able to answer any question which the committee may ask.

Senator MANSFIELD. Mr. Hughes, how much money was authorized in the act of 1946?

Mr. HUGHES. \$125 million, Senator.

Senator MANSFIELD. In dollars?

Mr. HUGHES. No, sir; 15 million was in dollars and \$110 million was in local currencies.

ARCHITECTURE OF FOREIGN SERVICE BUILDINGS

Senator MANSFIELD. When you build your buildings overseas, do you always take into account the architecture of the area in which the buildings are to be located?

Mr. HUGHES. We have been doing that recently, Senator Mansfield. We started it actually in early 1954 when we created a distinguished architectural advisory panel to assist the Department with that very problem of recommending the most suitable style of architecture, based upon those styles that exist in the country where we build.

Senator MANSFIELD. However, you did not always follow that procedure, did you?

Mr. HUGHES. We did not always follow that procedure, sir.

Senator MANSFIELD. For example, you have built apartments in various places—Paris in particular—for Foreign Service personnel, have you not?

Mr. HUGHES. Yes, sir; there have been some apartments built in Paris for Foreign Service people.

Senator MANSFIELD. Do you recall one on the way to, I think, St. Denis, a rather modern apartment house for American personnel—a lot of glass and frills—that did not fit in with the architecture of the city or the neighborhood? While it was certainly modern and up to date, it stood out like a sore thumb so far as the area itself was concerned. Are you disregarding local architecture, as in that case, any more?

Mr. HUGHES. I do not believe we are, Senator Mansfield.

Senator MANSFIELD. What you are asking for is authority for moneys to be acquired through the Appropriations Committee and not authority for moneys to be acquired by the so-called back-door approach from the Treasury Department?

Mr. HUGHES. Correct, sir.

Senator MANSFIELD. Senator Aiken?

RECOMMENDATIONS OF AMBASSADORS IN THE FIELD FOR OVERSEAS
CONSTRUCTION

Senator AIKEN. What part of this \$100 million is for construction overseas? I note a reference to previous legislation, and I wondered if the entire \$100 million is for construction of buildings overseas.

Mr. HUGHES. Entirely overseas, Senator Aiken.

Senator AIKEN. It is?

Mr. HUGHES. Yes, sir.

Senator AIKEN. To what extent do you heed the recommendation of the Ambassador who is presently serving in the country where it is proposed to build?

Mr. HUGHES. Senator Aiken, we always ascertain the Ambassador's views on what we ought to do.

Senator AIKEN. And you follow those views?

Mr. HUGHES. We try to follow them.

Senator AIKEN. How closely?

Mr. HUGHES. As nearly as we can, Senator Aiken, but on questions of architecture, like many other things, you have personal tastes.

Senator AIKEN. Do you sometimes recommend construction of a more expensive or more elaborate building than the Ambassador thinks is necessary?

Mr. HUGHES. We have done that, yes, Senator Aiken.

LOCATION BY AREA OF PROSPECTIVE BUILDING PROJECTS

Senator AIKEN. Where will some of the principal projects you have in mind to construct out of this \$100 million be located? Could you give us the names of some of the countries where you want to build?

Mr. HUGHES. Yes, sir. I might say, Senator Aiken, of the \$100 million, \$51 million would be for construction divided between the countries of Africa, for example, of \$13 million; the American Republics of \$10 million; the European countries of \$9 million.

Senator AIKEN. Which of the American Republics do you have in mind?

PLANS FOR OFFICE BUILDING IN BUENOS AIRES

Mr. HUGHES. We propose an office building in Buenos Aires.

Senator AIKEN. I see. Can you give us the amounts that are allocated for each project as you go along?

Mr. HUGHES. Yes, sir. Buenos Aires, an office building of \$600,000; an office building for Bolivia, \$400,000—

Senator MANSFIELD. Wait a minute, please. Can you build an office building for \$600,000 in Buenos Aires?

Mr. HUGHES. I believe we can, Senator Mansfield, if we can get the type of site that we want, which has as a part of that site a building.

Senator MANSFIELD. How high will that building be?

Mr. HUGHES. I do not know, Senator. We have not progressed to the point where we have even considered a preliminary design. We have in mind in Buenos Aires a site which has on it a building that could, with erection of an addition, be made into a first-class establishment for Buenos Aires.

Senator AIKEN. If you do not have the precise plans, how did you arrive at the \$600,000 figure?

Mr. HUGHES. Well, Senator Aiken, you have to start somewhere, so we know the general square footage requirements that we would need for our establishment in Buenos Aires, and we can ascertain the general costs of construction.

OTHER SITES IN THE AMERICAN REPUBLICS

Senator AIKEN. All right. What are the other American countries?

Mr. HUGHES. Bolivia, \$400,000; Chile, \$700,000 for an office building; in the Dominican Republic we want to build an annex to our present building of \$300,000.

Senator AIKEN. That would spoil the looks of the building, would it not?

Mr. HUGHES. I do not think so, Senator. We have had some difference of opinion about that project.

Senator AIKEN. Can you allocate part of the \$300,000 to provide additional space, too, for the USIA which seems to be cramped down there?

Mr. HUGHES. Well, it would also include rooms for our military attachés, who are assigned to the Dominican Republic, and would also generally consolidate our whole U.S. Government activity there in one location in Ciudad Trujillo.

Senator AIKEN. What are the other prospective locations?

Mr. HUGHES. In Ecuador we would like to acquire a residence property in Quayaquil for the consul general; and in Salvador we would like to build a new office building for the mission; in Guatemala a new office building of \$600,000; in Mexico a \$3 million new chancery for the consolidation of the mission there; and in Venezuela a new office building, \$1,300,000; and a new office building for Montevideo of about \$1 million.

Senator AIKEN. Are all these projects approved by the Ambassadors in the respective countries?

Mr. HUGHES. No, sir. We have not progressed to that point yet. This is a formulation of the program; that phase comes later.

In a program like this, Senator Aiken, as you well know, we may have to add to or take from depending on conditions.

Senator MANSFIELD. Do you ever take from?

Mr. HUGHES. Yes, sir.

Senator MANSFIELD. You do?

PERCENTAGE OF CONSTRUCTION TO BE PAID OUT OF LOCAL CURRENCY HOLDINGS

Senator AIKEN. How much of this construction can be paid for out of local currencies?

Mr. HUGHES. It is 50-50, Senator.

Senator AIKEN. The local currencies come from Public Law 480 sales primarily; is that correct?

Mr. HUGHES. Public Law 480 sales, as well as some old lend-lease accounts still have balances in them.

Senator AIKEN. I do not have any further questions.

Senator MANSFIELD. Thank you, Mr. Hughes.

Mr. HUGHES. Thank you.

(The general statement on the foreign buildings program is as follows:)

GENERAL STATEMENT OF REQUEST FOR AN INCREASE IN AUTHORIZATION OF \$100 MILLION FOR THE FOREIGN BUILDINGS PROGRAM

The Foreign Service buildings program was initiated in 1926 with the enactment of Public Law 186, 69th Congress, approved May 7, 1926. This act authorized the Secretary of State to acquire buildings and grounds in foreign countries for the use of the consular and diplomatic establishments of the United States and other agencies of the Government. This enabling legislation has been amended several times since 1926, and to date \$231,625,000 have been authorized to carry out its purpose. Including the amount for 1960, \$220,902,000 have been appropriated in annual bills, comprised of \$189,505,000 in local currencies and \$31,397,000 in U.S. dollars. The last authorization was in 1952 when \$90 million, entirely in local currencies, was authorized.

The Department is gratified with the support given to this program by the Congress. Despite some administrative difficulties, the Department feels it is sound business to utilize available local currencies to the maximum extent in carrying out this worldwide program to improve our physical plant abroad. During the past 7 years the Department has executed a total buildings program of over \$92 million, of which only \$21 million has been required in U.S. dollars. Of this \$21 million in U.S. dollars, only \$13,500,000 have been appropriated and \$8,500,000 have been derived from the disposal of surplus and uneconomic properties abroad. The remainder of \$71 million has been in foreign currencies or credits owed to or owned by the United States.

ALLOCATION OF BUILDING PROGRAM FUNDS SINCE 1952

The following summary table shows the items to which funds have been applied since 1952:

FBO program obligations, 1953-59

	Total	Foreign exchange	U.S. dollars
A. Operation, maintenance, repair, and services:			
1. Operation of buildings.....	\$1,230,054	\$9,361,712	\$1,868,342
2. Realty repair and maintenance.....	1,448,244	7,052,043	1,396,201
3. Heavy-equipment replacement.....	370,602	320,602	50,000
4. Telephone-equipment replacement.....	175,805	87,903	87,902
5. Furniture repair and replacement.....	1,276,684	2,209,845	1,066,839
6. Household-equipment replacement.....	749,101	299,730	449,371
7. Property-title services.....	72,248	51,574	20,674
8. Conduct of program.....	438,074	826,074	3,612,000
Total A.....	21,760,812	20,209,483	8,551,329
B. Acquisition, development, and construction:			
1. Site acquisitions for construction.....	1,498,094	3,185,195	313,799
2. Project development.....	1,184,603	99,730	2,084,873
3. Construction.....	4,509,243	37,540,985	5,968,258
4. Project supervision.....	1,978,000	328,000	1,650,000
5. Property acquisition.....	1,884,256	2,250,692	633,564
6. Property leaseholds.....	1,103,614	2,040,078	63,536
7. Buildings and grounds capital improvements.....	1,218,678	1,634,448	584,230
8. Initial furniture and household equipment.....	1,868,642	1,659,321	1,209,321
9. Defense attaché housing.....	1,046,489	847,367	199,122
10. Agricultural attaché housing.....	472,540	472,540	
11. USIA program, special project.....	770,719	655,111	115,608
Total B.....	61,535,778	50,713,467	12,822,311
Total program.....	92,296,590	70,922,950	21,373,640

For 1960 the Department has been granted an appropriation of \$17,372,000, leaving a residual authorization of only \$10,723,030, of which all but \$228,000 is in local currency. Therefore, the Department requests your favorable consideration of this bill which will increase by \$50 million in local currency and \$50 million in U.S. dollars the authorization for the buildings program. The additional authorization will permit the Department, through its buildings program, to meet throughout the world the most impelling needs for office space and adequate living quarters, with emphasis on those posts where physical conditions are oppressive.

LOCAL CURRENCY UTILIZATION

From its inception in 1926 through 1947, the foreign buildings program was financed entirely by annual U.S. dollar appropriations because no local currencies or credits were available.

Upon the termination of World War II and the subsequent settlement of lend-lease accounts and surplus property disposals, large amounts of local currencies were made available to the U.S. Treasury. In recent years, however, these credits have dwindled, not only because of accelerated payments in the form of local currency drawings but also because of payment in U.S. dollars of scheduled installments of principal and interest. Local currency credits remain in only 28 countries, and for practical purposes 4 of these may be considered to be liquidated. In more recent years local currencies are being generated also by the disposal abroad of surplus agricultural products under authority of Public Law 480, as amended, approved July 10, 1954. The Department of State has used these currencies to the maximum extent possible in the buildings program, reimbursing the U.S. Treasury with dollars derived from annual appropriations.

Public Law 480 was further amended September 6, 1958, to make foreign currencies available for the buildings program in "such amounts as may be specified from time to time in appropriation acts." The full effect of this amendment has not yet been determined. Meanwhile, the Department, in concert with other agencies concerned, is examining carefully the possibility of expanding further the utilization of foreign currencies pursuant to the authorization contained in this amendment of Public Law 480, consistent with priorities and the needs of the buildings program.

In this regard, and as this committee is aware, the Department also uses foreign currencies and credits owned by or owed to the United States as the principal means of financing its international educational exchange program authorized by Public Law 584, as amended. An analysis of the requirements of the two programs country by country, however, reveals no serious competition for limited local currency resources. An increasing proportion of the local currencies used for the educational exchange program are obtained under the provisions of section 104(h) of Public Law 480. These currencies are not available to the buildings program, nor are the local currency proceeds of sections 104 (c) and (g) loan repayments, which may be used for educational exchange. It is to be noted that the Secretary of State exercises the authority to determine requirements for educational exchange programs granted him by section 104(h), as amended, thus assuring priority availability of funds for the establishment or continuation of educational exchange programs.

OBJECTIVES OF THE FOREIGN SERVICE BUILDINGS PROGRAM

The objectives of the overseas buildings program were clearly stated by this committee in its report No. 1586, dated May 21, 1952, when it recommended favorably the most recent increase of \$90 million in authorization for continuation of the program. The committee stated:

"The Foreign Service buildings program is designed to accomplish the following: To provide permanent office space abroad for the Foreign Service and other agencies of the U.S. Government except in those instances where leasing arrangements are more advantageous; to assure a maximum degree of security at a minimum expense to the Government through consolidation of office facilities abroad; to furnish Government owned and equipped residences for our ambassadors and ministers; to furnish Government owned and equipped residences for officers in charge of consular posts and for senior officers at the principal diplomatic missions, including attaches of the Department of Defense and other agencies; and to furnish Government-owned living quarters for American staffs or a substantial part thereof at posts where special housing problems exist. The present bill contains a further objective; namely, the maximum recovery of foreign credits abroad owed the U.S. Government."

ADVANTAGES OF GOVERNMENT OWNERSHIP OF REAL PROPERTY ABROAD

The committee cited several points bearing upon the advantages of Government ownership of real property abroad for the diplomatic and consular establishments in Senate Report 1586, supra. These points are emphasized because of their direct and continuing applicability to the pending authorization request:

1. The utilization of foreign currency credits converts a frozen asset into a substantial and real asset of the United States.
2. Inflation abroad is reducing the value of these foreign currency credits, and their application to the buildings program ends this depreciation.
3. Buildings are a nonrecurring capital investment. If necessary, they can be liquidated. Since these invariably are desirable commercial and residential sites, it is unlikely that their value will be appreciably diminished.
4. The consolidation of offices in one building promotes efficiency and helps immensely with the problem of security.
5. Property ownership by the United States is generally free from taxes which otherwise are reflected as an item of cost in leasing or rental arrangements.
6. Construction or acquisition of Government-owned buildings and housing abroad results in a reduction of dollar appropriations for rent and quarters allowances.

CURRENT REALTY HOLDINGS ABROAD

As of today, the Department of State maintains 283 posts abroad in which the U.S. Government owns, by virtue of this program, the following improved properties:

- 205 office buildings.
- 70 embassy residences.
- 598 residential units.
- 219 apartment buildings (2,562 units).

These properties cost in excess of \$160 million and their current value would greatly exceed this amount.

FOREIGN SERVICE ACT AMENDMENTS

THE BUILDINGS PROGRAM SINCE 1952, BY AREA

The Department of State has endeavored conscientiously to carry out the objectives set forth in 1952 for the program. Since that time there have been obligated \$92,296,590, of which approximately 77 percent has been foreign currency utilization and 23 percent has been dollar utilization.

In the Latin American area, major acquisitions and construction have been completed or initiated in Guatemala, Managua, Asunción, Lima, Port-au-Prince, Quito, Tegucigalpa, and Santiago. In addition, major sites acquisitions for future construction have been completed in São Paulo, Montevideo, Caracas, Mexico City, San Salvador, and Brazilia.

In the European area, major buildings have been completed, put under construction, or acquired in Brussels, Copenhagen, London, Le Havre, Marseille, Dusseldorf, Hamburg, Munich, Stuttgart, Frankfurt, The Hague, Oslo, Madrid, and Stockholm. Sites for future construction have been acquired in Warsaw, Berlin, Reykjavik, Palermo, and Genoa.

In the Far Eastern area, specific attention has been devoted to the solution of some of our most difficult office and housing problems. Major projects are underway or have been completed in Hong Kong, Djakarta, Kobe, Seoul, Vientiane, Manila, Bangkok and Nagoya. In addition, sites for future construction have been acquired in Singapore, Fukuoka, and T'ai-pei.

The Middle East and African areas since 1954 have been accorded greater emphasis in order that more progress could be made in overcoming certain of the most difficult living problems to be found anywhere in the entire world for American personnel. Major projects have been completed or are underway in Leopoldville, Addis Ababa, Accra, New Delhi, Calcutta, Bombay, Teheran, Basra, Monrovia, Rabat, Tangier, Dakar, Lagos, Karachi, Jidda, Tunis, Ankara, and Athens.

Much remains to be done in these areas before the Department will be able to achieve a level in its office and housing facilities that is acceptable by any reasonable American standards for American personnel.

BUILDINGS PROGRAM FOR 1961-65

The Department has made a critical appraisal of its physical needs abroad for the period 1961-65. The estimate takes into account not only required new properties but the major costs that are anticipated to maintain at full efficiency the more than \$160 million dollars' worth of properties already owned abroad. Particular emphasis is directed in the immediate future to the acquisition of desirable improved properties to house officers and staff where no practical alternative is available. Especially is the Department concerned with an accelerated program to acquire residential quarters for officers who are confronted immediately upon arrival at posts with important representational and other public duties. Also, the program contemplates accelerating the acquisition or construction of suitable properties to house the attachés of other departments operating abroad, including the military attachés of the Defense Department, the senior officers of USIA, and the senior agricultural attachés of the Department of Agriculture. In addition to the construction and acquisition activities, the proposed authorization will provide for necessary capital improvements, furniture and equipment, repairs and maintenance, rental costs of long-term leases, architectural and engineering services, and management of the program.

SPECIAL REQUIREMENTS FOR THE CONTINENT OF AFRICA

In the \$100 million request now before you for consideration, the committee's attention is invited to the special attention that has been accorded to the needs of our Government at posts in Africa now operating under handicaps so far as physical facilities are concerned.

This committee is aware that a few short years ago Africa consisted principally of colonies and protectorates under the control of the British and French and a few possessions of Spain, Portugal, Belgium, and Italy. Within the past few years, however, the rising tide of nationalism throughout the continent, with unanticipated momentum, has overturned the control and influence of many of these European nations. Guinea, Libya, Tunisia, Morocco, and Ghana are newly independent states today, and Nigeria, Rhodesia, Somalia, Togo, Malgache, Camerouns, Senegal, and other territories all seem to be moving in the direction of independent status.

In terms of a buildings program, this movement toward independent governments means a corresponding awareness that the building needs may change

radically at a particular post, that larger facilities may be needed both for office functions and for representation activities, and that staff housing may be required to be constructed if unavailable otherwise. Experience shows that, with the establishment of independence, land and property costs in a capital rise precipitously and sometimes are doubled or more. Costs of construction, residential properties, and staff housing, if available, all soar upward almost at once. Choice locations are bought eagerly and latecomers are compelled to pay exorbitant prices and to accept much less desirable locations.

While the Department now has a buildings program in operation in Africa designed to meet current priority needs, a long-range buildings program aimed also at meeting the foreseeable demands of the area should be pursued. Such a program would envisage the immediate purchase of suitable sites throughout Africa, especially in newly established states and those countries scheduled for independence within the next few years. Such a program should provide also for the timely purchase of improved residential properties so that the chief of mission or principal officer may undertake promptly the representation functions of his office. In the capitals of many of these newly created countries, residential and staff housing meeting American standards is nonexistent. Where substandard housing is the only kind available, funds will be required for construction of suitable residential housing.

The development of the buildings program in Africa should not rise or fall depending on the fluctuating availability of foreign currency. Moreover, in many African countries there are no holdings of foreign currency in the U.S. Treasury depositories available for buildings program use. Such conditions can be expected when—

1. Lend-lease, surplus property, Public Law 480, or other agreements which normally generate foreign currency do not exist.
2. Foreign currency holdings have been liquidated by continued use by the post or other U.S. agencies for operating expenses or other purposes.
3. Foreign currency, if available, has been earmarked by intergovernmental agreement for special development projects within the country.

To assure the success of the program visualized, the Department should continue to proceed with the buildings program based on the present practice of maximum utilization of available foreign currency, but at the same time move to meet its buildings requirements in those areas where foreign currencies are not available; if necessary, with U.S. dollars.

ARCHITECTURAL ADVISORY PANEL AND PRIVATE ARCHITECTS

It is apparent that the architectural design of the buildings which our Government erects abroad becomes, in most instances, a physical symbol of our Government and our people. Early in 1954, with a view to improving the foreign buildings program in general and the architectural design phase in particular, the Department of State effected certain fundamental changes in the program. As the initial step in this direction, the Department drew up for its guidance a statement of architectural policy, as follows:

"The policy shall be to provide requisite and adequate facilities in an architectural style and form which are distinguished, will reflect credit on the United States, and increase goodwill by intelligent appreciation, recognition, and use of the architecture appropriate to the site and country. Major emphasis should be placed on the creation of goodwill in the respective countries by design of buildings and distinguished architectural quality rather than adherence to any given style of architecture. Designs shall adhere to established good practice and, to the extent practical, use construction techniques, materials, and equipment of proven merit and reliability. Buildings shall be dignified and economical to build, operate, and maintain."

Secondly, to assist it in the delicate problem of the design of its new buildings abroad, the Department created an Architectural Advisory Panel. The panel's functions were set out in two simple directives, as follows:

1. To recommend the most appropriate style of architecture consistent with the architectural policy of the State Department for the prospective projects of its foreign buildings program.
2. To review and advise on the architectural quality, fitness, and merit of the designs submitted by the private American consulting architects for each of the projects.

The Architectural Advisory Panel has proved to be of inestimable value to the foreign buildings program.

In conjunction with the formulation of an architectural policy and the creation of the Architectural Advisory Panel, the Department of State in early 1954 turned to individual American architects, on a commission basis, for the design of new embassy and consulate buildings abroad. Each of the American architects thus far commissioned has distinguished himself in his approach to his particular problem abroad in sensing the delicacy of the job and the necessity for finding a solution that will result in an economical, dignified, and distinguished building to represent our Government abroad.

HOW S. 1044 WILL IMPROVE PHYSICAL FACILITIES OF UNITED STATES IN FOREIGN COUNTRIES

The bill now before you for consideration will permit the United States to continue to convert substantial local currency credits into tangible and valuable assets. The Department wishes to emphasize that an increase in the total authorization must be made at this time in order to permit the Department to continue to provide urgently needed physical facilities for these establishments abroad in certain areas of the world where no local currency credits exist and there is no foreseeable development of such credits. Furthermore, the continuance of this program will hasten the improvement of physical facilities at many other difficult posts, with the continued use of local currency credits where such credits are available. For these reasons the Department strongly urges your prompt and favorable action on this bill.

DEPARTMENT OF STATE—OFFICE OF FOREIGN BUILDINGS

TABLE I.—Authorizations and appropriations for the foreign buildings program since the Foreign Service Buildings Act, 1926

Public Law—	Authorizations		Fiscal year	Appropriations	
	U.S. dollars	Local currencies		U.S. dollars	Local currencies
136, 69th Cong. (May 7, 1926)-----	\$10,000,000		1926	\$435,000	
			1927	700,000	
			1928	1,300,000	
			1929	2,700,000	
			1930	1,700,000	
			1931	2,000,000	
			1934	1,165,000	
			1935	1,625,000	
145, 74th Cong. (June 15, 1935)-----	300,000				
280, 74th Cong. (Aug. 12, 1935)-----	1,325,000				
543, 75th Cong. (May 25, 1938)-----	5,000,000				
			1940	750,000	
			1941	300,000	
			1942	450,000	
			1943	275,000	
			1944	144,000	
			1945	220,000	
			1946	1,000,000	
			1947	1,000,000	
547, 79th Cong. (July 25, 1946)-----	15,000,000	\$110,000,000	1948	1,500,000	\$50,000,000
			1949		35,000,000
			1950		13,000,000
			1951		2,950,000
			1952		7,500,000
399, 82d Cong. (June 19, 1952)-----		90,000,000	1953		6,500,000
			1954		
			1954		13,316,000
			1955	1,000,000	3,000,000
			1956	1,000,000	7,500,000
			1957	3,000,000	14,000,000
			1958	3,500,000	15,000,000
			1959	3,000,000	15,000,000
			1960	632,000	16,739,000
Total-----	31,625,000	200,000,000		31,397,000	189,505,000

¹ Transfer from other appropriation.

TABLE II.—Proposed building program for period from 1961 to 1965, inclusive
 (Thousands of dollars)

Program	Total	1961	1962	1963	1964	1965
Acquisition and construction:						
Africa.....	13,115	1,775	2,120	2,910	3,880	2,430
American Republics.....	10,285	3,000	1,760	1,700	1,535	2,290
Europe.....	9,300	2,350	2,425	1,800	1,025	1,700
Far East.....	8,860	2,245	2,545	1,080	1,710	1,280
Near East and South Asia.....	10,340	1,980	2,000	2,910	1,700	1,750
Subtotal.....	51,900	11,350	10,850	10,400	9,850	9,450
Attaché housing:						
Agriculture.....	750	150	150	150	150	150
Defense.....	1,250	250	250	250	250	250
Subtotal.....	53,900	11,750	11,250	10,800	10,250	9,850
Project development.....	2,600	600	600	500	500	400
Project supervision.....	2,950	550	600	600	600	600
Property leaseholds.....	3,750	750	750	750	750	750
Capital improvements.....	4,500	800	800	900	1,000	1,000
Furniture and furnishings.....	5,000	1,000	1,000	1,000	1,000	1,000
Operation of buildings.....	20,100	3,600	3,800	4,000	4,200	4,500
Maintenance and repairs.....	20,000	3,600	3,800	4,000	4,200	4,400
Conduct of program.....	7,200	1,350	1,400	1,450	1,500	1,500
Subtotal.....	66,100	12,250	12,750	13,200	13,750	14,150
Total.....	120,000	24,000	24,000	24,000	24,000	24,000

Acquisition and construction program, 1961-65, by area
[Thousands of dollars]

Geographic area	Total estimated cost	Office buildings		Embassy residences		Deputy chief and consulate residences		Residences for senior officers		Staff housing	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Africa.....	\$13,115	18	\$7,645	2	\$400	13	\$1,050	40	\$1,900	106	\$2,120
American Republics.....	10,285	10	8,450	3	850	9	685			20	400
Europe.....	9,300	11	6,550	3	1,475	17	1,125	3	150		
Far East.....	8,860	11	5,100	1	250	1	50	14	700		2,760
Near East and south Asia.....	10,340	2 18	6,440	4	1,000	18	1,200	6	300	70	1,400
Total.....	51,900	2 68	34,185	13	3,975	58	4,010	63	3,050	334	6,680

¹ Number of living units.

² Includes 2 warehouses, 1 garage, and 1 communications building.

Acquisition and construction program, 1961-65, African area, by country

[Thousands of dollars]

Country	Total estimated cost		Office buildings		Embassy residences		Deputy chief and consulate residences		Residences for senior officers		Staff housing	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number ¹	Amount
Angola.....	1	\$300					1	\$75	2	\$100	4	\$80
Cameroon.....	1	400					1	75	2	100	4	80
French Equatorial Africa.....	1	400					1	75	2	100	8	160
French West Africa.....	1	400					1	75	1	50	4	80
Ivory Coast.....	1	400					1	75				
Kenya.....	1	400					1	75	5	250	12	240
Libya.....	1	965		\$250			1	75	2	100	4	80
Madagascar.....	1	400					1	75				
Morocco.....	1	400					1	75				
Mozambique.....	1	550					2	100	2	100	4	80
Nigeria.....	1	250					2	175	4	200	12	240
Rhodesia and Nyassaland.....	1	500					1	125	2	100	4	80
Sierra Leone.....	1	400					1	75	3	150	4	80
Somaliand.....	1	400					1	75	10	400	44	880
Tanganyika.....	1	400										
Tunisia.....	1	150		150			1	75	2	100	6	120
Uganda.....	1	400					1	75				
Union of South Africa.....	2	930							3	150		
Total.....	18	7,645	2	400			13	1,050	40	1,900	106	2,120

¹ Number of living units.

Acquisition and construction program, 1961-65, American republics, by country
[Thousands of dollars]

Country	Total estimated cost	Office buildings		Embassy residences		Deputy chief and consulate residences		Residences for senior officers		Staff housing	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number ¹	Amount
Argentina	\$600	1	\$900			1	\$75			3	\$60
Bolivia	535	1	400			2	100				
Brazil	100										
Chile	700	1	700			2	125				
Colombia	125										
Costa Rica	250	1	\$250								
Dominican Republic	300	1	300			2	135				
Ecuador	335	1	200								
El Salvador	550	1	350	1	200						
Guatemala	600	1	600								
Haiti	200										
Honduras	80										
Mexico	3,500	1	400	1	400	1	100			10	200
Panama	50					1	50			4	80
Paraguay	60										
Venezuela	1,300	1	1,300							3	60
Uruguay	1,000	1	1,000								
Total	10,285	10	8,450	3	850	9	585			20	400

¹ Number of living units.

Acquisition and construction program, 1961-65, European areas, by country

[Thousands of U.S. dollars]

Geographic area	Total estimated cost	Office buildings		Embassy residences		Deputy chief and consulate residences		Residences for senior officers		Staff housing	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Algeria	750	1	700			1	50	1	50		
Austria	130	1	150			1	50				
Bahamas	130	1	150			1	50				
Bermuda	130	1	150			1	50				
Canada	630	2	500			3	180				
Denmark	100										
Finland	100	1	1,000			1	50	2	100		
France	1,050	2	500			1	75				
Germany	575	1	500			3	225				
Ireland	225	1	500			1	75				
Italy	575	1	400			1	75				
Poland	625	1	400			3	225				
Portugal	2,025	1	2,200	1	425						
Spain	350			1	350						
Switzerland	700			1	700						
United Kingdom	675	1	600			1	75				
Yugoslavia	75					1	75				
Total	9,300	11	6,550	3	1,475	17	1,125	3	150		

Acquisition and construction program, 1961-65, Far Eastern area, by country

[Thousands of dollars]

Country	Total estimated cost	Office buildings		Embassy residences		Deputy chief and consulate residences		Residences for senior officers		Staff housing	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number ¹	Amount
Australia.....	\$860	1	\$200					2	\$100	18	\$360
Burma.....	200	1	250							12	240
Cambodia.....	960	1	300	1	\$250			2	100	15	300
Japan.....	450	1	300			1	\$50	2	200	14	280
Korea.....	480							4	200	24	480
Laos.....	900	1	275					3	150	15	300
Malaya.....	800	1	500					1	50	25	500
New Zealand.....	50										
Philippines.....	970	2	\$ 475								
Taiwan.....	870	1	870								
Thailand.....	1,200	1	1,200								
Vietnam.....	1,200	1	1,200								
Total.....	8,860	11	5,100	1	250	1	50	14	700	138	2,760

¹ Number of living units.
² Warehouse and garage.
³ Warehouse, communications building.

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Acquisition and construction program, 1961-65, Near East and South Asian area, by country.

[Thousands of U.S. dollars]

Country	Total estimated cost		Office buildings		Embassy residences		Deputy chief and consulate residences		Residences for senior officers		Staff housing	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Afghanistan		\$50							1	\$50		
Ceylon	1	\$200			1	\$150			2	100	6	\$120
Cyprus		100										
Greece		50										
India	1	400			1	350	1	\$50				
Iran	1	500			1	250	3	100				
1,080							1	250				
Iraq		50										
Israel	1	250					2	100				
Jordan	1	350										
Kuwait	1	250					2	100				
430							1	50				
Lebanon	1	800										
850												
Nepal		140										
Oman	1	200					1	100				
Pakistan	2	490										
820												
Sudan	1	240										
Turkey	3	1,170					4	300				
1,690												
United Arab Republic	3	1,380										
1,720												
Yemen	1	200					1	100				
300												
Total	18	6,440	4	1,000	18	1,200	6	300	70	1,400		

* Number of living units.

TABLE III.—FBO funds available during 7-year period, fiscal years 1953-59

	Total	Foreign exchange	U.S. dollars
Unappropriated authorization after 1952 appropriation.....	\$15,911,000	\$1,550,000	\$14,361,000
Authorized to be appropriated by Public Law 399, 82d Cong., June 19, 1952.....	90,000,000	90,000,000	-----
Total authorization July 1, 1952.....	105,911,000	91,550,000	14,361,000
Additional availabilities:			
Unobligated balance brought forward July 1, 1952.....	9,079,041	7,897,736	1,181,305
Proceeds of sales and reimbursements July 1, 1952, to June 30, 1959.....	8,338,202	283,148	8,045,054
Total additional availabilities.....	17,417,243	8,190,884	9,226,359
Less:			
Unobligated balance to be carried forward June 30, 1959.....	750,000	650,000	100,000
Unappropriated authorization after 1959 appropriation.....	28,095,000	27,234,000	861,000
Total deductions.....	28,845,000	27,884,000	961,000
Total available funds during 7-year period.....	94,483,243	71,856,884	22,626,359

FBO program obligations during 7-year period, fiscal years 1953-59

1960 budget	Total	Foreign exchange	U.S. dollars
A. Operation, maintenance, repair and services:			
1. Operation of buildings.....	\$11,230,054	\$9,361,712	\$1,868,342
2. Realty repair and maintenance.....	8,448,244	7,052,043	1,396,201
3. Heavy equipment replacement.....	370,602	320,602	50,000
4. Telephone equipment replacement.....	175,805	87,903	87,902
5. Furniture repair and replacement.....	3,276,684	2,209,845	1,066,839
6. Household equipment replacement.....	749,101	299,730	449,371
7. Property title services.....	72,248	51,574	20,674
8. Conduct of program.....	4,438,074	826,074	3,612,000
Total, A.....	28,760,812	20,209,483	8,551,320
B. Acquisition, development and construction:			
1. Site acquisitions for construction.....	3,498,994	3,185,195	313,799
2. Project development.....	2,184,608	99,730	2,084,878
3. Construction.....	43,509,245	37,540,985	5,968,258
4. Project supervision.....	1,978,000	328,000	1,650,000
5. Property acquisition.....	2,884,250	2,250,692	633,558
6. Property leaseholds.....	2,103,610	2,040,078	63,536
7. Buildings and grounds capital improvements.....	2,218,870	1,634,448	584,230
8. Initial furniture and household equipment.....	2,868,640	1,659,321	1,209,321
9. Defense attaché housing.....	1,046,480	847,367	199,122
10. Agricultural attaché housing.....	472,540	472,540	-----
11. USIA program, special project.....	770,710	655,111	115,608
Total, B.....	63,536,773	50,713,467	12,822,311
Total, program.....	92,296,585	70,922,950	21,373,640

FOREIGN SERVICE ACP AMENDMENTS

Reconciliation of major projects with FBO program summary for period of fiscal years 1953-59

	Total	Foreign exchange	U.S. dollars
<i>Applicable lines from table 2 summary:</i>			
B1. Sites for construction.....	\$3,498,994	\$3,185,195	\$313,799
B2. Development.....	2,184,603	99,730	2,084,873
B3. Construction.....	43,500,243	37,540,985	5,968,258
B5. Property acquisition.....	2,884,256	2,250,692	633,564
B7. Capital improvements.....	2,218,678	1,634,448	584,230
B11. Special projects.....	770,719	655,111	115,608
Total.....	55,066,493	45,366,161	9,700,332
<i>Projects:</i>			
Major projects accomplished, 1953-58 (table 4).....	46,648,800	38,291,682	8,357,118
Major projects projected for 1959 (1960 budget).....	4,765,000	4,065,000	700,000
Minor projects and capital improvements.....	3,652,693	3,009,479	643,214
Total.....	55,066,493	45,366,161	9,700,332

Listing of major construction and acquisition projects during 6-year period, fiscal years 1953-58

Post	Project	Capital investment 1953-58
Africa (AF):		
Belgian Congo:		
Leopoldville.....	OB	\$420,277
Do.....	SH	54,503
Ethiopia, Addis Ababa.....	OB ext.	59,817
Ghana, Accra.....	OB/SH	448,622
Liberia, Monrovia.....	OB/ER/SH	335,634
Libya, Tripoli.....	OB site	150,219
Morocco:		
Casablanca.....	OB site	78,780
Rabat.....	ER	149,634
Do.....	OB/SH site	257,022
Tangier.....	OB/CGR	884,402
Nigeria, Lagos.....	OB	442,424
Tunisia, Tunis.....	OB	417,795
Union of South Africa, Capetown.....	ER	101,450
Total AF.....		3,800,579
American Republics (ARA):		
Argentina:		
Buenos Aires.....	Air AR	77,789
Do.....	NAR	78,883
Do.....	DCMR	80,040
Brazil:		
Rio de Janeiro.....	ER	149,184
Sao Paulo.....	OB site	389,101
Ecuador, Quito.....	OB	496,311
El Salvador, San Salvador.....	OB site	85,850
Dominican Republic, Ciudad Trujillo.....	ER	58,450
Guatemala, Guatemala City.....	OB	179,325
Haiti, Port-au-Prince.....	ER	88,581
Honduras, Tegucigalpa.....	OB/ER	749,779
Mexico, Mexico City.....	NAR	57,412
Nicaragua, Managua.....	OB/SH	297,438
Paraguay, Asuncion.....	OB/ER	796,513
Peru, Lima.....	OB	1,190,281
Uruguay, Montevideo.....	OB site	200,000
Venezuela:		
Caracas.....	SOR sites	100,664
Do.....	DCMR	82,000
Total ARA.....		5,166,601
Europe (EUR):		
Austria:		
Vienna.....	OB	95,987
Do.....	SH	1,318,651
Belgium, Brussels.....	OB	279,860
Canada:		
Halifax.....	CGR	54,935
Montreal.....	OB	71,429
Czechoslovakia, Prague.....	ER/SOR/SH	328,585
Denmark, Copenhagen.....	OB	119,373
England:		
London.....	OB/SH	105,773
Do.....	ER	758,944
Do.....	OB (new)	317,915
France:		
Le Havre.....	OB/SH	5,627,446
Marselles.....	OB	166,990
Germany:		
Dusseldorf.....	OB	118,136
Frankfurt.....	OB	530,853
Hamburg.....	CGR	505,510
Munich.....	OB	960,210
Do.....	CGR	119,048
Frankfurt.....	OB	1,045,051
Stuttgart.....	OB	606,506
Iceland, Reykjavik.....	SH site	104,358
Italy:		
Genoa.....	CR/OB site	145,280
Palermo.....	CGR/OB site	140,400
Netherlands, The Hague.....	OB	1,165,810
Norway, Oslo.....	OB	1,228,837
Poland, Warsaw.....	OB/SH and site	176,813
Spain, Madrid.....	OB	521,352
Sweden, Stockholm.....	OB	1,012,064
Yugoslavia, Belgrade.....	SH	837,500

See footnote at end of table, p. 141.

Listing of major construction and acquisition projects during 6-year period, fiscal years 1953-58—Continued

Post	Project ¹	Capital investment 1953-58
Europe (EUR)—Continued		
West Indies Federation:		
Port of Spain	OB	\$116,867
Do	CGR	95,727
Total		18,676,210
Far East (FE):		
Hong Kong	OB	910,968
Indonesia:		
Djakarta	OB	1,123,377
Do	SOR	152,037
Do	SH	422,307
Medan	OB	111,528
Japan:		
Kobe	OB/SH	592,273
Nagoya	OB/SH	404,151
Korea, Seoul	SH	916,427
Laos, Vientiane	SH	162,896
Okinawa	SH	740,682
Philippines:		
Manila	OB	2,830,616
Do	SH	530,784
Do	ER	67,472
Do	RPC	422,305
Thailand:		
Bangkok	SH	127,017
Do	SOR	90,550
Singapore	OB site	184,066
Total FE		9,779,456
Near East and South Asia (NEA):		
Aden	OB/CR/SH	138,302
Egypt, Cairo	OB	102,492
India:		
New Delhi	OB/Sh, ER site	3,216,207
Bombay	OB/CGR/SA	105,648
Calcutta	OB site	80,849
Iran:		
Teheran	OB, complete development	1,019,322
Tabriz	OB/CR	56,315
Iraq:		
Baghdad	OB/ER/SH	2,123,301
Basra	OB/SH	255,054
Pakistan, Karachi	OB	1,187,028
Saudi Arabia:		
Jidda	OB/ER/SH	486,953
Dhahran	SH/OB	73,000
Syria, Damascus	OB	148,503
Turkey:		
Ankara	OB	104,517
Do	ER	73,684
Istanbul	OB	54,779
Total NEA		9,225,954
Recapitulation:		
ARA		5,166,601
EUR		18,676,210
FE		9,779,456
NEA		9,225,954
AF		3,300,579
Total		46,648,500

¹ Project symbols:
 OB—office building.
 ER—embassy residence.
 CGR—consulate general residence.
 SH—staff housing.
 SOR—senior officer residence.

TABLE IV

DEPARTMENT OF STATE—ANALYSIS OF LOCAL CURRENCY AND U.S. DOLLAR REQUIREMENTS OF THE PROPOSED FOREIGN BUILDINGS PROGRAM, 1961-65

Based on the request for an increase of \$100 million in the authorization for appropriations to the Foreign Service buildings fund, S. 1044, the estimated requirements of the foreign buildings program for new obligations during the period 1961-65 is \$120 million, of which \$60.1 million would be financed from U.S. Treasury holdings of foreign exchange and \$59.9 million would be required in U.S. dollars, either to be spent as such or to be used to acquire needed foreign exchange not available from the U.S. Treasury:

[In thousands of U.S. dollars]

	Total	Foreign exchange	U.S. dollars
Unappropriated balance of prior authorization ¹	10,095	10,095	0
Estimate of proceeds of sale of properties.....	9,905	0	9,905
New authorization requested.....	100,000	50,000	50,000
Total.....	120,000	60,095	59,905

¹ Based on 1960 budget request of \$18,000,000, of which \$17,372,000 was appropriated.

Of these total requirements, \$51.9 million is required for specific acquisition and construction projects listed in the program, and \$68.1 million is required for other purposes, such as operation of buildings, furniture and furnishings, maintenance and repair, architectural and engineering services, acquisition of housing for Defense and Agriculture attachés, capital improvements, project supervision, and program administration:

[In thousands of U.S. dollars]

	Total	Foreign exchange	U.S. dollars
Specific projects.....	51,900	33,330	18,570
Other requirements.....	68,100	26,765	41,335
Total.....	120,000	60,095	59,905

¹ These requirements cannot be distributed by country, but will be met on a worldwide basis by utilizing to the greatest practical degree the foreign exchange available in U.S. Treasury accounts at the time the funds are disbursed.

Local currencies equivalent to \$33,330,000 are required to finance specific projects in 46 foreign countries, in 39 of which local currencies are used also to finance binational educational exchange foundations authorized by Public Law 584, as amended. An analysis of the requirements of the two programs country by country, however, reveals no serious competition for limited local currency resources.

An increasing proportion of the local currencies used for the educational exchange program is obtained under the provisions of section 104(h) of Public Law 480. These currencies are not available to the buildings program, nor are the local currency proceeds of sections 104 (e) and (g) loan repayments, which may be used for educational exchange. In this regard, the Secretary of State exercises the authority to determine requirements for educational exchange programs granted him by section 104(h), as amended, to assure priority for the establishment or continuation of educational exchange programs.

Requirements and availabilities by country or groups of countries as set forth on table IV-a are discussed below:

France and the overseas territories

Under the memorandum of understanding of May 28, 1946, regarding settlement for lend-lease, reciprocal aid, surplus war property, and claims the United States has the right to acquire (a) real property up to a total dollar value of \$15 million and (b) francs equivalent to \$10 million to acquire or improve real property for

U.S. Government use or to carry out educational exchange programs. No property has been acquired under (a) above. Francs equivalent to \$5,229,800 under (b) have been drawn or reserved for educational exchange in addition to francs equivalent to \$5 million allocated from interest paid in francs. An additional \$3 million has been obtained under the provisions of section 104(h) of Public Law 480.

Under (a) above buildings program requirements up to \$15 million in France and the overseas territories can be financed from resources available exclusively for the buildings program. The 1961-65 requirements in this area total \$4.6 million.

United Kingdom and colonies

The mutual aid settlement provided sterling equivalent to \$50 million for the buildings program and educational exchange. Public Law 584 limits the latter to an aggregate of \$20 million. After reserving the full amount authorized by Public Law 584 for educational exchange, a balance of \$9 million remains for the buildings program. The 1961-65 requirements in this area total \$3.9 million in addition to \$5.7 million in unliquidated commitments of the 1960 and prior years' program. The excess of \$0.6 million will be financed from sterling received as interest on deposits, or from other current collections in sterling.

Other countries in which surplus property credits will finance continuation of the educational exchange program

In Australia the funds available for educational exchange and the funds available for the buildings program are held and invested in separate trust accounts by the Australian Government.

In Burma, funds have been reserved for a 15-year educational exchange program from surplus property funds. In addition, \$400,000 of Public Law 480 currencies are to be used to supplement the existing program. An additional \$786,000 remains in the surplus property indebtedness against \$298,000 required by the buildings program. The Treasury held Burmese currency equivalent to \$366,000 on June 30, 1958, available for sale for appropriated dollars, and estimated an excess of \$3.5 million in kyat receipts and holdings against 1959 cash requirements. Under the Public Law 480 agreements of February 8, 1956, and May 27, 1958, additional kyat equivalent to almost \$4.5 million will be available for transfer to Treasury sales account after July 1, 1958, under section 104(f).

In Belgium and New Zealand the entire balance of local currencies available under the settlement agreements is reserved for educational exchange, and in the Netherlands the amount still owed is adequate to continue the program at the present level for many years. Belgium and the Netherlands are not represented among the specific projects of the 1961-65 buildings program, and the \$50,000 required for the buildings program in New Zealand will be financed from consular fees or other collections in local currency.

Of the \$84.6 million owed by Germany for surplus property, \$5 million is reserved to finance the remaining 5 years of the 10-year Public Law 584 agreement. Buildings program requirements total \$1.3 million.

While the bilateral Public Law 584 agreements with Greece and Italy are for less than the maximum authorized, 5-year extensions are being negotiated with each, and funds to finance the extensions have been reserved. In Italy, an additional \$300,000 in Public Law 480 currencies will be used. In the case of Greece, the remaining balance owed on June 30, 1958, was \$37 million against a buildings program requirement of \$1.2 million. In Italy, the availabilities exceed the \$20 million maximum for educational exchange by over \$73 million, against buildings program requirements of approximately \$1 million.

Funds have been reserved to finance in full the existing 12-year Public Law 584 agreement with Norway. This country is not represented in the specific projects listed in the 1961-65 building program, and the \$1,180,000 required for the 1960 and prior years' program is to be financed from the lend-lease settlement in accordance with a supplementary bilateral agreement with the Norwegian Government.

In China, both the educational exchange program and the surplus property settlement are inactive, but if circumstances change, the program can be financed in the maximum amount authorized by law.

Countries in which currencies generated by Public Law 480 will finance the educational exchange program

In 29 other countries the Department finances or currently plans to finance educational exchange from the proceeds of disposal of surplus agricultural products pursuant to section 104(h) of Public Law 480, as amended. Current Public Law 584 bilateral agreements in these 29 countries will require only \$3.6 million more in currencies required to be purchased from the Treasury with appropriated dollars, all other requirements to be met with currencies obtained pursuant to the Secretary's determination under section 104(h). Based on Public Law 480 agreements signed through June 30, 1958, in these 29 countries loan funds available under sections 104 (e) and (g) total \$1.36 billion, or about 77 percent of the total \$1.55 billion throughout the world.

Five of these 29 countries are not represented in the specific projects set forth in the 1961-65 requirements of the buildings program, and in the remaining 24 these requirements total about \$18.3 million. An additional \$13.8 million is required for programs previously authorized. To cover both these requirements, there were currencies equivalent to \$70 million held in cash by the U.S. Treasury in 20 countries, representing 85 percent of the total holdings of foreign exchange available for purchase with appropriated dollars. In addition, there is a potential \$275 million more which may become available for purchase through Treasury amounts pursuant to section 104(f) of Public Law 480.

These 29 countries, together with France and the overseas territories, United Kingdom and colonies, Australia, Burma, Belgium, Germany, Greece, Italy, Netherlands, New Zealand, and Norway, discussed in preceding sections, cover \$28.8 million, or 86 percent of the \$33.3 million set forth for specific projects in the 1961-65 buildings program; and \$25.5 million, or 79 percent of the total prior years' requirements; a total of \$54 million, or 83 percent of the total identifiable foreign exchange requirements of the buildings program through 1965.

All other countries

The 10-year educational exchange agreement with Denmark is funded fully with reserved ICA counterpart currencies. There is no Public Law 480 agreement. The \$103,000 required for the buildings program will be financed from miscellaneous current collections in kroner.

A 20-year educational exchange program with Ireland is being financed from ICA program country counterpart funds. It is hoped that buildings program requirements of \$260,000 can be met by conversion of another available foreign currency.

Of the \$4.2 million required for new projects in the countries with which there is no educational exchange program under Public Law 584, \$2.7 million is for projects in Poland. It is expected that the \$1.6 million in local currencies required in the remaining five countries can be derived from conversion of other available foreign currencies or by use of current miscellaneous receipts in local currency.

Further analysis of requirements for specific projects (table IV-b-1)

The \$51.9 million required for specific projects of the 1961-65 buildings program may be analyzed further as follows:

[In thousands of U.S. dollars]

	Total	Foreign exchange	U.S. dollars
I. 33 countries having adequate availabilities derived from Public Law 480, surplus property, or lend-lease agreements	28,825	27,325	1,500
II. 13 countries in which a substantial portion of requirements may be met by local currency receipts or conversion of other available currencies	6,390	6,005	325
III. 28 countries in which there are no adequate local currency availabilities	16,745	0	16,745
Total	51,900	33,330	18,570

I. Countries presenting no exchange problems (table IV-b-2)

Among these 33 countries are 31 with which the United States has entered into agreements for the disposal of surplus agricultural commodities pursuant to Public Law 480, as amended. These 33 countries also include 19 of the 28 countries having residual local currency availabilities under surplus property and lend-lease indebtedness agreements.

The 33 countries represent—

- (a) 96 percent of the potential additional foreign exchange availabilities programed under section 104(f) of Public Law 480 but not yet transferred to Treasury sales accounts;
- (b) 93 percent of the amounts programed for loans under section 104 (e) and (g) of Public Law 480;
- (c) 78 percent of the local currency options remaining on June 30, 1958, under lend-lease and surplus property credits agreements;
- (d) 99.8 percent of the estimates of the U.S. Treasury of excess receipts of foreign exchange in 1959; and
- (e) 56 percent of the cost of specific projects included in the proposed 1961-65 buildings program.

II. Other countries in which a substantial portion of requirements may be met from local currency holdings (table IV-b-3)

In these 13 countries are 12 percent of the cost of specific projects included in the proposed 1961-65 buildings program. Together with the 33 countries in group I, these 46 countries account for 68 percent of the costs of specific projects, of which about 95 percent would be financed from U.S. Treasury holdings of local currencies.

The currency requirements of group II would be derived from currency receipts, by conversion of available currencies, and by purchase of materials in countries where Treasury holdings are adequate.

III. Countries in which there are no adequate local currency availabilities (table IV-b-3)

Nearly one-third of the cost of the specific projects included in the proposed 1961-65 buildings program on the basis of need and priority is related to projects in countries in which the U.S. Treasury has no holdings of local currency and such currency is being acquired only by purchase with U.S. dollars. This highlights the fact that while large sums of certain foreign currencies are being generated by certain aid or surplus-disposal programs, this condition is not general or worldwide and, in fact, is somewhat concentrated in a limited number of countries and currencies. Maximum exploitation of these surplus currencies alone will not finance a worldwide program based on need and priority. Local currency usage must be supplemented with substantial U.S. dollar resources to finance needed facilities in countries in which there are no local currency holdings.

TABLE IV-a.—Analysis of local currency requirements of the proposed foreign buildings program for 1961-65 with particular attention to countries having educational exchange agreements authorized by Public Law 584, as amended

[In thousands of equivalent U.S. dollars]

	Buildings program cash foreign currency requirements		Surplus property and lend-lease indebtedness balances	Treasury cash holdings available for purchase	Potential additional availabilities from Public Law 480, sec. 104(f)	Treasury estimate of excess holdings in fiscal year 1959
	1961-65	1960 and prior				
I. France and the overseas territories:						
France.....	\$575	\$132	\$23,989		\$3,800	
Algeria.....	750					
Cameroon.....	655	60				
French Equatorial Africa.....	655					
French West Africa.....	735	200				
Ivory Coast.....	605					
Madagascar.....	655					
Total.....	4,630	383	23,989		3,800	
II. United Kingdom, colonies, and protectorates:						
United Kingdom.....	75	4,290	19,818	\$1,926		
Bahamas.....	150	60				
Bermuda.....	50					
Cyprus.....	100					
Kenya.....	400	104				
Nigeria.....	865	221				
Rhodesia and Nyasaland.....	725	81				
Sierra Leone.....	705					
Tanganyika.....	400					
Uganda.....	475					
Other.....		929				
Total.....	3,945	5,676	19,818	1,926		
III. Other countries in which surplus property credits will finance continuation of the educational exchange program:						
Australia.....	660	379	3,715	125		
Burma.....	290	8	1,586	366	4,462	\$3,452
Belgium.....		28	1,561	(1)		
Germany.....	225	1,094	84,593	6,651	120	
Greece.....	50	1,159	37,267	2,627	1,040	
Italy.....	625	445	85,228	3	6,199	
Netherlands.....		1,241	39,923	106	2	
New Zealand.....	50	46	1,190			
Norway.....		1,180	2,593	242		
Total.....	1,900	5,680	267,645	10,120	12,723	3,452

1 Less than \$500.

TABLE IV-a—Analysis of local currency requirements of the proposed foreign buildings program for 1931-65 with particular attention to countries having educational exchange agreements authorized by Public Law 584, as amended—Con.

[In thousands of equivalent U.S. dollars]

	Buildings program cash foreign currency requirements		Surplus property and lend-lease indebtedness balances	Treasury cash holdings available for purchase	Potential additional availabilities from Public Law 480, sec. 104(f)	Treasury estimate of excess holdings in fiscal year 1959
	1961-65	1960 and prior				
V. Countries in which currencies generated by Public Law 480 will finance the educational exchange program:						
Argentina.....	\$600	\$13			\$140	\$541
Austria.....	50	1,270	\$1,478	\$11	33	
Brazil.....	100	911			16,228	1,484
Ceylon.....	470	(1)			1,200	
Chile.....	700	251		837	1,192	129
Colombia.....	125	1		41	2,291	1,640
Ecuador.....	35	621			417	
Finland.....	1,050	54	11,783	374	278	
Iceland.....		3	193	185	597	
India.....	1,090	1,396	4,299	6,069	56,817	22,163
Indonesia.....		688	49,408	763	12,135	179
Iran.....	1,080	248	25,704		34	
Israel.....	430	77		6,495	14,801	2,649
Japan.....	450	506	306		1,232	
Korea.....	480	985	22,940	28	2,940	
Mexico.....	3,500	91		711	4,409	2,116
Pakistan.....	820	964		8,618	24,766	16,325
Paraguay.....		305		00		
Peru.....		1,144	1,200	23	2,213	
Philippines.....	275	2,757	45	283	1,464	
Portugal.....	350	(1)				
Spain.....	700	51		25,717	47,798	24,989
Taiwan.....	870	3	45,000	11	2,836	
Thailand.....	930	3			61	
Turkey.....	1,630	373	15	8,408	16,960	12,414
United Arab Republic.....	1,470	204		298	504	
Uruguay.....		1				
Vietnam.....	1,000	98		18	870	
Yugoslavia.....	75	814	261	11,429	62,607	51,851
Total.....	18,280	13,833	162,640	70,379	274,823	136,510
V. Subtotal, groups I through IV.....	28,755	25,472	464,002	82,425	291,346	139,962
VI. Other countries:						
Canada.....	650	358				
Denmark.....	100	3				
Honduras.....	80	75				
Ireland.....	250	10				
Kuwait.....	430					
Nepal.....	140					
Oman.....	300					
Poland.....	2,625	87	24,483	3	186,973	6,062
All other.....		6,226	16,900	598	925	
VII. Total.....	33,330	32,232	506,475	83,026	429,244	146,024

¹ Less than \$500.

NOTE.—Amounts are rounded to the nearest thousand and will not necessarily add to totals similarly rounded.

TABLE IV-b.—Analysis of local currency and U.S. dollar requirements of the proposed foreign buildings program for 1961-65 and comparison of local currency requirements for the period 1959-65 with estimates of local currency availabilities.

SUMMARY

[In thousands of equivalent U.S. dollars]

	The proposed 1961-65 program		Prior program requirements			Treasury estimates of foreign exchange position in 1959		Maximum potential availabilities from Public Law 480		Memorandum availabilities
	Local currency	U.S. dollars	1959-60 obligations		Unliquidated prior obligations	Excesses	Shortages	Treasury sales, sec. 104(f) ²	Loan program, sec. 104(e) and (g) ³	
			Local currency	U.S. dollars						
I. Countries in which local currency availabilities derived from Public Law 480 agreements, or surplus property or lend-lease indebtedness with a local currency option, appear to be adequate to cover substantially the requirements of the buildings program (table IV-b-2)	\$27,325	\$1,500	\$7,766	\$400	\$12,953	\$145,845	\$1,590,729	\$413,372	\$1,443,991	\$38,921
II. Other countries in which it appears that a substantial part of the program's requirements may be met from local currency receipts or conversion of currencies (table IV-b-3)	6,005	325	650	50	46		1,937			1,434
III. Countries in which there are no adequate local currency availabilities (table IV-b-3)	0	10,745	2,460	1,840	3,200		33,007	4,930	7,650	2,190
IV. All other foreign countries	0	2,600	545	40	4,603	179	16,315	14,942	100,141	3,137
V. Project development	565	2,385								
VI. Project supervision	1,500	600								
VII. Attaché housing	3,000	2,000								
VIII. Furniture and furnishings	3,000	1,500								
IX. Capital improvements	14,000	6,000								
X. Maintenance and repair	3,500	250								
XI. Property leaseholds	0	20,100								
XII. Occupancy costs (reimbursed to other accounts)	1,200	6,000								
XIII. Conduct of the program										

XIV. Undistributed obligations Alternate projects (included in the 1961-62 program)	15,342	7,024	1,091						
	12,495	550							
XV. Summary total	39,258	9,904	21,902	505,475	146,024	1,641,988	429,244	1,551,782	45,683
Analysis:									
New authorization requested	50,000								
Balance of prior authorization	10,085								
Estimate of proceeds of sale	9,905								
Total	60,085								

See footnotes at end of table, p. 153:

TABLE IV-b-2.—Analysis of local currency and U.S. dollar requirements of the proposed foreign buildings program for 1961-65 and comparison of local currency requirements for the period 1959-65 with estimates of local currency availabilities—

I. Countries in which local currency availabilities derived from Public Law 480 agreements, or surplus property or lend-lease indebtedness with a local currency option appear to be adequate to cover substantially the requirements of the buildings program:	The proposed 1961-65 program		Prior program requirements		Maximum availability of local currency from lend-lease and surplus property indebtedness	Treasury estimates of foreign exchange position in 1959		Maximum potential availabilities from Public Law 480 activities		Memo-randum availabilities	
	Local currency	U.S. dollars	1959-60 obligations			Unliquidated prior obligations	Excesses	Shortages	Treasury sales, sec. 104(f)		Loan program, sec. 104 (e) and (g)
			Local currency	U.S. dollars							
Argentina	\$600	0			\$13	\$541	\$2,224	\$140	\$20,000	\$1,505	
Australia	660	0	\$575	0	4					1,159	
Brazil	100	0	500	0	770					1,403	
Burma	290	0	885	\$100	26	1,484		33	26,300	1,664	
Ceylon	70	0			8	5,455		16,228	149,222	1,664	
Chile	700	0	250	50	(1)	1,229	97	1,200	3,700	611	
Colombia	125	0			1	1,640		1,192	31,680	693	
Ecuador	35	\$300	125	0	1			2,291	7,230	1,184	
Egypt	1,470	0	200	0	496		468	417	28,770	384	
Finland	1,650	0	50	0	4		525	504	13,600	1,518	
France	515	0	50	0	4	11,783	919	278	21,314	913	
Germany	225	0	650	0	82	23,989	233,454	3,800	6,945	3,048	
Greece	80	0	1,160	0	444	84,593	731,312	1,120	0	1,963	
India	1,080	0	665	0	731	37,297	4,709	1,940	40,300	1,579	
Iran	1,050	0	200	100	48	4,299	22,183	56,817	283,400	3,508	
Israel	620	0	70	0	7	25,704	6,060	34	2,500	2,204	
Italy	425	0	350	0	95	85,228	51,524	14,801	71,640	1,071	
Japan	480	0	300	50	206	306	268,912	1,232	106,750	1,529	
Korea	480	0	400	0	585	22,940	28,318	2,940	2,000	1,166	
Mexico	3,500	0	75	0	16			4,409	20,700	209	
New Zealand	30	0		0	46	2,116	1,021			1,486	
										4	

Pakistan.....	820	0	60	0	904	16,325	38,066	24,766	70,800	3,129
Philippines.....	279	700	75	0	2,757	45	38,066	1,464	6,200	2,114
Poland.....	2,623	0	0	0	12	24,483	6,062	136,973	0	13
Portugal.....	350	0	0	0	(*)	0	1,184	47,708	3,400	440
Spain.....	700	0	50	0	3	24,999	8,459	2,536	158,836	266
Taiwan.....	870	0	0	0	3	45,009	3,979	61	3,000	786
Thailand.....	1,830	300	350	0	23	12,414	184,224	16,960	85,060	915
Turkey.....	1,830	0	886	100	4,790	19,818	3,179	870	1,500	1,996
United Kingdom and colonies.....	3,843	200	50	0	48	51,851	62,607	0	135,300	2,133
Vietnam.....	1,000	0	0	0	814	261	1,500,729	413,372	0	2,992
Yugoslavia.....	75	0	0	0	12,953	263,708	145,845	1,500,729	1,443,991	72
Total.....	27,323	1,500	7,766	400	12,953	263,708	1,500,729	413,372	1,443,991	38,921

See footnotes at end of table, p. 163.

TABLE IV-b-3.—Analysis of local currency and U.S. dollar requirements of the proposed foreign buildups program for 1961-65 and comparison of local currency requirements for the period 1959-65 with estimates of local currency availabilities

	BY COUNTRY										Memo- randum availa- bilities
	[In thousands of equivalent U.S. dollars]										
	The proposed 1961-65 program		Prior program requirements			Maximum availability of local cur- rency from lend-lease property and surplus indebtedness		Treasury estimates of foreign exchange position in 1959		Maximum potential availabilities from Public Law 480 activities	
Local currency	U.S. dollars	Local currency	U.S. dollars	Unliquidated prior obligations	Excesses	Shortages	Treasury sec. 104(f) sec. 104(f) ¹ and (g) ²	Loan pro-gram, sec. 104 (e) and (g) ³			
II. Other countries in which it appears that a substantial part of the program's requirements may be met from local currency receipts or conversion of currencies:											
Algeria.....											1
Cameroon.....	750	0	50	0	0						886
Canada.....	650	0	350	50	8						139
Dominican R.....	100	0			3		1,373				
Equatorial Africa.....	655	0			0						
French West Africa.....	735	0	200	0	(1)						(1)
Ghana.....	80	0	50	0	25		524				29
Guinea.....	300	0			10						370
Ivory Coast.....	600	0			0						
Kenya.....	430	0			0						
Madagascar.....	655	0			0						
Nepal.....	140	0			0						
Oman.....	300	0			0						
Total.....	6,005	325	650	50	46		1,937				1,434
III. Countries in which there are no adequate local currency availabilities:											
Afghanistan.....		50		400	6		472				899
Angola.....	0	375			0						1
Bolivia.....	0	535		250	1						69
Cambodia.....	0	950		150	0						60
Costa Rica.....	0	250			1						19
Dominican Republic.....	0	300			50						43
El Salvador.....	0	550			1						27

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FOREIGN SERVICE ACT AMENDMENTS

FEEES FOR CONSULAR SERVICES TO AMERICAN VESSELS AND SEAMEN

Senator MANSFIELD. The next bill will be S. 2232, introduced by Mr. Fulbright, by request, a bill to repeal section 12 of the act of June 26, 1884, prohibiting a charge or collection of fees by consular officers for official services to American vessels and seamen, and to repeal the provision of the act of June 4, 1920, authorizing the free issuance of passports to seamen.

(S. 2232, together with executive branch comments, follows:)

[S. 2232, 86th Cong., 1st sess.]

A BILL To repeal section 12 of the Act of June 26, 1884, prohibiting a charge or collection of fees by consular officers for official services to American vessels and seamen, and to repeal the provision of the Act of June 4, 1920, authorizing the free issuance of passports to seamen

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (1) section 12 of the Act of June 26, 1884 (23 Stat. 56; 22 U.S.C. 1186), shall be and the same is hereby repealed, and (2) that the second proviso of section 1 of chapter 223 of the Act of June 4, 1920, as amended (41 Stat. 750; 22 U.S.C. 214), shall be and the same is hereby further amended by striking out the phrase "or to seamen,".

[From the Congressional Record, June 23, 1959]

DEPARTMENT OF STATE,
Washington.

The Honorable RICHARD M. NIXON,
President of the Senate.

DEAR MR. VICE PRESIDENT: There is transmitted herewith a draft of a proposed bill to repeal section 12 of the act of June 26, 1884, prohibiting a charge or collection of fees by consular officers for official services to American vessel and seamen, and to repeal the provision in the act of June 4, 1920, authorizing the free issuance of passports to seamen.

The second sentence and the proviso clause of section 12 of the above-mentioned 1884 statute, which relate to the payment of certain fees as compensation to consular officers and to the accounting procedure required therewith, have been rendered obsolete by the enactment of section 8 of the act of April 5, 1906, as amended (22 U.S.C. 99) which prescribes for the accounting for fees, and sections 412 to 432 of the Foreign Service Act of 1946, as amended (22 U.S.C. 412-432) which prescribe the manner in which Foreign Service officers shall be compensated. These sections of the Foreign Service Act of 1946 do not provide for compensation by fees in any case.

The two amendments to existing legislation, proposed in the enclosed draft, would enable the Department of State and the American Foreign Service to charge and collect fees, which are now prohibited, for certain services rendered for American vessels and seamen.

The act of June 26, 1884 (ch. 121, sec. 12, 23 Stat. 56; 22 U.S.C. 1186), entitled "An act to remove certain burdens on the American merchant marine and encourage the American foreign carrying trade and for other purposes," requires, "That on and after July 1, 1884, no fees named in the tariff of consular fees prescribed by order of the President shall be charged or collected by consular officers for the official services to American vessels and seamen." This existing legislative prohibition, which would be repealed by the enactment of the proposed bill transmitted herewith, was enacted at a time when any possible aid to American vessel and seamen was considered to be of material assistance to the U.S. shipping industry. Such assistance is not considered as essential as it was some years ago, as many basic conditions existing in 1884 which initially justified such aid no longer prevail.

The act of June 4, 1920 (ch. 223, sec. 1, 41 Stat. 750; 22 U.S.C. 214) provides among other things, "that no fee shall be collected for passports issued to * * * seamen." This prohibition, which would also be repealed by the proposed bill transmitted herewith, was enacted at a time when it was reasonable to consider assistance to American seamen as more essential than it is now.

During fiscal year 1958, a total of \$1,349 was collected by American consular officers under the Tariff of Fees, Foreign Service of the United States of America, for 242 services described specifically as relating to vessels and seamen. During that period nothing was collected for similar services performed for American vessels and seamen, because of the above-mentioned prohibitory laws. It would be difficult to calculate the approximate number of such free services, but it is estimated by the Department that the total cost to the Government for the performance of all the services in this category is approximately \$400,000 a year.

It would also be extremely difficult to estimate the number of other services, such as passport, citizenship, notarial, visa, etc., performed without charge by consular officers in behalf of American vessels and seamen, and it would be equally difficult to estimate what it costs the Government to perform these services.

It is respectfully requested that you lay the proposed bill before the U.S. Senate for enactment as soon as possible. A similar bill is being transmitted to the speaker of the House of Representatives.

The Department has been informed by the Bureau of the Budget that there is no objection to the submission of this proposal to the Congress for its consideration.

Sincerely yours,

LOY W. HENDERSON, *Acting Secretary.*

Senator MANSFIELD. The witnesses will be Secretary Henderson, Mr. John W. Hanes, and Mr. Alvin Shapiro. Will Mr. Hanes and Mr. Shapiro please sit up with Mr. Henderson?

Mr. Henderson, whom do you want to lead off on this bill?

Mr. HENDERSON. I would appreciate it if you would allow Mr. Hanes, the Administrator of the Bureau of Security and Consular Affairs, to act as the main witness.

STATEMENT OF JOHN W. HANES, JR., ADMINISTRATOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS

Senator MANSFIELD. Mr. Hanes?

Mr. HANES. Mr. Chairman, I have a statement giving some background on this bill which I would like to submit, with your permission, and very briefly summarize, for your information.

Senator MANSFIELD. Fine. Is Mr. Shapiro here with you?

Mr. SHAPIRO. I am not with the State Department, sir.

Mr. HANES. He is not one of our witnesses.

Senator MANSFIELD. All right.

Your statement will be accepted and you may now make a brief oral statement.

Mr. HANES. Thank you, sir.

PURPOSE OF S. 2232 VIS-A-VIS OBJECTIVE OF ORIGINAL LEGISLATION

The primary purpose of S. 2232 is to repeal an act going back to 1884 which exempted American shipping and American seamen from consular fees.

The main purpose of the 1884 bill, sir, was to correct the abuses that had then grown up in the consular service.

At that time, as you will recall, consuls were appointed purely on a political basis. Frequently they were American merchants engaged in business overseas.

I am sorry to say that in most cases they were much more interested in the fees they collected than in protecting American interests or American seamen.

As a result, in 1884, the Congress passed a law exempting American seamen and American shipping from the charging of these fees for consular services abroad.

Many of the services required were necessary for shipping or for the seamen or for their protection, and yet they were frequently subjected to exorbitant and onerous charges.

Since that time, of course, many things have changed. The consular service is a very different thing. It is now part of the Foreign Service, and it is entirely appointed on a merit basis.

Fees are established by the Secretary of State for consular services. They are subject to strict accountability. They are published in a tariff of regulations. They are equitable and in accord with the type of work that is done.

I might mention that, according to our best estimates, it costs the Department approximately \$400,000 a year to provide the services we do for American shipping and American seamen abroad.

If this bill were enacted it would not be our intention to prescribe fees for what we describe as "involuntary" services, that is to say, services that are required of American shipping or seamen abroad; but only to provide equitable fees for voluntary services that either the shipping companies or the seamen, as individuals, seek for their own reasons.

TYPES OF SERVICES PERFORMED FOR SEAMEN BY CONSULAR OFFICES

Senator MANSFIELD. Could you give us illustrations of these types of services?

Mr. HANES. Yes, sir.

For example, in the case of shipping, notes of protest as they are called, which is a type of deposition made at a consular office abroad by a master of a ship coming in from a voyage for insurance purposes. It establishes what has happened during the voyage in the event that there are later insurance claims.

We presently provide for fees for foreign shipping seeking such notes of protest from our consular offices abroad, but our own shipping is exempt. The fees are very reasonable, \$5 or \$10.

In the case of individual seamen the most common type of example would be notarial services which if they go in the United States they would go to a notary public and pay a modest fee. Similarly, our consular officers abroad generally charge \$2.50 for such services, but are enjoined from charging seamen.

AMERICAN SHIPPING INTERESTS AND SEAMEN WOULD NOW BE REQUIRED TO REIMBURSE GOVERNMENT FOR COST OF SERVICES

Since the time of 1884, of course, the condition of American seamen and the condition of American shipping, as well as the condition of the consular services has changed rather markedly, and yet the law has not kept pace with this.

If this amendment were enacted, that we believe would be consistent with the intent of Congress as expressed in the 1951 act, which stated that each Government department should charge equitable fees to try and get to the fullest extent possible reimbursement for its services performed for the public, we would not expect to recover the full \$400,000 costs of these services. On our best estimate we figure about 11,000 calls by American ships at foreign ports where American consular officers are during any given year.

Perhaps each such call would result in two or three, maybe four services, either for the ship's master on behalf of the ship or for individual seamen for voluntary services.

It is difficult to estimate, because at the present time most such services are not recorded, since these are no-fee services—

Senator MANSFIELD. Mr. Hanes, on this question of notarial fees, did you say the consular agent charges \$2.50 to everyone who comes in, except seamen?

Mr. HANES. Yes, sir.

Senator MANSFIELD. The charge is made to everyone except officers and others on ships?

Mr. HANES. Yes, sir. Any person, any American citizen who comes in for a notarial service of a type to be performed by a consular officer pays that fee.

Senator MANSFIELD. Who gets that fee?

Mr. HANES. This is returned to the Treasury. No fees which the Department of State collects go to the Department of State. This is similar to our passport and visa fees. They all go directly back to the Treasury. We estimate if this amendment were passed the income to the Treasury might be roughly \$100,000 a year.

That, sir, is a brief summary of the purpose of this bill.

ORIGINAL EXEMPTION AND PROPOSED REPEAL APPLY ONLY TO AMERICAN SEAMEN

Senator MANSFIELD. Senator Aiken?

Senator AIKEN. Does this repealer apply only to American seamen on American-flag vessels?

Mr. HANES. Yes, sir. The present law exempts American seamen traveling on American vessels.

Senator AIKEN. The proposed repeal does not apply to the seamen on Panamanian- or Greek-flag ships?

Mr. HANES. It would not apply to the seamen of any other nationality, no, sir.

Senator AIKEN. However, if American seamen were on a ship flying a Panamanian or Greek flag, it would apply to them; is that correct?

Mr. HANES. Well, American seamen are presently exempt.

Senator AIKEN. I see.

Mr. HANES. It is my understanding they are exempt. I am not certain of that, but I understand they are exempt no matter what flags—

Senator AIKEN. They are exempt, then, as American citizens.

Mr. HANES. Yes.

Senator MANSFIELD. Would you clarify that point for the record?

Mr. HANES. I am informed that all American seamen are exempt, sir, at the present time, no matter what flag they are serving under.

Senator AIKEN. Very well. Would this repealer make any difference in who is affected?

Mr. HANES. The repealer, sir, would remove the exemption. At the present time, American seamen are exempt. We are asking that they not be exempt further because we feel that there is, in effect, a privileged class which had a reason to exist at the time it was created, but no longer does.

I might add that this also repeals an act of 1920 which exempted seamen from paying for passports. That is almost just to make the record straight, for it is a fact that seamen virtually never ask for passports. They use their seamen's identification cards. When they do need passports, usually for tourist travel, we think they should pay the same as other people.

Senator AIKEN. Then seamen would be made subject to the same laws and regulations as any other American citizen?

Mr. HANES. Yes, sir.

Senator AIKEN. Thank you.

Senator MANSFIELD. Thank you, Mr. Hanes.

(The prepared statement of Mr. Hanes follows:)

STATEMENT OF JOHN W. HANES, JR., ADMINISTRATOR, BUREAU OF SECURITY AND CONSULAR AFFAIRS, DEPARTMENT OF STATE, JULY 6, 1959

HISTORICAL JUSTIFICATION FOR EXEMPTING AMERICAN VESSELS AND SEAMEN FROM CHARGE FOR CONSULAR SERVICES

American shipping and seamen have been exempt from charges for services performed by American consular officers ever since enactment of a law in 1884 which is still in effect.

This law (23 Stat. 56; 22 U.S.C. 1186) is entitled "An act to remove certain burdens on the American merchant marine and to encourage the American foreign carrying trade, and for other purposes."

This law provides "that on and after July 1, 1884, no fees named in the tariff of consular fees prescribed by order of the President shall be charged or collected by consular officers for official services to American vessels and seamen."

The system of charging fees for consular services to shipping and seamen, in common use before that time, had developed some abuses by the 1880's, principally because consuls, who were political appointees and many of whom were merchants, depended in most cases upon fees collected either for their livelihood or to supplement their incomes. Accordingly they were frequently more interested in collecting fees than in protecting the welfare of the shipowner or the mariner. William H. Lincoln, a shipowner from 1862 until after the turn of the century, president of the New England Shipowners Association, and president of the Boston Chamber of Commerce for 4 years beginning in 1900, testified about 1910 that "my experience in regard to our consular service (under the spoils system of appointment) was most unsatisfactory. In many cases the consuls were more desirous of securing benefits for themselves than to protect the interests of American shipowners. * * * I consider that the abuses of this system had considerable influence in driving American shipowners out of business. * * *"

ESTABLISHMENT OF MERIT SYSTEM IN FOREIGN SERVICE ELIMINATED ABUSIVE CHARGES FOR SERVICES

The lack of an adequate system of accounting, and the fact that the official list of fees did not cover all consular activities also caused the collection of unofficial fees to grow into an abuse. This sad state of consular affairs was finally changed in 1906 by the establishment of the merit system in the consular service. Consular appointments were made by the President and confirmed by the Senate from candidates possessing requisite qualifications of experience and ability and who passed established examinations. Regular inspections of consular operations were instituted. Consuls were placed on a salary basis and were prohibited from engaging in business or legal practice. Bonds were required. Notarial acts were made obligatory. All fees official and unofficial were put on an exact accounting basis, and were turned into the Treasury. Thus abuses which had existed and which had called for the law of 1884 to protect American vessels and seamen were finally brought to an end in 1906. However the law of 1884 still remains on the statute books. In addition a law passed in 1920 (41 Stat. 750; 22 U.S.C. 214) provides among other things "that no fee shall be collected for passports issued to * * * seamen."

LAW HAS NOT KEPT PACE WITH BETTER CONDITIONS

Conditions affecting American shipping and seamen have changed drastically since 1884 or even 1920, but the law has not kept pace with those changes.

In 1951 the Congress passed a law (5 U.S.C. 140) which requires that each Federal agency charge a fee for services performed on behalf of the public. This law provides that such services "shall be self-sustaining to the full extent possible," and it authorizes the head of each agency by regulation to prescribe for those services such fees as he shall determine to be fair and equitable.

As a result, a legislative proposal, similar to S. 2232 before us today, was made in August 1955 and was submitted to the Congress on November 7, 1956, as H.R. 11058, but was not acted upon by the 84th Congress. Subsequently the Bureau of the Budget determined that the proposal should be included in omnibus legislation before the 85th Congress but this did not materialize. Accordingly, the proposal has been reintroduced at the current session as a separate bill—S. 2232.

EQUITABLE FEES FOR SERVICES WOULD BE ESTABLISHED UNDER PROPOSED LEGISLATION

If this bill is enacted into law, the Department intends to establish fair and equitable fees for services rendered to American shipping and seamen by American consular officers whenever services requested are of a voluntary nature. Such services would include notes of protest or extended marine notes of protest, i.e., declarations made by a ship to be used principally for insurance purposes. During fiscal year 1958 only 306 notes of protest and 31 extended marine notes of protest were recorded and reported by consular offices as having been performed for American shipping. However, the fact that at present no fee is charged for such voluntary service means in practice that this service is usually not even recorded. Consular officers experienced in shipping matters estimate that between one-half and three-quarters of American vessels calling at foreign ports file notes of protest. During the period July 1 to December 31, 1958, a 6 months' period, American ships made 5,667 calls at approximately 100 foreign ports where American consular offices are established and services available. Thus over 11,000 American ship calls are estimated to have been made at American consular offices during the course of the past fiscal year. If, say, 6,000 of these ships entered voluntary notes of protest, or declarations for insurance purposes, fees collected would have amounted to \$30,000 at the \$5 fee rate now charged foreign vessels for filing such protests. A further \$3,000 would have been collected for voluntary extended notes of protest at the rate of the \$10 fee now charged foreign vessels.

In addition to the foregoing services, consular offices recorded 940 other services of a voluntary nature rendered to American shipping and seamen during fiscal year 1958 for which no fee was charged. Again, most such services went unrecorded. Assuming 11,000 ships involved during the past year, experienced officers estimate that it is not improbable that at least 2 or 3 voluntary services were performed for each American ship and its crew calling at foreign ports during that period. Had fees for notarial or other services been collected they would have amounted to perhaps another \$40,000.

While seamen going abroad generally carry only their continuous discharge books or certificates of identity issued by the Shipping Commissioner under Coast Guard regulations, seamen do on occasion obtain passports. When they do, it is usually for their own convenience if they plan some "tourist" travel abroad. At present, generally no charge is made for passports issued to seamen although the general public is charged \$10 for this document.

SPECIFIED SERVICES WILL STILL BE PERFORMED AT NO FEE

The Foreign Service performs, and we recommend should continue to perform, a number of no fee services for American shipping and seamen. Such services include—

- (1) Accepting the deposit of ships' papers at a consular office as required by law, and the issuance of a receipt therefor;
- (2) Shipment and/or discharge of seamen as required by law;
- (3) Issuance of crew list visas;

- (4) Protection of rights and interests of seamen and assisting in the provision of welfare services for seamen. Such matters include—
- (a) Assisting in settlement of shipboard complaints and disputes;
 - (b) Helping arrange for care and onward transportation of stragglers;
 - (c) Providing relief and/or hospitalization for destitute injured, and ill, seamen;
 - (d) Assisting in the settlement of difficulties with local authorities.

FEES PREVIOUSLY COLLECTED COMPARED TO THOSE TO BE COLLECTED UNDER S. 2232

Under authority derived from 5 U.S.C. 140, the tariff of fees provides a charge for recording the bill of sale of an American vessel overseas (item 34), and also for the issuance of a provisional certificate of registry of an American vessel (item 35). During fiscal year 1958, the recording of 44 bills of sale yielded \$360 in consular fees and the issuance of 37 provisional certificates of registry realized \$215. These are the only fees which it is possible to collect for shipping services involving American interests at the present time.

On the basis of tentative figures furnished by Foreign Service posts the Department estimates that the total cost to the Government for the performance of all services to American shipping and seamen approximates \$400,000 per year. This figure includes salaries of Foreign Service personnel engaged in consular work on behalf of American shipping and seamen as well as an apportionment of office space used for such purposes.

If it is the intent of the Congress that services of this nature "shall be self-sustaining to the full extent possible," as 5 U.S.C. 140 would indicate, then passage of S. 2232 will enable fair and equitable charges to be made to cover many of these services. In order to enable the Department to comply as fully as possible with policy established by the Congress, it is recommended that favorable action be taken on S. 2232.

Senator MANSFIELD. Mr. Shapiro?

STATEMENT OF ALVIN SHAPIRO, VICE PRESIDENT, AMERICAN MERCHANT MARINE INSTITUTE; ACCOMPANIED BY EDWARD C. PHILLIPS, STAFF, AMERICAN MERCHANT MARINE INSTITUTE

Mr. SHAPIRO. Mr. Chairman, with your permission I would like Mr. Edward Phillips of our staff to be with me.

Senator MANSFIELD. That is fine.

Mr. SHAPIRO. My statement is rather brief.

Senator MANSFIELD. Please proceed.

Mr. SHAPIRO. My name is Alvin Shapiro. I am vice president of the American Merchant Marine Institute, an organization representing some 50 American steamship companies. Our members operate vessels of all types into and out of U.S. ports on all three coasts in our domestic and foreign trades.

This bill would remove the existing statutory prohibition against the charge or collection of fees by consular officers for official services to American vessels and seamen, and would repeal the provision of the act of June 4, 1920, authorizing the free issuance of passports to seamen.

BACKGROUND: EXEMPTION ENACTED TO AID AMERICAN SHIPPING AND TRADE

Our comment is directed primarily to that portion of the bill which would remove the existing prohibition against the charge or collection of fees by consular officers for official services to American vessels and seamen. This prohibition is contained in section 12 of the act of June 26, 1884. In considering the removal of this prohi-

hibition it is important to note its background. This prohibition was one of the measures enacted to assist American shipping adopted by the 48th Congress. The act of June 26, 1884, resulted from an investigation and study by a joint standing committee of that Congress into ways to assist American-flag shipping to maintain an adequate fleet in the face of foreign competition.¹

ASSISTANCE TO AMERICAN SHIPPING STILL NECESSARY

The justification and need for such assistance to American shipping is just as true today. For this reason we urge that any measures which tend to increase the heavy burdens with which our shipping is already faced be approached with caution.

We appreciate that the proposal to remove the prohibition against collection of these fees by consular officers stems from the statute passed by Congress in 1951 (5 U.S.C. 140), whereunder Congress expressed as its sense that the services performed by Federal agencies be self-sustaining "except those engaged in the transaction of official business of the Government." Moreover, it is our understanding (obtained informally) that under this bill it is intended by the administrative agency to charge for only those services to American vessels and seamen which are of a special interest to or are of a commercial nature of value to the particular individual, company, or vessel, and that it is not intended to charge for services in the transaction of official business of the Government (i.e., services required by law) or services which are performed in the public interest.

INTENT OF PROPOSED LEGISLATION SHOULD BE CLARIFIED

If the foregoing is an accurate statement of the intent of this proposed legislation we do not oppose such objective, but since this has not been spelled out, we believe the intent should be clarified. I am sure the committee can understand our fear that perhaps we are here proceeding with a new principle. What we wish to be sure of is that the passage of this legislation will not be taken as license by the administrative agency to institute charges for services which go beyond this intent. Further, with the industry assuming responsibility for paying for certain charges, no administrative agency should construe this as a revenue device. The following two examples will illustrate this point:

¹ Excerpt from "Report of the Commissioner of Navigation," describing background of act of June 26, 1884: "In 1861 our tonnage was at its highest point, being 5,539,813 tons. Five years later, in 1866, it was reduced to 4,310,778 tons, having declined 1,229,035 tons during that period. Since the latter date there has been no such sudden change in the tonnage tables, and although the figures have not increased as might have been expected, they have maintained about that amount, varying a little more or less year by year.

"There was on this account considerable inquiry as to the cause of the great decline in the national tonnage which occurred during the period referred to. The country became alarmed, and after a few years it became the subject of much inquiry and serious agitation, so the Congress appointed committees, who from time to time made investigations and reports upon the question; but no measure looking to the recovery of our lost prestige on the sea being adopted, a convention of shipowners and commercial men was called to meet in Boston in the fall of 1880.

"The delegates to this convention were earnest, and many of them able men, appointed by the different boards of trade and commercial bodies throughout the country, and in a session of 3 days the subject was fully discussed and the opinions of the convention were embodied in a series of resolutions earnestly praying Congress to come to the rescue of the shipping of the country by appropriate legislation.

"A general interest was awakened, and at its next session Congress appointed a joint standing committee to investigate the whole subject and report to Congress. The joint standing committee began its labors very properly by sending out to parties interested interrogatories touching upon the subject in all its phases. The various replies to questions propounded by the committee, although not all agreeing in detail, did so in the main and served to elucidate the question. In addition to this, various sessions were held by the committee and witnesses examined.

"As a result of this investigation, and the report of the committee which followed, Mr. Dingley brought forward his bill of relief, which was, after some delay, substantially adopted in the act of June 26, 1884."

FOREIGN SERVICE ACT AMENDMENTS
SCHEDULE OF FOREIGN SERVICE FEES

A bill similar to this (H.R. 11058) was introduced in the 84th Congress in 1956. At that time opposition to the bill was based upon upon the burden to the industry which would result from obtaining a service in foreign ports which is imposed upon U.S. vessels in the public interest and as a matter of law. The schedule of foreign service fees included a charge for receiving and delivering ship's register and papers which are required by 46 U.S.C. 354 to be delivered to the consul whenever an American vessel enters a foreign port. Under the then existing schedule of fees, this charge, which was on a tonnage basis, would have amounted up to \$25—\$40,000 for our larger companies per annum as estimated by them in letters to us. This particular service, which is required under the law, has apparently been recognized by the State Department as being in the public interest because it has since been removed from the schedule of foreign service fees. We would, for reasons just indicated, have strong objection to either the reintroduction of this fee or to the imposition of any fee for this federally mandated service as a result of this bill.

There still remains in the schedule of fees (although not charged against U.S. vessels because of the current prohibition) a fee for the shipment or discharge of seamen. This service stems from obligations contained in 46 U.S.C. 570 and 18 U.S.C. 2195 relating to the shipment and discharge of seamen in foreign ports, respectively, and from the obligation contained in 22 U.S.C. 1174 for consular offices to maintain records of such transactions. For example, 18 U.S.C. 2195 prohibits the abandonment of sailors in foreign ports. Under this the master of an American vessel cannot lawfully discharge a seaman in a foreign port without intervention of the consul. This is obviously a requirement for the protection of American citizens, in this case the seamen, in the public interest, and the performance of this service by the consul is a transaction of official business of the Government. This service should not be charged for against U.S. vessels even if the present prohibition is removed.

FEES SHOULD NOT BE CHARGED FOR SERVICES PERFORMED IN PUBLIC INTEREST OR BY LAW

In order to prevent the imposition of fees for services such as the above, we respectfully urge the addition of a proviso to this bill that no fees will be charged for the performance of services to vessels and seamen which are performed as a matter of public interest or are required to be performed by law, and that any revision of existing fees or imposition of new fees will be subject to the provisions and protections of the Administrative Procedure Act. Without such provisos we would be compelled to oppose the present bill.

Senator MANSFIELD. Thank you.

APPROXIMATE ADDED REVENUE TO BE DERIVED FROM IMPOSITION OF FEES

Senator AIKEN. I notice you say that these service costs would amount to between \$25,000 and \$40,000 for a larger company for 1 year, as estimated by them in letters to you. How many larger com-

panies do you suppose would have their costs increased by that approximate amount per year?

Mr. SHAPIRO. Well, in this higher category of \$25,000 to \$40,000, there are probably about 15 companies.

Senator AIKEN. For 15 companies, the added Government revenue would be \$375,000 minimum and \$600,000 maximum. You and Mr. Hanes do not make nearly the same estimate.

Mr. HANES. Senator, could I make a statement on this?

Senator AIKEN. He estimated \$100,000 would accrue to the Treasury.

Mr. HANES. That is right.

We are not in any substantial disagreement with Mr. Shapiro. The type of fees we are here speaking about were those that I mentioned that we did not intend to include. We intend to continue no fee services for matters performed as a matter of law, and I did not bother to read to you the list, but the first two items in my prepared statement which we would not charge for, one was the accepting of the deposits of ships' papers which Mr. Shapiro referred to, and the second one was the shipment of or discharge of seamen, to which he also referred, and there are several others we would not charge for.

Senator AIKEN. I am glad you made that plain, because to a landlubber there seemed to be quite a discrepancy in your figures.

Mr. HANES. There is really no difference between us, with the single exception that the Administrative Procedure Act is something that does not apply abroad; indeed, to make it apply abroad would raise very grave questions of sovereignty since it involves hearings and procedures on foreign soil.

Mr. SHAPIRO. You misunderstand my point.

These rates are set in Washington and therefore we suggest not in the payment of these fees but in setting up your tariff, which is done right here in the city of Washington and therefore it does not get into any problems of sovereignty, that this be subject to the Administrative Procedure Act.

Senator AIKEN. When a seaman lands in a foreign port and goes into town, does he get a visa from the country?

Mr. SHAPIRO. No; he uses his seaman's papers.

Senator AIKEN. He does not get a passport or visa?

Mr. SHAPIRO. No.

DIFFICULT FOR SHIPPING INDUSTRY TO INCUR NEW EXPENSES

You see, Senator, if I may, it is always difficult for an industry, particularly an industry such as ours, to accept new expenses.

Frankly, we have gone really quite far in accepting these, as I hope my message or my statement indicated. But precisely our fear was embodied in a bill during the last session of Congress.

This was a bill introduced in the Congress of the United States, and therefore expressed the views or the intent of several of the Government agencies, or at least one, and that embodied the imposition of a principle or a fee for a particular service which, upon reconsideration, the State Department has dropped out in this particular bill.

Now had last session's bill become law we would actually have been faced with what, I think, in all frankness, would have been a very,

very unfair imposition of a fee which is required by statute. It is something we have no choice of.

It is not done for our convenience. I suggest, as a matter of fact, that many of these things since the origin goes back to 1884, and even preceding that, since it is for the protection of seamen, to make sure they were not shanghaied, this legislation goes back to probably 1815, to rather than eliminate the fees, we might eliminate the basic legislation.

But all we are seeking is reasonable protection through the Administrative Procedure Act, and the acceptance of fees only when they are of a particular commercial private value.

If they are mandated by the law, we think if we have no choice we should not be forced to accept the fee in that sense.

FEEES NOT TO BE CHARGED FOR SERVICES REQUIRED BY LAW AND IN PUBLIC INTEREST

Senator MANSFIELD. Mr. Hanes, will you please turn to page 2 of Mr. Shapiro's testimony?

Mr. HANES. Yes, sir.

Senator MANSFIELD. In the last sentence before the footnote it reads: "Moreover, it is our understanding (obtained informally) that under this bill it is intended by the administrative agency to charge for only those services to American vessels and seamen which are of special interest to or are of a commercial nature of value to the particular individual, company, or vessel, and that it is not intended to charge for services in the transaction of official business of the Government (i.e., services required by law) or services which are performed in the public interest."

What is your reaction to that statement, Mr. Hanes?

Mr. HANES. We are in entire accord with that, sir; that is correct.

Senator MANSFIELD. Now, if you will turn to page 5, what is your reaction to the last paragraph in Mr. Shapiro's statement?

SHOULD SETTING OF FEES BE SUBJECT TO THE ADMINISTRATIVE PROCEDURE ACT?

Mr. HANES. With the exception, sir, of the very last part of the next to the last sentence which is "subject to the provisions and protections of the Administrative Procedures Act," we have no argument whatever.

We have had in the setting of all of our fees for such services, we have always consulted informally and, I may say, entirely successfully, with whatever interested parties, agencies, or companies were involved.

We feel that to subject this type of fee setting to the rather tortuous processes of the Administrative Procedure Act would be to introduce a new element into this sort of fee-setting. We do not think it necessary.

We certainly do not look on this as a major revenue-producing matter. It is our intention only to put on equitable fees for, as we have stated, consular services performed in the interest of the companies or of the individuals similar to those fees that we charge other individuals or other commercial interests for other similar types of

services, and we do not see the need for the Administrative Procedure Act amendment.

Senator MANSFIELD. What is your answer to that statement, Mr. Shapiro?

Mr. SHAPIRO. Well, if you will forgive me just a moment, Senator, I always wonder why a Government agency, which is doing all these things—and you are perfectly right, Mr. Hanes, the State Department is doing it and has done it, but we wonder about the future all the time—if a Government agency is going to consult with an industry, if a Government agency has as its intent to impose fees for only certain services, I always wonder why this cannot be spelled out in the piece of legislation itself.

STATEMENTS ON PROCEDURE FOR FEE SETTING

Senator MANSFIELD. Well, the committee will request both Mr. Hanes and Mr. Shapiro to file statements on this particular matter, and then we will take those statements under consideration.

(The statements subsequently received are as follows:)

BRIEF BY MR. HANES TO CLARIFY POINTS IN HEARINGS ON S. 2232

At the hearing held on S. 2232 before the Subcommittee on Department of State Organization and Public Affairs, Committee on Foreign Relations, U.S. Senate, on July 6, 1959, Mr. Alvin Shapiro, vice president, American Merchant Marine Institute, raised several issues in his statement. The chairman of the subcommittee, Senator Mike Mansfield, requested that the Department of State representative, Mr. John W. Hanes, Jr., Administrator, Bureau of Security and Consular Affairs, present a brief on two particular points raised during the hearing, namely:

1. That repeal of the statutory prohibition to charge fees for services rendered to American ships and American seamen would open the door for the assessment of fees for any and all services, creating an unwarranted burden upon American shipping and seamen.

2. That any revision of existing fees or imposition of new fees should be subject to the provisions and protections of the Administrative Procedures Act.

With respect to point 1, the enactment of S. 2232 would enable the Department of State to establish fees to be collected by its representatives for official services rendered in behalf of American shipping and seamen. The type of services for which fees would be charged would depend on the purpose of the particular service; and the amount of the fee to be prescribed for a particular type of service would be established to cover the average cost to the Government for the performance of such service. The Department contemplates establishing and collecting fees only for such services as are primarily in the interest of the individual vessel or seaman, and it would not charge fees for services required by law, or when such a service is primarily in the public interest. The distinction has been spelled out in further detail in Mr. Hanes' prepared statement submitted to the subcommittee at its hearings on July 6, 1959.

With respect to point 2, the military, naval, and foreign affairs functions of the United States are specifically exempt from the rulemaking procedure prescribed by the Administrative Procedures Act (5 U.S.C. 1003). Historically the question of fixing and amending the tariff of fees for the Foreign Service has been considered a foreign affairs function and thus it was never considered to be subject to that act. The authority for prescribing the rates in the tariff of fees for official services was given to the Secretary of State by the President in Executive Order 10718 of June 27, 1957. The Secretary's actions taken under this authority are required to be published in the Federal Register. It has been the Department's normal procedure to publish reasonable public notice of any changes and to give careful consideration to any objections or comments made by interested parties. Such notice has ranged from 30 to 90 days.

It is believed that this procedure will continue to operate satisfactorily in the future as it has in the past, and that there is no need for American shipping interests

to fear that some future action of the Department in relation to the tariff of fees will be arbitrary or that shipping interests will not have adequate opportunity to present their views for consideration at the time.

AMERICAN MERCHANT MARINE INSTITUTE, INC.,
Washington, D.C., July 15, 1959.

S. 2232, consular fees.

HON. MIKE MANSFIELD,
Chairman, Subcommittee on State Department Organization and Public Affairs,
Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR SENATOR MANSFIELD: You will recall that at hearings on the above bill on July 6 you requested both the Department of State and the American Merchant Marine Institute to submit language to the committee on the two points raised by the institute in its statement.

The protection desired by us was described in our statement presented at the hearing. It is our belief that this can best be accomplished by the following specific amendment of the act of June 26, 1884 (23 Stat. 56; 22 U.S.C. 1186). The entire language of the present section 12 would be deleted and the following substituted in its place:

"No fees named in the schedule of the tariff of fees for the Foreign Service which are for official services to American vessels and seamen shall be charged or collected by consular officers when such service is required by law or is primarily in the public interest: *Provided* That, except for the fees hereinbefore described, no fees named in such tariff of consular fees which are for official services to American vessels and seamen shall be prescribed without prior notice, publication, and opportunity to participate in the prescription thereof, similar to that provided in the third section of the Administrative Procedure Act (5 U.S.C. 1003)."

We have reviewed the supplementary comment forwarded to you by the Department of State in letter dated July 9 and believe the foregoing language to be in complete harmony therewith. This amendment will accomplish the objective of the Department of State by removing the existing prohibition against the collection of fees for the type of services described by them in their testimony to the committee and in their supplementary letter. At the same time this includes the protection desired by our industry, namely, that assurance be given for opportunity to participate in the establishment of fees for those services for which fees would be authorized to be collected. It is necessary to spell out this latter protection in the legislation since the question of fixing and amending the tariff of fees for the Foreign Service has been considered a foreign affairs function not subject to the protections of the Administrative Procedure Act.

We have advised the Foreign Service Office, Department of State, of our proposals to you in this matter.

Sincerely yours,

ALVIN SHAPIRO.

Senator MANSFIELD. The meeting is adjourned.
Thank you, Mr. Hanes, and Mr. Shapiro.
(Whereupon, at 11:20 a.m., the committee adjourned.)

WEDNESDAY, JULY 15, 1959

U.S. SENATE,
SUBCOMMITTEE ON STATE DEPARTMENT
ORGANIZATION AND PUBLIC AFFAIRS OF THE
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:30 p.m. in room F-53, U.S. Capitol Building, Senator Theodore Francis Green presiding.
Present: Senators Green, Mansfield, and Sparkman.

Senator GREEN. The committee will please come to order.

This is a meeting of the Subcommittee on State Department Organization and Public Affairs, of which Senator Mansfield is chairman, and the other members of the subcommittee are Senators Morse, Green, Long, Langer, and Capehart. The testimony which is taken today will be at the disposal of all of the members of the Foreign Relations Committee.

This hearing is on S. 1502, to provide for adjustments in the annuities under the Foreign Service retirement and disability system.

(The bill, S. 1502, follows:)

[S. 1502, 86th Cong. 1st sess.]

A BILL To provide for adjustments in the annuities under the Foreign Service retirement and disability system

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 821 of the Foreign Service Act of 1946 (60 Stat. 1020; 22 U.S.C. 1076), as amended, is amended by adding the following new subsections:

"(d) The annuities of all persons who are receiving annuities from the Foreign Service retirement and disability fund shall be increased or recomputed automatically when salaries of Foreign Service officers are increased or recomputed, so that each annuitant shall receive the same annuity as will be received by officers of the same class, grade, and years of service who retire after such salary increase, but no recomputation or any other action taken pursuant to this Act shall operate to reduce the rate of the annuity received by any such person unless such person voluntarily elects to receive a reduced annuity as provided in section 821 (c).

"(e) The annuities paid by the Foreign Service retirement and disability fund shall automatically be increased when salaries are increased, so that each survivor annuitant will receive the same annuity as will be received by survivors of officers and annuitants of the same class, grade, and years of service when said officers retire under the increased scale of salaries."

Sec. 2. The annuities of all persons who are receiving annuities from the Foreign Service retirement and disability fund on the effective date of this Act shall be recomputed and adjusted so that all annuitants shall receive the same annuity as would be received by an officer of corresponding class, grade, and length of service (total years of service and classification during the highest five consecutive years of service) who retires after the effective date of this Act.

Sec. 3. If the annuitant is receiving an annuity as a survivor of a former annuitant or officer, the annuity shall be recomputed and adjusted so the survivor will receive the same annuity as survivors of officers of corresponding class, grade, and years of service would receive if the officer retired after the effective date of this Act.

SEC. 4. Section 5 of Public Law 503 of the Eighty-fourth Congress (70 Stat. 125; 22 U.S.C. 1079d) is amended by adding the word "has" before the word "died"; deleting the phrase "before August 29, 1954"; and inserting the figure "\$2,400" in lieu of the figure "\$1,200" therein.

SEC. 5. No recomputation or any other action taken pursuant to this Act shall operate to reduce the rate of the annuity received by any such person unless such person voluntarily elects to receive a reduced annuity as provided in section 821 (c) of the Foreign Service Act of 1946, as amended.

Senator GREEN. Mr. Loy Henderson, Deputy Under Secretary of State for Administration, will be our first witness, and with him are other departmental aids.

STATEMENT OF HON. LOY M. HENDERSON, DEPUTY UNDER SECRETARY OF STATE FOR ADMINISTRATION; ACCOMPANIED BY WILLIAM E. WOODYEAR AND WINTHROP M. SOUTHWORTH, JR.

Mr. HENDERSON. Thank you, Mr. Chairman.

Mr. Chairman and members of the Foreign Relations Committee, I have a prepared statement here which is fairly brief. I think, perhaps, I ought to read it.

Senator GREEN. Very well.

Mr. HENDERSON. I might hand it in for the record and skim through it.

Senator GREEN. Whichever way you wish.

Mr. HENDERSON. Yes, sir. Good.

Mr. Chairman and members of the Foreign Relations Committee, I have been asked to comment on S. 1502, a bill to provide for adjustments in annuities under the Foreign Service retirement and disability system. This bill has not been sponsored by the Department of State. We are, however, vitally interested in the problem of assuring appropriate annuities for retired Foreign Service officers and their survivors.

SECTION-BY-SECTION ANALYSIS OF S. 1502, AND EXECUTIVE BRANCH POSITION

Section 1 of the bill appears to provide that both future annuitants and future survivor annuitants benefit by a recomputation of their annuities, from each general salary increase granted Foreign Service officers in the future.

Section 2 provides an increase for those annuitants who are on the annuity rolls on the effective date of this act, by relating the annuitant's class, at the time of his retirement, to that of an officer still in the Service in the same class, who retires subsequent to the date of this act.

Section 3 provides adjustment for survivor annuitants now on the rolls in the same manner that section 2 provides for annuitants on the retired rolls on the effective date of this act.

Section 4 is an amendment to Public Law 503, 84th Congress, which would provide benefits for needy widows regardless of the date of death of the spouse and would authorize a grant of a maximum of \$2,400 in lieu of the present \$1,200 maximum (adjusted to \$1,320 by Public Law 85-882, effective November 1, 1958).

The Department supports legislation that will provide for the adjustment of the annuities of retired Foreign Service personnel to bring them in line with cost-of-living changes. The successive pay increases which have been granted Foreign Service personnel since World War II have constituted clear recognition of the impact of a steady rise in living costs. It seems only just that Foreign Service annuitants, and indeed all retired Government employees, who are suffering from declining real value of the dollar, should receive adjustments in annuities to maintain purchasing power in periods when prices rise and the value of the dollar falls.

S. 1502 goes beyond the adjustment of annuities to reflect cost-of-living changes, and provides for automatic recomputation of annuities with each general salary increase granted Foreign Service officers in the future. This proposal raises technical and far-reaching problems concerning annuities of retired Federal employees.

LETTER FROM BUREAU OF THE BUDGET

The Department has consulted the Bureau of the Budget on this matter, and has been advised that the position of the executive branch with respect to increases in annuities under Federal employee retirement systems is set forth in considerable detail in a letter from the Director of the Bureau of the Budget to the chairman of the House Post Office and Civil Service Committee, dated May 27, 1958. I would like, therefore, to submit a copy of this letter for the record.

(The letter referred to follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., May 27, 1958.

HON. TOM MURRAY,
Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

MY DEAR MR. CHAIRMAN: Thank you for sending me the copy of the Civil Service Commission report on civil service annuitants made pursuant to request of your committee. It arrived just before the House action on H.R. 607, the annuity increase bill. The provisions of this bill have now been enacted as the House version of S. 72, the annuity increase bill.

As this bill is now going to conference, I think the administration's position on the specific provisions of this legislation should be stated, particularly in view of the congressional interest in the annuity increase issue and the variety of opinions expressed during the consideration of the House and Senate versions of the bill.

1. *Financing.*—Both versions of S. 72 would charge the cost of the increases until July 1, 1960, without reimbursement, but thereafter would condition payment of the annuity increases in any year upon specific annual appropriation of the cost for that year. Thus, the unfunded liability of the system would be increased only by the annuity payments for the first 2 years, and not by the full, ultimate cost of the increases, and the financing would be on a year-by-year basis, without advance funding. This financing feature is not objectionable.

The House version (sec. 7) makes the fund available for administrative expense in the first 6 months, apparently to meet the cost of administering a "gainful employment" feature. Since the latter feature is unacceptable (see below), the special administrative expense provision is unnecessary.

2. *Annuity increase: amount.*—If any adjustment in annuities after initial determination is justified, the only basis for adjustment would be to maintain purchasing power in periods when prices rise and the value of the dollar falls. All annuities are affected in such periods; and any annuity adjustment to counter such declines in purchasing power should be uniformly applied. The objective of annuity adjustment should not be to improve the relative purchasing power of a particular class of annuitants, whether selected on the basis of the amount of annuity or by the lack of income from such other sources as gainful employ-

ment. If any adjustment is now justified, it should be stated as a percentage increase to be applied uniformly to all annuities. The size of this uniform percentage should be related to the change in cost of living since the last adjustment, effective in October 1955. The Bureau of Labor Statistics Consumer Price Index increased about 7.5 percent from October 1955 to April 1958. Both versions of the bill provide increases considerably greater than necessary to offset decreased purchasing power.

3. *Annuity increase: formula.*—The House version provides a flat percentage increase in annuities which each retiree was receiving or entitled to receive on October 1, 1956. This method is preferable to the regressive 20-10 percentage increases, subject to dollar limitation, provided by the Senate version. However, the House version retains the existing \$4,104 ceiling placed on increased annuities by the 1955 Annuity Increase Act, while the Senate repeals this limitation. Thus both versions, each in a different way, would alter the relationship of the annuity to the salary and service on which it is based. The Committee on Retirement Policy, established by Public Law 555, 82d Congress, specifically recommended against changing the relationship of annuity to salary and service when making annuity increases, and the administration emphatically endorses that principle.

Both versions properly exclude voluntary "additional" annuities from the increases.

4. *Annuity increases, gainful employment, etc.*—The House version prohibits payment of an annuity increase to an annuitant who has more than \$1,200 annual income from gainful employment and applies the existing \$4,104 ceiling on annuities increased in the 1955 Annuity Increase Act. These features, like the "regressive" percentage and the "ceiling" provisions of the Senate version, stem from an erroneous presumption, according to the record, that annuity increases should be computed on the basis of the financial need of the annuitant. Taken together such provisions attempt a general presumption as to how much need exists, and modify the earned annuity accordingly. If any adjustment is justified, all annuities, high or low, should receive the same ratio of adjustment.

The civil service retirement system is a part of the total compensation system for Federal officers and employees. It provides an annuity equal to better than half pay after the close of a full Federal career of 30 to 35 years. Larger annuities are earned by those with longer service and lesser annuities are earned by those with shorter service. The graduated annuity formula of the Civil Service Retirement Act gives greater weight to service after 10 years than to service of less than 10 years. About 27 percent of annuitants have less than 15 years' service and therefore have earned annuities of less than half the amount the 30-year employee at the same salary rate has earned. The short-term employee works part, in many cases a very large part, of his life outside the Federal service. And, in addition to his civil service annuity, he earns whatever pension or other income may be provided in that non-Federal employment. There not only is no Government obligation to grant special increments for short-term Civil Service annuities on the basis of a presumption of "need," but doing so converts this incentive compensation system to a nonincentive welfare system.

The methods used for providing annuity increases in the past have in fact materially changed the career incentive pattern of annuities established by the Retirement Act itself. These increases have given special advantage to certain annuities, generally those annuities resulting from service of considerably less than a full career. Since immediate restoration of the original career incentive pattern would adversely affect the smaller annuities, we believe this would in some cases be inhumane. However, we believe no further use should be made of these past annuity increase methods, which are to a substantial degree incorporated in both versions of S. 72.

It is the administration's firm position that, if annuities are to be increased at this time, the increase should be a uniform percentage increase, that there should be no discrimination whatever based on size of annuity, length of service, or salary level, and that no account should be taken of any other income of the annuitant.

5. *Survivors' annuities.*—Both versions provide prospective increases in survivors' annuities. The House version imposes a \$200 ceiling on each survivor annuity, and the Senate version places a \$1,200 ceiling on surviving children's annuities. These ceilings run contrary to the principle of uniform treatment.

6. *Retroactive annuities.*—Both versions of the bill grant annuities to survivors where death occurred prior to enactment of the 1948 Retirement Act amendments which provided survivor benefits effective in that year for the first time. Widows and widowers of employees and retirees who died on or after February 29, 1948,

now receive survivor annuities. The House version permits an employee who retired prior to July 31, 1956, with enough leave to carry to that date to elect either the annuity increase provided by the bill, or to recompute his annuity under the 1956 amendment formula. The administration has opposed both of these retroactive provisions.

Sincerely yours,

MAURICE H. STANS, *Director.*

Senator GREEN. Do you want to point out as you go along the appropriate phrases in the letter to which you make reference?

Mr. HENDERSON. I shall.

RETROACTIVE FEATURES OF S. 1502 NOT SUPPORTED

It will be observed from an examination of the last paragraph of this letter that the executive branch of the Government does not support legislation which provides for the retroactive recomputation of annuities of retired governmental personnel. The Department, therefore, in view of the position taken by the executive branch, is unable to support the retroactive features of the Sparkman bill.

I would like to emphasize the fact, however, that we in the Department who are concerned with such matters are troubled at the situation in which many of our retired Foreign Service personnel and their dependents find themselves at this time.

Many of them devoted practically the whole of their active life to the service of the U.S. Government. They spent many years abroad, often in situations involving hardship and the undermining of health. When they entered the Foreign Service they were aware that they would not while in it be able to effect any savings to tide them over in their old age. Some of them exhausted such private means as they had in the service of the Government. They were depending upon their retirement annuities to take care of them.

During recent years, however, through no fault of theirs, the purchasing power of the dollar has steadily declined. As a result, annuities, which a few years ago might have been sufficient to enable these people to live decently and to have appropriate medical attention, no longer are big enough to take care of them. Many of our retired personnel, therefore, who a few years ago were representing the United States in various parts of the world are now living in conditions which are not to the credit of the Government of the United States. It is true that last year the Congress passed legislation which would increase annuities of retired personnel on a 10-percent basis up to \$500. Such an increase, however, by no means solves the problem of these people to whom the United States is deeply indebted. I am convinced that during the last two decades the conscience of the U.S. Government has become more and more active with respect to the lot of retired Government personnel and that eventually steps will be taken to look after their interests to a no less degree than we look after the interests of personnel in active service.

The committee will note that although the executive branch of the Government is unable to support retroactive formulas for the recomputation of annuities of those who have already retired, it has not taken a position against increases in retirement annuities based on cost-of-living considerations. The letter, addressed by the Director of the Bureau of the Budget on May 27, 1958, the letter which I have just

placed in the record, to the chairman on Post Office and Civil Service, contains the following paragraph:

It is the administration's firm position that, if annuities are to be increased at this time, the increase should be a uniform percentage increase, that there should be no discrimination whatever based on size of annuity, length of service, or salary level, and that no account should be taken of any other income of the annuitant.

WIDOWS OF FOREIGN SERVICE PERSONNEL

I would like to take advantage of this opportunity to dwell particularly upon the situation of the widows of Foreign Service personnel. They are in a unique position. The wife of a member of the Foreign Service has many duties and responsibilities placed upon her. She as a partner to her husband also undergoes strains and hardships in representing the United States abroad. The Government owes a debt to her as well as her husband. Nevertheless, in spite of certain remedial actions which have been taken by the Congress, the widows of many of our Foreign Service personnel find themselves still in straitened circumstances.

That is my testimony, Mr. Chairman.

Senator GREEN. Have you anything more to add?

FOREIGN SERVICE BEHIND CIVIL SERVICE IN RECOMPUTATION OF ANNUITIES

Mr. HENDERSON. I may add this: We have been checking the increase in the annuities, the increases granted by the Congress during recent years in the annuities of retired Foreign Service personnel as compared with the increases granted to the annuities of retired civil service personnel, and we have come to the conclusion, and I think I represent the executive branch of the Government when I say this, that the Foreign Service personnel are still about 10 percent behind the civil service personnel in the rectification of annuities.

Senator GREEN. Has the Department taken any action as to S. 1502?

Mr. HENDERSON. The only action the Department has taken is the statement which I have just given you, a statement which is based upon the conclusions of the Bureau of the Budget which represents the executive branch of the Government.

The conclusions of the Bureau of the Budget are that the executive branch of the Government cannot support the clause in this bill which calls for retroactive recomputation of annuities.

EXECUTIVE BRANCH WOULD NOT OPPOSE ACROSS-THE-BOARD PERCENTAGE INCREASE

However, the executive branch of the Government would not, as I understand it, oppose an across-the-board increase on a percentage basis of the annuities of retired personnel.

Senator GREEN. Are you authorized to speak for the executive branch to that extent?

Mr. HENDERSON. I think I can, and I would like to ask Mr. Southworth and Mr. Woodyear who are here.

I believe that your informal understanding is that the executive branch of the Government would not oppose, say a 10-percent increase

in Foreign Service annuities at this time; do you think I am correct in that?

Mr. WOODYEAR. That is correct.

Mr. HENDERSON. We have no written statement to that effect, but I consider I can state that with assurance.

Senator MANSFIELD. Would these gentlemen both give their names and positions for the record?

Mr. SOUTHWORTH. I am Winthrop Southworth, Chief of the Personnel Projects Staff.

Mr. WOODYEAR. I am Mr. William Woodyear, Deputy Chief.

Senator GREEN. Is the opinion being expressed the official position of the Department, or is it the opinion of individuals?

Mr. HENDERSON. I am expressing the opinion of the Department when I say this.

Senator GREEN. You do not mean to say, however, that the Department would go to the extent of saying it approves this bill, S. 1502.

Mr. HENDERSON. No, sir. The Department cannot approve S. 1502 because the bill has in it a provision which, if accepted, would mean a recomputation on a retroactive basis of the annuities of the retired Foreign Service officers.

The Department has no authority to approve that. The executive branch of the Government is not in favor of recomputation of the annuities retroactively.

However, the executive branch of the Government would not object to, and the State Department would look with favor upon, an increase across the board of the annuities of retired Foreign Service personnel up to 10 percent.

Senator GREEN. The State Department would approve that?

Mr. HENDERSON. That is not a provision of this bill. One section of this bill would provide for an adjustment of annuities to reflect cost of living changes. The Department is not opposing that up to the extent of 10 percent across the board.

STATE DEPARTMENT POSITION ON VARIOUS PROVISIONS OF BILL

Senator GREEN. I understand you to say that the Department approves this bill in certain respects but not in others—would you distinguish between the parts it favors, and those it opposes?

Mr. HENDERSON. It would approve in principle the section of this bill which would provide for the adjustment of annuities to reflect cost of living changes. It approves that.

It does not approve the section, it cannot support the section of this bill which provides for recomputation of annuities.

Senator SPARKMAN. That is section 3; is it not?

Mr. HENDERSON. It is section 3.

Senator GREEN. Does it approve the other sections?

Mr. HENDERSON. It approves them in principle, that is, it would approve an adjustment of the annuities to reflect cost of living up to 10 percent across the board.

The Department cannot approve, as a whole, any section of this bill because in (e) it provides:

The annuities paid by the foreign service retirement and disability fund shall automatically be increased when salaries are increased, so that each survivor annuitant will receive the same annuity as will be received by survivors of officers.

and annuitants of the same class, grade and years of service when said officers retire under the increased scale of salaries.

It cannot approve, at this time, an automatic increase in annuities when there is an increase in salaries of the officers in active service.

It would approve language which would provide that, in general, the salaries of retired Foreign Service personnel shall from time to time be adjusted to meet increased costs of living.

It would also approve of a bill which would provide that at this time there shall be an increase of no more than 10 percent across the board of the salaries of annuitants of the Foreign Service.

Senator GREEN. Under what circumstances?

Mr. HENDERSON. Any circumstances; all of them.

Senator GREEN. Would any existing annuity be increased?

Mr. HENDERSON. Any existing annuity.

Senator GREEN. And any department of Government?

Mr. HENDERSON. No; we are speaking only of the Foreign Service; we are limiting ourselves to the Foreign Service. I distinguish between the Foreign Service and the civil service at this time, because such studies as we have made would indicate that already adjustments have been made during recent years in civil service annuities, so that the civil service annuitants have a 10-percent advantage, so far as increases are concerned, over the Foreign Service annuitants.

Senator GREEN. Senator Mansfield, do you have any questions?

Senator MANSFIELD. No questions, Mr. Chairman.

Senator GREEN. Senator Sparkman, have you any questions?

Senator SPARKMAN. I want to ask some questions of Mr. Henderson. As the sponsor of this bill, I also ask for the privilege of making a short statement at some time during the hearing, but right now I would like to ask Mr. Henderson some questions.

Of course, Mr. Henderson, you realize this bill was introduced for the purpose of provoking study, thought, and discussion, and for my part, I certainly welcome the various suggestions that you have made regarding the bill. I earnestly hope that, as a result of these hearings, we may be able to work out an acceptable bill.

AUTOMATIC INCREASE IN ANNUITIES CORRESPONDING TO SALARY INCREASE OF PRESENT OFFICERS (SEC. 1(e))

There is one thing that I do not quite understand, and that is your objection—when I say “your” I do not mean yours personally, but the official position—to subsection (e) of section 1. That is the section that you read just a few minutes ago, is it not?

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. As I understand it, the Department would be willing to see a 10-percent increase given to annuitants across the board at this time, and willing also to establish the principle that from time to time, in order to meet rising costs of living, there would follow adjustments.

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. I was under the impression that it has been customary in civil service when pay increases are made to provide more or less automatically for increases in payments to retirees; isn't that right?

Mr. HENDERSON. I do not believe it has been done automatically; I believe it has been accomplished by accompanying legislation.

Senator SPARKMAN. Well, you may be right on that point. I was under the impression that perhaps a part of the same legislation had broader application. Back in the early days of World War II, I was a member of the Military Affairs Committee of the House of Representatives, and chairman of the Subcommittee on Pay and Allowances. My recollection is that we always had a saving clause when pay rates were increased to take care of those who had been retired in a proportionate manner.

Of course, I can understand that perhaps you would want the increase made under a specific formula rather than have it made automatic across the board in the legislation itself.

PROSPECTIVE COST OF IMPLEMENTING S. 1502

But, Mr. Henderson, let me ask you this: If S. 1502 were enacted, how much would it cost?

Mr. HENDERSON. It would, according to figures which have been given to us by Government actuaries, cost the Government, during the first year, about \$870,000. An appropriation for that amount would not necessarily be required, but the Government would have its liabilities increased to the extent of about \$870,000 for the first year. The costs would probably go up somewhat on a graduated scale. We do not know just how far they would go. It would depend, to an extent, on the size of the Service. But they may eventually amount to a couple of million or even more dollars.

Senator SPARKMAN. A year?

Mr. HENDERSON. A year; yes, sir. But I think we have to bear in mind that even if this bill did not pass, there would still be certain increases from time to time, necessarily, in the annuities. We should not therefore, say that this bill, by itself, would cost the Government \$2 million or more a year later. In any event, other bills are likely to be passed, which would cost the Government—that would cost about \$300,000.

Senator SPARKMAN. As a matter of fact, if we should adopt the method that you say the executive department is going to approve, that is, the 10-percent across the board, that would cost the Government something, too.

Mr. HENDERSON. It would cost about \$300,000.

Senator SPARKMAN. \$300,000, as opposed to \$800,000 under S. 1502.

Mr. HENDERSON. Yes, sir.

SITUATION OF PRESENT ANNUITANTS

Senator SPARKMAN. How many retired Foreign Service officers are there?

Mr. HENDERSON. There are 580.

Senator SPARKMAN. Does that include widows and dependents?

Mr. WOODYEAR. There are no dependents other than widows drawing under our system, sir.

Senator SPARKMAN. With widows, then, there are 580?

Mr. WOODYEAR. Yes, sir.

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. Some of these annuitants were helped in a bill we passed some time ago; isn't that true?

Mr. HENDERSON. Last year Congress passed a bill providing for a 10-percent increase.

Senator SPARKMAN. Well, we worked on it for 2 or 3 years, and got it through last year.

Mr. HENDERSON. Ten percent increase with a limit of \$500 for each annuitant.

Senator SPARKMAN. Yes. It is a known fact, is it not, that many of these annuitants, particularly the widows, who have no separate source of income have been in rather desperate straits?

Mr. HENDERSON. Yes, sir. As I said in my statement a few moments ago, I do not think that the situation of some of the retired Foreign Service people, particularly the widows, reflects very favorably upon the United States.

Senator SPARKMAN. I certainly think you are right, and in my view we have been entirely too long in correcting that situation. I think it imperative that we get legislation that will correct that situation which I think reflects unfavorably upon this great country of ours.

Mr. HENDERSON. May I say, if the chairman would allow me, I think that eventually a bill containing many of the provisions which this bill contains will be passed by the Congress. I think eventually it will be, but—

LEGISLATIVE-EXECUTIVE COOPERATION IN WORKING OUT LEGISLATION

Senator SPARKMAN. May I ask you this, Mr. Henderson: May we be assured of the help and cooperation of the State Department in working out a satisfactory measure?

Mr. HENDERSON. Senator, we will go as far as we can within the framework of restrictions laid down on us by the executive branch of Government.

Senator SPARKMAN. Of course, I recognize that, and we respect the limitations laid down by the executive branch of the Government.

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. But that is only one part of the process of enacting legislation. Certainly it is incumbent on the Congress to use its best thought as to what constitutes good legislation, even though that may not agree exactly with what may come from the executive department. But we would like to work out something and, of course, we would like to do our best in working out something that would be acceptable all the way around.

Senator GREEN. Is there anything you care to add?

Mr. HENDERSON. I have nothing, Mr. Chairman.

Senator GREEN. Thank you very much for your appearance here today.

Mr. HENDERSON. Mr. Chairman, I shall be here if any other questions come up, and I shall be here until the hearings are over.

Senator GREEN. Do not hesitate to comment at any time.

Mr. HENDERSON. Thank you.

Senator GREEN. And please feel free to correct any statement you hear which is inaccurate. I do not, of course, mean to say that you should correct any statement with which you do not agree.

OTHER RETIREMENT SYSTEMS IN FEDERAL GOVERNMENT

Senator SPARKMAN. Mr. Chairman, most of my questions have been answered, but there are a few that have not been. Here is one, for instance, that bears somewhat upon my question awhile ago about civil service employment. Is it true that the Federal police and firemen, in their retirement annuities, are recomputed whenever there is any change in current pay or retirement benefits?

Mr. HENDERSON. I believe that is true.

Senator SPARKMAN. Are there any other Federal services in which that is true?

Mr. HENDERSON. The military, completely. That is true in the military, has been until this year, I believe.

Senator SPARKMAN. Well, I mentioned that in connection with the 1942 Pay Act.

Mr. HENDERSON. I'm not sure about the Public Health Service.

Mr. WOODYEAR. I do not think it is.

Senator SPARKMAN. My next question concerns the military, but I had already given you my own experience in connection with it.

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. I understand that for regular civil service retirees there was a 10-percent increase in annuities enacted in 1955, and another 10-percent increase in 1958; isn't that correct?

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. There were two 10-percent increases.

Mr. HENDERSON. I have just made the point that the Foreign Service annuitants are about 10 percent behind the civil service.

Senator SPARKMAN. Yes; that is right. Is it also correct that there was no recomputation of Foreign Service annuities other than this percentage increase?

Mr. HENDERSON. Yes, sir; that is right. We have had no recomputation.

COST OF LIVING INCREASE SINCE LAST RECOMPUTATION OF FOREIGN SERVICE ANNUITIES

Senator SPARKMAN. What change has there been in the cost of living since the last change was made in Foreign Service annuities?

Mr. HENDERSON. The last change in annuities was made in 1958, was it not? There has been a very small increase of four-tenths of 1 percent during the last year, but I would like to point out that since 1940 the increase in the cost of living has gone up as of now 107 percent. In other words, it has doubled from 1940 up to date.

Senator SPARKMAN. 107 percent?

Mr. HENDERSON. Yes, sir.

Senator SPARKMAN. I believe that is all, Mr. Chairman.

ANNUITY VARIES WITH OFFICER'S LEVEL AND YEARS OF SERVICE

Senator GREEN. I have just one question I would like to ask. The bill S. 1502, at the bottom of the first page, reads: "when salaries of Foreign Service officers are increased or recomputed, so that each annuitant shall receive the same annuity as will be received by officers of the same class, grade, and years of service." Are there, then, different sums paid to officers on the various levels?

Mr. HENDERSON. Well, the annuities of the Foreign Service, the Foreign Service annuitant, are based on the number of years he has spent in the service, multiplied by two. The product of that multiplication is treated as a percentage figure. That figure multiplied by the annual average of his last 5 years' salary will give his annuity.

For instance, if a Foreign Service officer's salary during the last 5 years averages, we will say, \$8,000 a year, and he has been in the Service 30 years, we multiply the 30 times 2, and get 60 percent. Sixty percent times \$8,000 would be his—would make his annuity \$4,800 a year. From that amount would be deducted possibly \$1,200 to provide an annuity for his widow if he should die first.

So annuities vary according to the number of years in the Service. That is roughly the situation.

Senator GREEN. Do the salaries of officers in a class sometimes vary?

Mr. HENDERSON. In the same class?

Senator GREEN. Yes.

Mr. HENDERSON. Yes, sir. They are what we call instep grades in a class. An officer will, say, start in a certain class at \$10,000 a year. At the end of the first year an automatic in step promotion will raise it to \$10,300, and so forth.

Senator GREEN. How many different salaries might there be in the same class?

Mr. HENDERSON. At the present time there are six step rates in a given class, except in class 8.

GRADE LEVELS WITHIN A CLASS

Senator GREEN. What term do you use to distinguish the various levels with a given class?

Mr. HENDERSON. We usually call it an instep or in grade promotion—"instep" often is the word used.

Senator GREEN. Is that term used in any legislation?

Mr. HENDERSON. Yes, sir. It is used in the Foreign Service Act of 1946, and also in the—

Senator GREEN. It is not used in this bill.

Mr. HENDERSON. No, sir.

Senator GREEN. Should not that expression be used to make the legislation more clear?

Mr. HENDERSON. It says "same class, grade." I believe that word "grade" in this act is intended to mean the instep grade in the class.

Senator GREEN. If you use the word "grade" in the same sense as the word "class," the issue may become confused.

Mr. HENDERSON. Yes, sir. Well, I believe the word "grade" here is intended to indicate the instep in the class in which an annuitant was when he retired. That grade would be taken into consideration in the recomputation of his annuity.

Senator GREEN. I am asking simply in the interest of clarity, that is all.

Mr. HENDERSON. I believe the language is clear. It is clear to me at least, Mr. Chairman.

TERMINOLOGY TO DISTINGUISH BETWEEN SALARIES OF INDIVIDUALS
AND OF CLASSES

Senator GREEN. Well, if you turn to the bill—have you a copy there?

Mr. HENDERSON. Yes, sir.

Senator GREEN. On the first page in line 9 where it says "salaries of Foreign Service officers"—that does not mean individuals, does it? It means as a class of Foreign Service officers.

Mr. HENDERSON. Yes.

Senator GREEN. Not of individual Foreign Service officers.

Mr. HENDERSON. No.

Senator GREEN. It should be clear as to what it does mean, should it not?

Mr. HENDERSON. Yes, sir. I think that also is clear. That is the phraseology which we use in referring to the salaries of certain classes of Foreign Service officers.

Senator GREEN. It would be different according to the different amounts.

Mr. HENDERSON. That is right. I believe that is clear.

Senator GREEN. Would the wording not have to be changed?

Mr. HENDERSON. I do not think it would have to be changed. I think it is clear, Mr. Chairman.

Senator GREEN. It seemed to me it would have to be because, as I read it through, it looked as if you were dealing with different terms.

Mr. HENDERSON. I think the phrase "salaries of Foreign Service officers" means "pay schedules of the various classes of Foreign Service officers."

Senator GREEN. That is not what is said.

Mr. HENDERSON. Yes, sir. I think it means when the salary scales of Foreign Service officers are increased.

Senator GREEN. It is just in the interest of clarity that I am asking the question.

Senator SPARKMAN. Mr. Chairman, I believe it is in line with other legislation, but I would certainly suggest that the staff check this very carefully to make certain.

Senator GREEN. Are there any other questions?

Senator SPARKMAN. I have no more, Mr. Chairman.

Senator GREEN. Thank you very much, Mr. Henderson.

Mr. HENDERSON. Thank you.

STATEMENT OF HON. JOHN SPARKMAN, A U.S. SENATOR FROM
THE STATE OF ALABAMA

Senator SPARKMAN. Mr. Chairman, may I make a very brief statement now? I fully intended to make it at the beginning of today's hearing but, unfortunately, I was tied up in a conference on another matter. This statement relates to S. 1502 which I introduced in March of this year.

Mr. Chairman, we are now hearing the testimony of witnesses in support of S. 1502 and we shall receive statements from others who believe that remedial action on the present system of Foreign Service annuities is overdue.

BENEFITS TO BOTH PAST AND PRESENT FOREIGN SERVICE OFFICERS

Apart from the benefits that would accrue to retired Foreign Service officers and their widows following the enactment of this bill, I wish to emphasize the fact that its passage would greatly benefit Foreign Service officers still on active duty because knowledge of the existence of an adequate and flexible annuities scheme would raise the morale of those who, lacking significant private means, have had great anxieties and who on this account may have, as have many in the past, resigned to accept more lucrative employment elsewhere.

Consequently, I am convinced that the enactment of S. 1502 would do justice not only to those who are already in distress, but that it would also contribute to the more efficient general conduct of the foreign relations of the United States. Therefore, I certainly hope that we may give favorable attention to this bill, with such amendments as the Committee may deem advisable.

LETTER IN SUPPORT OF S. 1502

Mr. Chairman, I should like also in connection with my statement to read a letter. It is a typical, not an extraordinary, letter. I have had many letters like this from many parts of the country, but this is one that came to Senator Morse. It is in support of S. 1502 and it is for the attention of the Senate Foreign Relations Subcommittee on State Department Organization and Public Affairs. The address is 2323 Nebraska Avenue NW., Washington, D.C., dated June 28, 1959.

Senator WAYNE MORSE,
Senate Office Building, Washington, D.C.

DEAR SENATOR MORSE: In regard to the bill S. 1502, my husband Carroll Howe Foster was for 29 years in the Foreign Service and 11 years in the Navy. He retired in class 1 of the Foreign Service.

For 24 years he paid 5 percent of his gross salary for an annuity. On retirement we were surprised to learn that this did not give me an annuity in case of his death.

In order to give me an income he paid the maximum \$1,239.97 in a deduction from his pension of \$5,951.90 annually, and a further yearly reduction of \$124 to have his full pension paid him if he outlived me. His reduced pension was \$4,587.93.

Many officers retiring in lower grades could not afford to take a further reduction with children to educate, homes to buy, hospitalization to pay for, etc. So their widows had no income after lives spent faithfully serving our country, often in dangerous situations.

My life was endangered in the riot of December 20, 1920, in Vienna, Austria. Only less than 500 of the older officers or their widows are concerned in this bill S. 1502. They contributed for many years to the present Foreign Service fund which on June 30, 1958, amounted to \$24,438,489 plus interest to date and later additions.

In justice to these older officers and their widows, some of whom are destitute (one is cared for by the State of New York), I hope you will see that this bill goes through.

Respectfully yours,

Mrs. CARROLL HOWE FOSTER.
Idah S. Foster

CLARIFICATION OF LANGUAGE IN S. 1502

Senator GREEN. May I ask, after you have made your statement, whether you have any suggestions to make as to clarifying the language which I have already made reference to?

Senator SPARKMAN. As I suggested, Mr. Chairman, although I believe the language is in keeping with the language of the Annuity Act, our staff members should certainly check that to make sure, and then we can take it up in executive session.

Senator GREEN. It seems to me it is not clear.

Senator SPARKMAN. It may not be, and you certainly bring up a pertinent point.

I am sure that we can work it out.

Senator GREEN. It would seem to me the whole sentence would have to be rephrased.

Senator SPARKMAN. That is entirely possible.

Senator GREEN. All right. Thank you.

Senator SPARKMAN. Thank you.

Senator GREEN. The next witness is to be a representative of the Diplomatic & Consular Officers Retired.

Is Mr. Richard Boyce here?

Mr. BUELL. Mr. Chairman, my name is Robert Buell. Mr. Boyce was to have been here to testify, but I have learned he had trouble with his car in parking and with his motor, and I do not know what has happened. He intended to be here.

Senator GREEN. You do not see him here?

Mr. BUELL. He is not in the room. May I read his statement on his behalf?

Senator GREEN. We would prefer that you testify for yourself. You may proceed.

Mr. BUELL. Yes, sir.

STATEMENT OF ROBERT L. BUELL, CHAIRMAN, LEGISLATIVE COMMITTEE OF DIPLOMATIC & CONSULAR OFFICERS RETIRED

Mr. BUELL. Mr. Chairman and Senators, members of the Foreign Relations Committee, I wish to make the following statement:

BENEFITS OF S. 1502 WOULD ACCRUE WITHOUT ADDITIONAL APPROPRIATIONS

The enactment of S. 1502 would result in an increase in the pensions of many retired Foreign Service officers and the widows of Foreign Service officers.

It would abolish inequities in the present pension provisions for such persons.

It would assure automatic increases if, in future, it is deemed necessary by the Congress to increase salaries of Foreign Service officers on active duty.

It would not require any appropriation of funds by the Congress at this time because there are at present about \$24,500,000 available in a fund subscribed to since 1924 by 5 percent mandatory deductions from basic salaries of Foreign Service officers, supplemented by certain amounts contributed from time to time by the Congress under the act of 1924 establishing the Foreign Service.

This fund has grown steadily over the past 35 years.

Those standing to benefit by the enactment of this bill are less than 600 in number. Many are in financial distress. Those who are well off would be obliged to remit to the Bureau of Internal Revenue

much of the increase in their annuities received because annuities are not tax exempt. Nearly all recipients of annuities, unlike recipients of social security annuities, of necessity return from 20 to 90 percent of such annuities in the form of income tax. However, such tax remissions of annuities are not credited to retirement funds from which they originated. Instead, they deplete retirement funds as these remissions go direct to the Federal Treasury and not to reimburse the retirement fund from which they were derived.

POSSIBILITY OF DECREASE IN COST OF LIVING

Senator GREEN. There is one question, not applying just to cases to which you have referred, but to all cases. Considering the possibility of deductions as well as increases, if there are decreases fixed by law of the salaries of those presently in office, should there not be corresponding decreases, in your opinion, to those whose terms have expired?

Mr. BUELL. That, Mr. Chairman, is a hypothetical question. I have yet to know any time when there have been decreases in the cost of living that have resulted in decreases in salaries.

Senator GREEN. I am just testing the principle, that is all.

Mr. BUELL. It would seem to me quite logical if we have a great decrease in the cost of living and salaries are reduced, that it should have a bearing on annuities of all retired Government employees.

Senator GREEN. I think it is quite natural.

Mr. BUELL. But I do not believe that situation has arisen in the past, nor can I foresee it arising in the near future.

Senator GREEN. No; but the overall idea is to make provisions for retired officers correspond with those affecting officers presently serving the Government; is that right?

Mr. BUELL. Well, Mr. Chairman, I cannot speak on behalf of all the retired Foreign Service officers on that point, because I have not had the opportunity of consulting them.

Senator GREEN. No; I am speaking of the language of the bill, as it has been offered to the committee.

Mr. BUELL. Yes. Well, personally I would have no objections to altering the text of the bill in that regard, but I am speaking as one individual.

Senator GREEN. I think it is a very unlikely contingency that I presented to you. I just wanted to test the principle.

Mr. BUELL. Yes.

Senator GREEN. Thank you very much.

Have you any questions?

Senator SPARKMAN. I have no questions. Thank you for your very clear statement.

Senator GREEN. Mrs. Cecil Norton Broy is our next witness.

STATEMENT OF MRS. CECIL NORTON BROY

Mrs. BROY. Yes, Mr. Chairman.

Mr. Chairman, I am the widow of American consul Charles Broy who served in all sorts of posts, from the Belgian Congo, to London, England.

My first husband was the late Honorable Thomas Upton Sisson, of Mississippi, who served on the Appropriations Committee of the

U.S. House of Representatives for many years, and was an intimate friend of Speaker Sam Rayburn.

Any patriotic American woman who has married a career Foreign Service officer thinks very deeply of the part she should play on foreign soil. She must endeavor to conduct herself with decorum, politeness, and warmth, if she is to succeed in helping her husband to properly represent their country at all times. Add to this the economic strain which many are put to in moving from place to place all over the globe. Varying climates and conditions of living are to be encountered. Many men of splendid educational background and outstanding ability who choose the Foreign Service as a career are not persons with private means—I would say the majority do not have private means. And even with the best management, it is an expensive life.

From my Congressman husband, Mr. Sisson, I inherited what, at that time, was considered a large sum of money. Every cent of that inheritance, both principal and interest, has been spent either to supplement Mr. Broy's salary while we were serving in very expensive posts (for example, we were kept in London over 7 years), or I have had to use it to help in the education of the three Broy children after his untimely death in September 1943, due to a horrible automobile-train accident at Bergheim, Germany, while he was on a mission for the Department of State.

PLIGHT OF FOREIGN SERVICE WIDOWS

Now, as to the present economic plight of some of us widows who have suffered through some of the worst hurricanes the Bahama Islands have ever known, or who have suffered through other terrible experiences while living on foreign soil—Mrs. Foster, with the riots in Vienna—we have inflation—the 48-cent dollar—the high cost of rents, food, and other necessities of life. I receive \$175 from the State Department retirement fund. Today that is worth less than \$87.50 per month. Today, as you gentlemen must well realize, it is not how many dollars a person may have, it is what those dollars will buy insofar as the necessities of life are concerned.

The wife of a retired Foreign Service officer told me the other day that she hoped and prayed she would precede her husband in death since she did not see how she could possibly exist on just part of his annuity should he die first. Two older people living on a small annuity can live together under the same roof; the widow left alone on a part of his annuity cannot afford the same apartment, or any apartment at all, for that matter. The lovely, vital widow to whom I have referred should not have to be afraid that she will live, and contribute to our culture because of her charm and experiences in foreign lands, rather should our great Government reward her with the assurance that she will have enough to get along on for the remainder of her days, after having served our country beside her husband for 38 years on foreign soil.

Our husbands have contributed 5 percent of their salaries for many, many years, and during a time when a dollar was worth 100 cents. That money has been in the State Department retirement fund drawing interest for these many years. Mr. Broy entered the Foreign Service 50 years ago. He served 33 years. There is now in this Foreign Service retirement fund over \$24½ million.

ANNUITANTS LOOK TO CONGRESS FOR RELIEF

Mr. Chairman, we are grateful to you and other members of this committee who have had such interest in our problem sufficient to bring S. 1502 out into the open for hearings today. To you, Senator Sparkman, for what you have said today, we shall be forever grateful.

In addition to having been designated by the Diplomatic & Consular Officers Retired to represent Foreign Service widows, I happen at this time to be vice president of the American Women's Council. That organization stands for integrity in Government.

The points which you have made, Senator Sparkman, have so ably today described our circumstances, and it looks as though we shall have to look to Congress and not to the Department of State for relief.

Thank you.

Senator SPARKMAN. I have no questions. I think it is a very fine statement.

Senator GREEN. Thank you for your testimony.

The next witness is Mrs. Ruth Baker Shipley.

STATEMENT OF MRS. RUTH B. SHIPLEY

Mrs. SHIPLEY. Thank you, Mr. Chairman.

I really should not be here, for the only thing I have to do with Foreign Service officers is my great affection for them. But I am now chairman of the welfare committee of DACOR, and I thought I could add one or two cases to your knowledge that you might find, I hope, persuasive.

RETIRED OFFICERS' PENSIONS INADEQUATE

In my work, I hear constantly of the struggle of the earlier retired Foreign Service officers, now in their seventies or eighties, who are living on the small pensions granted them under earlier legislation and trying to provide a modest standard of living for themselves and their families. But because of failing health, increased cost of living and medical care, they are unable to do so. These are people who ably and honorably represented our country abroad in times when our Government required much of them, but paid them salaries without special allowances and placed upon them expenses which prevented any savings. The country is grateful to them, for they were the pioneers who made possible the present structure of able men and women working and living in appropriate housing, carrying the burden of representation with suitable allowances, paid vacations at home at regular intervals, reasonable medical care, and so forth. We are proud of the present structure; but we should not forget the pioneers, now elderly, fearful of increasing debt, and unable to afford adequate medical care.

In passing, may I mention a few of them: The distinguished retired consul general, now over 80, constantly seeking employment to augment his pension to meet hospital expenses and support his family.

There is another one like that, now over 77, the vice consul, who served 26 years, retired on account of ill health, bombed out in World War II, while remaining to protect American official records, has had severe heart attack followed by general paralysis, but his mind is

clear, and he is hopeful; he must have sanitarium care, needs an increase in pension desperately.

The consul practicing law to augment his small pension and help support his family; health failing under strain and cannot any longer take legal work; must have additional income.

The consul with 20 years of service, mostly in tropical posts, not well, worried financially and debt ridden. He had very costly operation a few years ago; pension less than \$200 monthly.

We have lifted many burdens all over the world and have lighted many dark places. Can we not give to these veterans of the Foreign Service, disabled financially, the comfort and peace in their future years which their devoted service to America in their earlier years earned for them?

Enactment of the Sparkman bill would accomplish this.

SITUATIONS OF OTHER RETIRED GOVERNMENT EMPLOYEES

Senator GREEN. Thank you very much for your statement.

Do we find the same tragic incidents in other departments of the Government? We do, don't we?

Mrs. SHIPLEY. I only know my own Department. I am a State Department retiree after 47 years of Government service, 41 in State.

Senator GREEN. Outside of the State Department, are there other similar Government employees subjected to the same situation?

Mrs. SHIPLEY. I am civil service as if I had been in the Labor Department.

Senator GREEN. Then your sympathy goes to all civil service and other employees in the U.S. Government; does it not?

Mrs. SHIPLEY. Yes, sir; and to these people who seem to be forgotten.

Senator GREEN. In other words, your argument applies not only to those in this Department, but in all other departments of the Government as well; does it not?

Mrs. SHIPLEY. Yes; but my knowledge runs only to this group. For that reason I have mentioned it.

Senator GREEN. But as long as you are here I am asking you that question, because it would seem to me this is selecting one group of many under the same conditions for this legislation, and I wanted to know whether that idea was correct.

Mrs. SHIPLEY. Yes; I am for all of them.

FOREIGN SERVICE RETIREMENT BENEFITS HAVE LAGGED

Senator SPARKMAN. Mr. Chairman, I would like to interject this thought. I do not fully agree with the conclusions drawn by my good friend, the chairman. This is not picking out a special group to help. It is trying to catch up in benefits for a group that has heretofore been left out.

As a matter of fact, I think Mr. Henderson made that point in his testimony. Civil service employees generally have been given these increases throughout the years, and it was not until last year that we got any increase for the old retirees—I mean those who have been out for some time past—and what we are trying to do is to catch up along the line that Mr. Henderson described. So we are not trying to give a special favor to a special group.

Mrs. SHIPLEY. No; I do not say that.

Senator SPARKMAN. I know you do not. I was afraid that that might have been implied.

Mrs. SHIPLEY. Well, I am a civil service retiree, and I am not seeking anything additional. I am living comfortably on it.

AID WILLINGLY EXTENDED ABROAD, BUT SMALL EXPENDITURE
PROPOSED UNDER S. 1502 NOT FAVORED

Senator SPARKMAN. By the way, Mrs. Shipley, in your very last paragraph you expressed very nicely that we have lifted many burdens over the world. We are starting the conference tomorrow morning on the foreign aid bill. As it came from the President it carried \$3.8 billion in aid for the other countries of the world, and the economic assistance part amounted to \$2.3 billion.

Mrs. SHIPLEY. Well, I had no figures.

Senator SPARKMAN. We had no hesitancy—and, by the way, I supported it—in trying to maintain the amount that the President asked for. Yet it would seem to me to be a little hard for the administration to advocate that kind of a program and at the same time come in here and say that we cannot afford to help these 600 people at home who could be taken care of for an extra expenditure of some \$500,000.

Mrs. SHIPLEY. I do not know who could defend that we could not afford to do it, if you will pardon me.

Senator SPARKMAN. You heard Mr. Henderson say the Budget Bureau had laid down the law to the State Department to that effect.

Mrs. SHIPLEY. I do not think the Budget Bureau ever liked me in my 41 years in the Department of State, so don't expect me to put in a word for them.

Senator SPARKMAN. The Budget Bureau laid down the law to the State Department. They placed the limitation on it.

Senator GREEN. Thank you, Mrs. Shipley. Has Mr. Boyce come into the room yet?

Mr. BOYCE. Yes, sir.

Senator GREEN. Would you like to testify now?

Mr. BOYCE. Thank you, sir.

Senator GREEN. We will be glad to hear from you. Do keep your seat.

STATEMENT OF RICHARD FYFE BOYCE

Mr. BOYCE. Mr. Chairman and gentlemen, I appreciate very much this opportunity of testifying on behalf of S. 1502.

I have been associated with the DACOR legislation program since its beginning in 1950, and am familiar with the many problems of retired Foreign Service officers. These include health, employment, maintaining contacts, housing, and usually worst of all, trying to make ends meet on a fixed income of shrinking dollars.

There are two basic needs. The first is to bring the annuities of personnel who retired some years ago up to the level of personnel retiring now. The second is to provide automatic adjustment of annuities whenever salary schedules are raised so as to prevent in future the repetition of the situation which now exists. The same arguments apply in both cases.

The special situation of Foreign Service widows has been described by Mrs. Broy—herself a Foreign Service widow. The cases of our most needy members are described by Mrs. Ruth Shipley, well known to you, who through her more than 40 years personal association with the Foreign Service, and as chairman of our welfare committee, is well acquainted with our problems.

REASONS FOR DACOR SUPPORT OF S. 1502

You are familiar with the many reasons behind our request for passage of S. 1502. I touch upon only the following:

Foreign Service officers now retired contributed a fixed percentage of their basic salaries to provide for annuities equal to a reduced, but reasonably livable income, sufficient to furnish food, shelter, clothing, and medical expenses in keeping with their retired status and their years of devoted service as official representatives of our Government; and, also, in special recognition not only of the hazards to health and, upon occasion, to personal safety, but to the many handicaps to educating their children, to establishing a permanent home in the United States, to saving any money and many other special factors.

Depending upon the year they retired, inflation has reduced those annuities by a quarter to a half their original values, resulting in great handicap for the majority of retired officers and widows. As their ages increase, the ability to find employment to supplement their annuities decreases. Medical expenses increase. The retired officers are no longer able to live above, or much above, the level of people on public relief.

We feel that older people have as much right to proper housing, food, clothing, and other necessities 10 or 20 years after they retire as they do the first year of retirement. Our country does not approve the customs of primitive peoples who abandon the old and crippled to starvation, or to death by wild animals. Yet the process of progressive poverty and misery through shrinking annuities is a comparable situation.

The retired officers thus discriminated against are not many in number, and their numbers are fewer each year.

There is sufficient money in the Foreign Service retirement fund to provide for the proposed changes, so what we ask for will not add to the burden of the taxpayer.

Thank you very much.

Senator GREEN. Thank you very much, Mr. Boyce. Are there any questions?

Senator SPARKMAN. No questions, Mr. Chairman. That is a roll-call upstairs, and this is the last witness.

Senator GREEN. Is Mrs. Carroll Foster here?

Senator SPARKMAN. I read that letter into the record. I did not realize you were here, Mrs. Foster.

Senator GREEN. But your letter is already in the record.

Mrs. FOSTER. You read the letter into the record.

Senator GREEN. We must terminate this hearing. Thank you all for coming.

Senator SPARKMAN. Thank you, Mr. Chairman.

(Whereupon, at 3:30 p.m., the subcommittee adjourned subject to the call of the Chair.)