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# Ensuring Protection and Promotion of U.S. Interests Overseas

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[The following is a reprint of a statement by Mr. Moose before the Subcommittee on Commerce, Justice, and State, the Judiciary, and Related Agencies of the Senate Appropriations Committee in Washington, DC, on April 6, 1995.]

Mr. Chairman, I welcome the opportunity which you have provided for me—and my colleagues from other agencies—to discuss before this subcommittee a subject of great importance to both the Congress and the executive branch—the need to devise a system to ensure a flexible, efficient, and stably funded platform for the protection and promotion of U.S. interests overseas. Merely by holding this hearing, you and the committee are taking a creative initiative which, hopefully, will redound to the benefit of the U.S. taxpayer and enhance the effectiveness of the U.S. Government's essential overseas programs.

While I am congratulating you, let me put in a good word for ourselves. It is not often that executive branch agencies sit together, put their cards on the table, and commit themselves to finding a solution to a problem which has set them at odds with one another. It is rarer still for a collection of agencies to present themselves before their appropriators to say: “We have a problem with one another, let us tell you what it is and how we propose to solve it.” That is very rare. The usual procedure would be for each of these Departments to approach you out of earshot of the others and attempt to beggar our colleagues. Then at some point, your patience exhausted, you would mandate a solution which the losers would immediately set about trying to un-do. Today, we hope to break with the precedent.

This issue has concerned all of us for years. It is an area that the General Accounting Office—GAO—and our own Inspector General have repeatedly reviewed. The current administrative support system has survived over time—less because of its own merits than because of the difficulty in reaching a consensus on an alternative. The current system is broken. We want to fix it. We do not yet have a final position on how we think we should do that, but we will need your support if we are to succeed.

The State Department currently carries a large part of the overseas financial and administrative burden, but the issue is important to all foreign affairs agencies, in fact, to all U.S. Government agencies with staffing abroad and not just those represented here today. The committee will know from its perusal of the recent GAO report the demographics of the U.S. overseas presence. The United States has more than 160 embassies and some 100 consulates, liaison offices, and other posts in almost every country in the world. They are staffed by about 19,000 full-time American employees from some 200 organizational units belonging to two dozen executive departments and agencies. Some agencies have only a handful of American employees abroad; some have hundreds, others have thousands. Among the 19,000 in our posts abroad are some 7,000 of State's own people. These numbers do not include foreign national employees and contractors, let alone TDY personnel who number in the hundreds daily at some posts and quite a few of whom are considered “permanent TDYers.” Resource cuts levied on State impact all agencies because they limit our ability to support the people they have staffing this nation's diplomatic missions.

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It is becoming a cliché to preface a comment with the phrase “with the end of the Cold War.” But there's no way around the fact that the U.S. Government's priorities overseas are shifting dramatically, as the distinction between “domestic” and “foreign” policy blurs. These changes are reflected in the kinds of people the U.S. Government is putting overseas and the places they are going. Creating jobs, for example, means opening new markets overseas, leading to new Commerce staffing in emerging markets. Fighting crime at home compels us to trace its connections abroad and to work with other governments on anti-crime initiatives. So the locations and levels of FBI, DEA, the Secret Service, and other law enforcement agencies' staffing take on new configurations and require enhanced coordination between agencies. Nothing illustrates the radically altered nature of our overseas priorities better than the fact that the Justice Department now has more Americans overseas than USIA and that the combined total of law enforcement people overseas will probably surpass that of USAID by next year, if it has not already. The fact that I cannot be certain tells you something.

The unpredictability of the international environment puts a premium on the U.S. Government's ability to respond quickly to shifting priorities with staffing changes; yet, our present system inhibits this. On the accounting side, the Foreign Affairs Administrative System—FAAS—does not produce straightforward audit trail links between a particular service and its cost. As a result, the FAAS funding structure has become a “lightning rod” for serviced agencies concerned about both their overseas costs and the quality and adequacy of the services delivered—issues not directly related to FAAS's function as a cost-distribution system but a great and understandable concern to the serviced agencies.

State's primary concern with FAAS is that we can no longer shoulder the personnel and financial burden it places upon us. We calculate that we bear about 70% of the costs while representing only about 30% of the people. As our budget diminishes in real terms, we have been forced to strip as much cost as possible out of our overseas structure, where we spend about two-thirds of our operating budget. Given the changing and expanding nature of administrative demands at posts, we must recruit, train, assign, and pay additional administrative officers—additional to our own needs. With the pressure to cut positions, our core functions are squeezed, and we have fewer people devoted to formulating and coordinating policy, analyzing developments, negotiating and advocating U.S. positions overseas, and assisting Americans in trouble. If it were not for the resources made available by the retention of application fees for machine-readable visas, we would even have to stint on our efforts to preserve the security of our borders.

Because of the overall budget climate, we think it is imperative that we ensure that we find the most cost-effective ways to support U.S. Government employees overseas. The National Performance Review—NPR—under Vice President Gore's leadership, has given all of us in the foreign affairs community renewed incentive to match resources and structure to the mission—not vice versa.

There are two main avenues for overseas streamlining. Within State we are pursuing this goal through the Strategic Management Initiative—SMI. The SMI is, in Secretary Christopher's words, our “process for forging a comprehensive strategy for change.” SMI teams are now developing for the Secretary's decision recommendations on the future shape of State's overseas presence, including downsizing missions and closing some posts. In the last two years, we have closed 17 posts. As part of NPR, we hope to close at least 15 more by the end of FY 1996.

Our posts overseas, including an embassy in nearly every capital, constitute one of our great diplomatic strengths. Our virtually universal coverage allows us to make our case to governments around the world and to protect Americans, wherever they may be found, at a moment's notice. No other nation in the world has such a capability.

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Yet, because it is enormously costly to maintain American employees abroad, we clearly need to streamline and reduce our overseas costs. We will base more support services in the U.S. or at least regionally abroad. Specialized substantive expertise can be based regionally and shared, as well.

Another result from SMI will be an end to the assumption that all embassies must be full-service operations. We need smaller embassies with staffs better trained and equipped, serviced by up-to-date technology, electronically linked to each other and to Washington agencies, and less reliant on costly security systems. This should be as true for our largest embassies as well as for our smallest.

And our smallest embassies will be small, indeed: we are looking at “micro-embassies”—one- or two-person embassies that keep the flag flying and give us daily face-to-face contact with foreign officials and the public in the host country while avoiding the cost and infrastructure of more traditional embassies.

However, I want to emphasize that the changing nature of State's own overseas presence—and our own reduced staffing levels—will have a direct impact on State's ability and willingness to support the administrative needs of other agencies overseas. Agencies must factor these new realities into their overseas staffing plans.

The second avenue to overseas streamlining is through inter-agency cooperation in the context of NPR. In January, the Vice President instructed State, ACDA, USAID, and USIA to establish common administrative services, eliminate unnecessary and duplicative practices, and use the private sector and competition to cut costs. STATE, USAID, USIA, and ACDA have, in fact, consolidated or agreed to consolidate 24 domestic administrative operations, ranging from printing services to computer security. Additional initiatives are currently underway which can create significant additional consolidation or expansion of consolidation and cooperation efforts already in place. We will also look at embarking on an effort to greatly increase the compatibility of all management information systems, e-mail, Internet, and secure messaging.

Also, and finally, in January 1995, the Vice President asked the PMC [Presidential Management Commission] to review the structure of all government agencies operating overseas. The PMC will report to him this month on specific steps that can be taken to streamline overseas operations, reduce the costs of administrative services, and make better use of information systems and communications technology.

Under the PMC's sponsorship, State, USIA, USAID, Commerce, Justice, and all of the other primarily concerned agencies are examining the feasibility of cooperative administrative support units—CASUs—for our overseas posts. This is the effort upon which our hopes are pinned. Under the CASU, one or more agencies at a given post would take the lead in providing administrative services under the oversight of a local “Board of Directors “ The study is also reviewing financing arrangements for CASU with the object of arriving at a system which is simple, transparent—including to the Congress—and equitable to all agencies. Applying the CASU concept overseas would place oversight of service and funding on the level where the activity takes place—the individual posts—give all participants a direct sense of ownership, make it possible for agencies to calculate how much it really costs to have staff at a given post, and reinforce one of our great strengths—our embassies and the country teams.

Overseas CASUs would have the following attributes:

- Strong voice for participating agencies in post operations;

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- Transparent cost calculations;
  - Full reimbursement to provider agencies;
  - Built-in incentives for high-quality and low-cost service delivery;
  - Flexible choice of products and services; and
  - Encouragement for streamlining and cost savings.

The CASU concept would allow us to put into operation a number of modern management practices while building on the Secretary's SMI initiative. It would:

- Push responsibility down to the level where the activity takes place, i.e., the post;
- Give all participants a direct sense of ownership and draw on the best of "customer service" concepts;
- Make it possible for agencies to calculate how much it really costs to have staff at a given post; and
- Build on one of our great strengths—our embassies and the country teams.

Many aspects of this scheme remain to be explored, but the public interest in an equitable resolution is considerable. Absent agreement on a mechanism to fund the CASUs, each agency, State included, will be compelled to make its own arrangements. Given the inevitable duplication of effort, this cannot be in the public interest. Agencies with only a small presence will find themselves particularly hard pressed, and the coherence of U.S. Government efforts in any given country will inevitably suffer.

Those of us who are working hardest on this problem recognize that there is no acceptable alternative to success. Inevitably, any equitable solution will entail base transfers; and, since almost every single appropriations committee has at least one agency in this puzzle, it can only be solved with the cooperation of the overall appropriations leadership.

Vice President Gore and Secretary Christopher have launched us on a plan to move vigorously—in cooperation with NPR and other agencies—to position ourselves for the future, to produce a diplomatic platform that prepares us to carry out U.S. interests well into the next century. We hope that we can count on you to join us in that effort.