

FOCUS ON FAS

THE FOREIGN AGRICULTURAL SERVICE TODAY



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THE OUTLOOK FOR THE FOREIGN AGRICULTURAL SERVICE IS GENERALLY POSITIVE, BUT THERE IS NO SHORTAGE OF ISSUES FOR IT TO ADDRESS.

By BOB GULDIN

On March 10, the Foreign Agricultural Service celebrated its 50th anniversary, and the atmosphere could hardly have been more pleasant. Sunlight streamed through the skylights of the tasteful, old-brick USDA atrium, and Secretary of Agriculture Ann Veneman and Sen. Pat Roberts, R-Kan., were on hand to announce that FAS would be the lead agency in a new international aid program. Agency retirees, invited back for the party, chatted cheerfully with old friends.

Things are indeed going well for FAS, one of the the smallest of the foreign affairs agencies in which Foreign Service

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personnel work. The tight budgets and hiring freeze of the late 1990s are past, and the Service has grown a bit in the last two years under FAS Administrator A. Ellen Terpstra. Before joining FAS, Terpstra had 18 years of experience as a Civil Service employee of the U.S. Trade Representative and other positions in which she worked on agricultural trade and policy. During the Clinton administration she headed two private trade associations, the Rice Federation and then the U.S. Apple Association. So she knows the territory.

But the agency, whose chief mission is helping American agricultural exports, does face two daunting challenges. The first is completing the transition (already under way) from being primarily a reporting office to one that actively promotes U.S. crops and related products. The second challenge is a subset of that one: with genetically modified organisms playing an ever-larger role in U.S. food production, and many importers — above all the European Union — resisting the new biotechnology, FAS is looking for ways to sell the world on genetically modified U.S. crops.

How the Foreign Service Fits In

While FAS officially came into existence in 1953, the history of diplomatic personnel reporting on agricultural conditions abroad and helping U.S. exporters goes back to the early days of the new republic. Over the last century or so, the function switched back and forth several times between the State Department and the Agriculture Department, each time becoming larger and better organized. In July 1954, Congress passed legislation transferring the corps of agricultural attachés from State to USDA, and converting them from Foreign Service to Civil Service status.

FAS again became a home to FSOs after the Foreign Service Act of 1980. The agricultural attachés in FAS were given a choice of continuing as Civil Service or being grandfathered into the Foreign Service. Many became FSOs. Dan Berman, a senior FSO who was in FAS in the

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1970s, has always been glad he chose the Foreign Service. “Being in the Foreign Service gives you a sense of identity,” he says, “and you do so many different things over the years.”

Despite such career satisfaction, the Foreign Service officer contingent at FAS peaked at 210 a few years ago, and has not yet recovered fully from several years of sharp falls.

As of March 2003, the agency’s approximately 1,000 employees included 168 FSOs, of whom 99 were serving overseas, and 69 in the United States — almost all of those in Washington. Four FAS Civil Service professionals also work for the agency overseas, as do about 130 Foreign Service Nationals who provide FAS with vital local information and administrative support.

Because of the disproportion between the two types of employees, the question of which positions go to Foreign Service employees and which to the Civil Service can be a tricky one. Agricultural attachés are always FSOs, but there’s another type of overseas slot, known as agricultural trade officers, focused on export promotion, not on policy. Those officers can come either from the Foreign or Civil Service. In addition, directors’ positions in Washington can go either way — to a GS-15 or an FS-1.

In previous years, competition for positions often led to tensions. One senior Civil Service employee acknowledges, “It’s still a split agency. The two groups are always watching each other. We try to keep a balance.” However, both categories of employees tell the *Foreign Service Journal* that the tense feelings have abated recently.

Says Steve Huete, an FSO with 20 years at the agency, “There’s going to be a certain amount of tension. But we’ve been working it out, with help from the two unions, AFSCME (the American Federation of State, County and Municipal Employees) and AFSA.” Huete believes one thing that has reduced tension is an improved placement process for overseas posts: “We [now] have established procedures for bidding. [The process] is fairly transparent.”

As for stateside jobs, a key improvement has been the Washington Placement Plan, one Civil Service manager tells the *Journal*. The WPP guarantees that “every Foreign Service person coming from overseas has to have a position waiting for them. Otherwise, as in the past, they’d be walking the halls.”

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Like FSOs in other agencies, those in FAS are subject to up-or-out, time-in-class rules. Most FAS officers are commissioned after four years, and then have 22 years to make it into the Senior Foreign Service. Therefore, many wind up leaving FAS after about 26 years.

However, FAS is unique among foreign affairs agencies in that FSOs can enter only through a lateral transfer within the agency. All employees enter FAS as civil servants, often transferring from another part of USDA. Many have master's degrees in a field such as public affairs or agricultural economics. After 18 months, they have a career choice at the GS-12 level — Foreign Service or Civil Service.

If they apply for the Foreign Service, there's both a written and an oral exam to pass. While the exam is selective, one FSO told the *Journal*, "If you're a competent person and you keep trying, you'll probably get in." Once accepted, FAS officers, unlike their State colleagues, do not have an A-100 orientation course, but they do take language training and area studies at the National Foreign Affairs Training Center.

An FSO in FAS can expect to spend about two-thirds of his or her career abroad, the rest in Washington. When overseas, they are most likely to work as an agricultural attaché — a generalist responsible for reporting, trade policy and issues, food aid and marketing.

"The amount of marketing an attaché will do depends on the lay of the land in that country," says veteran FSO Dan Berman. "When I was in Portugal, I saw lots of opportunities and I set my own agenda."

The biggest markets also have agricultural trade officers, focused on marketing. Japan, China and Mexico have multiple ATOs, an indication of their importance as trading partners.

Part of the Embassy Community

The FAS officers the *Journal* spoke with say that relations with State and other agencies are pretty decent these days.

Veteran officer Steve Huete admits, "Oh yeah, we're aware that we're part of the Ag[riculture] Department, not the State Department. But we're active in the work of the embassy."

Adds Berman, "The relations you have are the ones you make. I have never seen anyone looking down their nose at us because of our acronym."

Allan Mustard, a senior FSO in the agency, agrees:

"With State, we have a much better relationship than when I entered the department 20 years ago. We are viewed as full members of the Foreign Service now."

Of the Foreign Commercial Service, Mustard says, "We're like fraternal twins, joined at the hip. A lot of times we'll cover for each other. We help them a lot with their reports."

Perhaps the strongest evidence that USDA's FSOs are getting real respect is that two of them are now ambassadors. Christopher Goldthwait, formerly the third-highest administrator in FAS, was named ambassador to Chad in 1999 — the first FAS person to become a chief of mission. Mattie Sharpless, who rose through the FAS ranks, is now ambassador to the Central African Republic.

In addition, the highly experienced FSOs the *Journal* spoke with all report positive feelings about their careers. As Steve Huete says, "It's a fun life. When I was stationed in Russia, some of my State Department colleagues were envious of my freedom of movement."

A Period of Growth

If FAS as an agency is doing relatively well now, it probably has not hurt that the current Secretary of Agriculture, Ann Veneman, first entered USDA as deputy administrator of FAS in the late 1980s.

When asked whether Veneman has any special fondness for her old agency, Administrator Ellen Terpstra diplomatically replies, "She's very well aware of the talents and capabilities of our staff here and in the posts around the world. She has a high expectation of how the Foreign Service and our FSOs around the world will represent the entire Department of Agriculture."

Whatever the reason, FAS's fortunes have improved since the Bush administration took office. "A few years ago," says FSO Steve Huete, "we were trying to squeeze every penny we could."

FSO Allan Mustard notes, "In the 1990s, we were losing bodies through attrition — both Foreign Service and Civil Service. We had 50 vacancies at one point."

FAS budget officer Hal Wynne agrees, "During the second Clinton administration we suffered. They talked exports, but they didn't want to walk the walk. Under Secretary Veneman, our budget recovered. She has a greater interest in exports than [former Agriculture Secretary Dan] Glickman."

The numbers back up that assertion. In the current

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fiscal year (2003), FAS's budget is \$133 million. That compares with \$126 million in 2002, \$124 million in 2001, and \$113 million in both FY 2000 and 1999.

Despite the favorable trend, Terpstra is concerned that her agency may be required over the next few years to pay extra millions to help cover the cost of building more secure embassies. That could be a big blow to a small agency, unless the funds are provided by a special congressional appropriation.

One reason FAS may be getting more resources is that agriculture and related products is the one sector in which the United States is running a trade surplus. In 2002, agriculture showed a surplus of over \$12 billion (\$53.3 billion in exports minus \$41.0 billion in imports). By contrast, the overall U.S. balance of trade was a whopping minus \$435 billion last year — by far the highest ever. And when you're running a trade deficit like that, you appreciate the solace that the agriculture sector provides.

Agricultural exports may be a bright side of America's trade picture, but they're not nearly as important to the overall economy as they used to be. In the 1950s, agriculture's share was about 22 percent of U.S. exports; that's now down to less than 8 percent. However, exports are far more important to America's agricultural sector than they used to be. When FAS was founded in 1953, about 10 percent of U.S. farm output was exported. That figure is now 25 percent.

The Work of FAS

The agency's core functions still include some central diplomatic tasks, such as reporting on and analyzing host-country conditions. But the reporting function has changed over time, says FSO Allan Mustard. Until recently, "when it came to market analysis, we were it. We had been doing it going back to the 1890s. Today, a lot of agricultural companies are doing it too — we're not the only ones. But we do bring value added, because we're unbiased. Even the biggest companies like Cargill and ADM are heavy users of our databases."

Another big change is the fact that a majority of FAS's reporting is accessible over the Internet: attaché reports, trade statistics and tariff schedules can all be read at www.fas.usda.gov. FAS also hosts U.S. suppliers online,

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and advertises a range of programs there. For a while, it openly listed foreign firms that were interested in buying agricultural products. But the agency soon learned (surprise!) that companies from other countries were using its site to identify potential customers, so it tightened up its procedures; now it will mail or e-mail information to U.S. suppliers only.

The analysis of trends in agricultural exports is another important FAS task. For example, you can learn from FAS that, thanks in large part to NAFTA, Canada and Mexico are now, respectively, the number-one and number-three importers of U.S. agricultural products. Japan, which for years was number one, has fallen to number two, due in large part to its prolonged economic slump.

Increasingly, however, FAS is focusing on export promotion. The agency has always had a broad portfolio, covering not just bulk crops like wheat and cotton, but also lumber and forest products, fisheries, and all kinds of consumer foodstuffs. But the strong trend, comments FSO Dan Berman, is that "the growth of agricultural trade is going up the value chain. The emphasis is on finished products." In other words, let's not just export wheat; let's export crackers.

Not coincidentally, the new emphasis on finished products vastly increases the constituency that FAS can serve. Berman noted, "Farmers are a tiny percentage of the population. We work with bagel producers in Brooklyn. Food processing is a ubiquitous industry; it's 96 percent of your potential market." Similarly, for wood products, there's more emphasis on veneer and plywood, rather than raw logs.

Dan Berman, FAS's Director of Agricultural Export Services, observes, "We work closely with the 50 state departments of agriculture. They all have international marketing specialists. We rely on them to bring the companies to the table." Once they are in contact, FAS uses a range of tools to help potential exporters. FAS brings potential buyers (serious customers only) to the U.S. to meet exporters.

The section of FAS that is devoted to trade shows carefully examines all international trade shows with agricultural export potential, chooses around 30 each year that seem to have the best marketing opportunities, and sup-

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ports American pavilions at those events.

FAS also organizes overseas trade missions for U.S. firms, and does retail trade promotions and menu promotions overseas. In addition, it actively pursues "matchmaking," finding potential U.S. exporters and foreign purchasers and bringing them together. Unlike the Foreign Commercial Service, FAS almost never charges fees for its services.

Another difference from FCS is the fact that FAS does not have export promotion offices in the United States. Instead, it has partnerships with four regional marketing associations — in the Northeast, South, Midwest and West — that offer marketing counseling to businesses seeking to export.

In recent years, FAS has put most of its energy into helping small- and medium-sized enterprises, but that

***Tension between Foreign
and Civil Service
employees has sometimes
been a problem at FAS,
but recently relations
have improved.***

doesn't mean it won't help a large U.S. firm when the need is there. Berman recalls that when Hershey's Chocolate "needed our help in Japan, we helped open doors for them."

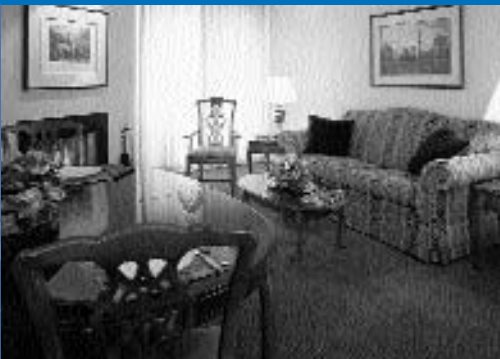
How well does FAS do its export promotion job? Chris Schlect is the president of the Northwest Horticultural Council, which represents fruit growers in Oregon, Washington and Idaho. The council

has had a "cooperator agreement" with FAS since the 1960s, and Schlect says it works quite well. (Cooperators are trade organizations that work closely with FAS on market access and development; most receive some funding from FAS.)

Northwest growers and packing houses are generally rather small operations. "A small firm can't send someone over to break into a market," Schlect notes. "But FAS

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allows us to go into markets we wouldn't have been able to go into on our own."

"We have a high degree of respect for the professionals of FAS," Schlect tells the *Journal*. "Their trade policy work is vital. With traditional trade barriers coming down, countries come up with technical barriers. Having FAS there to tell which are legitimate is really valuable to us."

FAS is also responsible both for participating in the negotiation of new agreements and monitoring compliance with existing agreements. On the agency's plate now are negotiations for a Free Trade Area of the Americas, bilateral trade agreements with Singapore and Chile, and free trade agreements with Central America and Southern Africa. FAS is also monitoring both China's and Taiwan's compliance with the WTO's terms of accession.

Since the U.S. Trade Representative is generally the lead agency in such negotiations, FAS has people detailed there. "We definitely have a seat at the table," says a senior FAS official. Farm-trade liberalization is a

key agenda item in the Doha Round of world trade talks.

Complicating the negotiating work of FAS is the fact that food carries an unusual cultural and political weight in many societies. Farmers, even when only a small percentage of a country's population, often have considerable political clout. Even in the U.S., notes a senior FAS official, "we have some sectors that are very, very difficult — sugar, for example." Though "we all recognize that food is different from cars," says FAS Administrator Terpstra, and "we believe in free trade, agriculture has lagged behind other trade areas."

Genetically Modified? Some Say No


In terms of monitoring trade agreements, says FSO Steve Huete, the "hottest topic is sanitary and phytosanitary [SPS] issues." (That's animal and plant health and safety.) "Countries can't use tariffs to keep out trade," explains Huete, so they raise health issues instead. "Occasionally there are legitimate differences on risk

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assessment," Huete concedes, but often the concerns are a disguised form of protectionism.

Perhaps the toughest issue to hit FAS in its 50-year history is that of genetically modified (or transgenic) organisms, also known as GMOs. (FAS prefers the less scary name "biotech" exports.) The term refers to a set of technologies that alter the genetic makeup of living organisms such as plants, animals or bacteria. Biotech food products have become common in the U.S., but are meeting stiff resistance elsewhere.

FAS FSO Allan Mustard was present at the opening skirmish of this war. He was stationed at Embassy Vienna when Greenpeace Austria dumped a ton of genetically modified soybeans in front of the embassy with a big "Return to Sender" sign. That very day, April 8, 1997, the European Parliament overwhelmingly passed a strong resolution against GM corn, and the battle lines have been fixed ever since.

Mustard recalls, "They [Greenpeace] put it on the glob-

al agenda [partly because] the introduction of the technology was not handled well; there was not sufficient marketing."

It is likely, he adds, that some anti-Americanism has gotten mixed in with the issue, as well. After all, in 2000 the U.S. grew 68 percent of the world's GM crops. (Argentina and Canada grew almost all the rest.)

Beverly Simmons, assistant deputy administrator for trade policy, points out that "GMOs are generally available in the U.S. The only labeling required by USDA is if it has an allergy component or nutritional differentiation." She notes that the biotech issue affects "two of our biggest bulk exports, corn and soybeans. ... Wheat and rice could also be impacted."

Although GM corn and soybeans have been approved and accepted in some markets, notably Japan, overall, the outlook is not promising for GM exports. "They [the European Union] haven't approved any biotech exports in four years. Europe is the litmus test," Simmons says. Worse, "in other regions, such as Africa, there is height-

Do Poor Farmers Get Hurt by U.S. Exports?

The charge has often been made that the agricultural trade stance of the developed countries — especially the United States, the European Union and Japan — makes life very difficult for farmers in the developing countries.

There are three ways that happens, says Eugenio Diaz-Bonilla, a senior research fellow on global trade at the Washington-based International Food Policy Research Institute: trade barriers (like tariffs and quotas), export subsidies and domestic subsidies.

Diaz-Bonilla says that studies by his institute show that those factors cause "displacement of production in the developing countries of \$26 billion a year." That's \$26 billion worth of agricultural production that just doesn't happen.

"About half of that is due to the E.U., about 30 percent to the U.S., 10 percent to Japan, and the rest to other OECD countries," Diaz-Bonilla tells the *Journal*.

Direct export subsidies from the E.U. are \$5 billion to \$7 billion annually, and dwarf those of the United States, according to Diaz-Bonilla. U.S. subsidies are about \$100 million per year, going just to poultry and dairy products.

Diaz-Bonilla says that no one objects to typical FAS activities like trade fairs and promotions. "All countries do that — though of course the U.S. has the largest network of agricultural officers, the most money and resources."

The World Trade Organization's current negotiations — the Doha Round — are attempting to deal with agricultural trade barriers. "The U.S. proposal there is very good," comments

Diaz-Bonilla, "moving toward a more level playing field."

Jim Grueff, an FSO who works on agricultural trade policy at FAS, tells the *Journal*, "That's something we talk about all the time — the issue of domestic and export subsidies in developed countries, the effects of high tariff barriers, and how damaging that is, including to producers in developing countries."

"Rather than arguing, to no effect, whether certain U.S. subsidies are damaging or not," Grueff urges critics to concentrate on current negotiations.

"If somebody cornered us in Geneva and said, 'But what about your cotton subsidies, what you've done to poor farmers?' I would respond by saying, 'Let's focus on what's achievable.' It would be different if we hadn't made very pro-active, very substantial proposals that involve cutting our own subsidies, but we have."

In any case, the big problem regarding the United States and agricultural trade is not the U.S. position at the WTO, but the latest U.S. farm bill, which continues to provide expensive domestic subsidies to American farmers.

However, agricultural economist David Orden has written that the U.S. "position as a rhetorical champion of agricultural trade liberalization within the WTO" is not just posturing. "While not reforming its farm policies unilaterally, the United States has expressed its willingness, if its proposal is taken at face value, to engage in simultaneous multilateral liberalization of a significant magnitude."

— Bob Guldin

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ened concern about what they hear out of Europe. They're concerned that if they accept biotech products, they may create trade barriers," Simmons notes.

Terpstra complains, "The Europeans have continued their fear campaign in Africa about U.S. food aid. That further endangers people at risk [of hunger]." Many African countries, including Zambia and Zimbabwe, have already turned away donated American GM grains, though that embargo seems to be breaking down, probably because food shortages in southern Africa have become so severe.

Bernice Slutsky, who worked on this issue at FAS for six years, points out that in many countries people do not have confidence in their own governments, which complicates the issue. "In the United States, on the other hand, there's an acceptance of technology. ... People here trust the FDA and the USDA."

Still, Administrator Ellen Terpstra is hopeful the issue can be resolved. "We've had some good discussions." But she also says, "There are some cases where they are misusing these concerns to create trade barriers."

FSO Dan Berman pointed out that one possible solution to the problem might be labeling certain food as GM-free, but that has its own problems. "You have to prove a negative. ... Certification can be very difficult, especially in processed products. You may have 20 ingredients."

Foreign Aid

In addition to all its other activities, FAS has an active foreign assistance section, which is about to be expanded with the addition of an important new program. It is in charge of one of the best known and longest-running foreign assistance programs, "Food for Peace," which was established by Public Law 480 in 1954. P.L. 480 provides for sales of American food commodities on concessional terms to foreign governments or NGOs. It's oriented toward countries that are having difficulty meeting their food needs through commercial channels.

In Fiscal Year 2001, under P.L. 480 the U.S. shipped over 750,000 tons of food, worth more than \$100 million. That included wheat to Indonesia and Peru, rice to the Philippines and Uzbekistan, and vegetable oils to El Salvador.

In 1993, the Office of International Cooperation and Development, an independent agency, was transferred to FAS. In charge of the office is Deputy Administrator for ICD Suzanne Heinen, an

FSO who's been with FAS for 18 years.

Heinen says that much of ICD's work is trade-related, such as training people in how the WTO works. ICD does technical training as well — for example, teaching food processors how to "maintain the cold train" so that frozen and refrigerated foods stay cold and edible. After Hurricane Mitch struck Central America, ICD worked on stabilization of watersheds there.

Many of ICD's programs are carried out by "Schedule B" (contract) employees who are hired for a particular assignment. In addition, about 100 people hired by ICD are detailed to the Agency for International Development and actually work at USAID's building.

The newest addition to the FAS program portfolio is the McGovern-Dole International Food for Education and Child Nutrition Program, named after former Sens. George McGovern, D-S.D., and Robert Dole, R-Kan. Building upon a successful pilot program, the new program will supply food to schools in developing countries.

The goal is not merely to feed children, but also to encourage them to attend school, thereby achieving two major benefits through one activity.

Kansas Sen. Pat Roberts was on hand at FAS's March 10 birthday celebration to announce the start of the new program, which he said had received the support of all 100 U.S. senators. Tying the effort to the nation's security worries, Roberts announced, "If you promote food security, it reduces the chance that these children will be recruited by terrorist groups."

A Solid Future

With a growing budget, a strong track record, and a highly valued portfolio of responsibilities, FAS appears to have a solid future. The same can be said of FAS's small but crucial Foreign Service contingent.

Still, FSO Dan Berman, the director of the Ag Export Services Program, notes of FAS: "We're going through a period of soul-searching. We used to be self-contained. Now we're working closely with USTR and Commerce. We're a small organization. We have to be careful not to become overextended."

But Berman, with the determined optimism of an export promotion specialist, soon turns to the positive challenges his small agency is preparing to meet. "There are so many companies that could be exporting but aren't," he says.

Berman concluded, "If a company in Brooklyn can sell bagels in Japan, anything is possible." ■