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HISTORY OF THE CONSTRUCTION OF THE AMERICAN EMBASSY IN MOSCOW

THE HISTORY, POLITICS AND PLANNING BEHIND THE CONSTRUCTION OF THE MOST COSTLY AMERICAN EMBASSY IN THE WORLD

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SUMMARY:

The history of the construction of the American Embassy in Moscow parallels the history of U.S./Soviet Relations during the Cold War Period. This parallel is reflected not only in the bilateral relationship between the two Superpowers, but also in the internal politics of the U.S. Federal Government, vis-à-vis the Department of State, the Intelligence Community and the Congress. In my remarks this morning, I will:

- Briefly review the history of U.S./Soviet relations from the time the United States first recognized the Soviet regime in 1933 until the end of the USSR and the establishment of the current Russian Federation;

- Look at the history of the Moscow Embassy project against this backdrop, list the major milestones leading up to the initial project, which began in 1979, and the key provisions of the terms of construction for the first project;

- Review the particularly harsh debate within the U.S. Government following the discovery of Soviet-implanted listening devices in the new Embassy building in 1985, and how ultimately the U.S. Government decided to salvage the building and plan the current effort to reconstruct the building into a secure facility for the conduct of U.S. business in Moscow.

- Provide a brief description of the current project, its parameters, how its management differs from the first project, costs, oversight framework, and the efforts to incorporate the current project into the Master Planning of the Embassy site into the future.

THE HISTORY OF U.S./SOVIET RELATIONS

PRE-WORLD WAR II PERIOD – ESTABLISHMENT OF DIPLOMATIC RELATIONS:

The United States government was initially hostile to the Soviet leaders for taking Russia out of World War I and was opposed to a state ideologically based on communism. The United States did, however, embark on a famine relief program in the Soviet Union in the early 1920s and American businessmen established commercial ties there during the period of the New Economic Policy (1921-29). For a variety of reasons—compassion for the sufferings of the Soviet peoples, sympathy for the great "socialist experiment," but primarily for the pursuit of profit—Western businessmen and diplomats began opening contacts with the Soviet Union. Among these persons were Averell Harriman, Armand Hammer, and Henry Ford, who sold tractors to the Soviet Union. Such endeavors facilitated commercial ties between the Soviet Union and the United States, establishing the basis for further cooperation, dialogue, and diplomatic relations between the two countries. Formal diplomatic relations were established in 1933. However, this era of cooperation was never solidly established, and it diminished as Joseph Stalin attempted to eradicate vestiges of capitalism and make the Soviet Union economically self-sufficient.

His brutal treatment of Soviet citizens and the overall totalitarian nature of Joseph Stalin's regime presented an insurmountable obstacle to friendly relations with the West.

WORLD WAR II-MILITARY AND ECONOMIC COOPERATION

Despite deep-seated mistrust and hostility between the Soviet Union and the Western democracies, Nazi Germany's invasion of the Soviet Union in June 1941 created an instant alliance between the Soviets and the two greatest powers in what the Soviet leaders had long called the "imperialist camp": Britain and the United States. Three months after the invasion, the United States extended assistance to the Soviet Union through its Lend-Lease Act of March 1941. Before September 1941, trade between the United States and the Soviet Union had been conducted primarily through the Soviet Buying Commission in the United States.

Lend-Lease was the most visible sign of wartime cooperation between the United States and the Soviet Union. About $11 billion in war materiel was sent to the Soviet Union under that program. Additional assistance came from U.S. Russian War Relief (a private, nonprofit organization) and the Red Cross. About seventy percent of the aid reached the Soviet Union via the Persian Gulf through Iran; the remainder went across the Pacific to Vladivostok and across the North Atlantic to Murmansk. Lend- Lease to the Soviet Union officially ended in September 1945. Joseph Stalin never revealed to his own people the full contributions of Lend-Lease to their country's survival, but he referred to the program at the 1945 Yalta Conference saying, "Lend-Lease is one of Franklin Roosevelt's most remarkable and vital achievements in the formation of the anti-Hitler alliance."

Lend-lease materiel was welcomed by the Soviet Union, and President Roosevelt attached the highest priority to using it to keep the Soviet Union in the war against Germany. Nevertheless, the program did not prevent friction from developing between the Soviet Union and the other members of the anti-Hitler alliance. The Soviet Union was annoyed at what seemed to it to be a long delay by the allies in opening a "second front" of the allied offensive against Germany. As the war in the east turned in favor of the Soviet Union and despite the successful allied landings in Normandy in 1944, the earlier friction intensified over irreconcilable differences about postwar aims within the anti-axis coalition. Lend-lease helped the Soviet Union push the Germans out of its territory and Eastern Europe, thus accelerating the end of the war. Although World War II brought the two countries into alliance, based on the common aim of defeating Nazi Germany, the Soviet Union's aggressive, antidemocratic policy toward Eastern Europe had created tensions even before the war ended. With Stalin's takeover of Eastern Europe, the wartime alliance ended, and the Cold War began.

The Soviet Union and the United States stayed far apart during the next three decades of superpower conflict and the nuclear and missile arms race. The conflicts of the Cold War in the '40s, '50s and 60's are well known: The Berlin Blockade, the Korean War, the Cuban Missile Crisis, to name a few. Beginning in the early 1970s, the Soviet regime proclaimed a policy of détente and sought increased economic cooperation and disarmament negotiations with the West. However, the Soviet stance on human rights and its invasion of Afghanistan in 1979 created new tensions between the two countries. These tensions continued to exist until the dramatic democratic changes of 1989-91 led to the collapse during this past year of the Communist system and opened the way for an unprecedented new friendship between the United States and Russia, as well as the other new nations of the former Soviet Union.

That is a basic "USA Today" walk down memory lane of U.S./Soviet/Russian relations in the 20th Century. It serves as an important backdrop to an understanding of the underlying ferment that characterized the efforts by both sides to upgrade their diplomatic establishments in Washington and Moscow.

THE HISTORY OF THE EMBASSY CONSTRUCTION PROJECT

1933-1940: Shortly following the establishment of diplomatic relations in 1933, the US and the USSR began discussions on a permanent site for an American Embassy. The USG favored a site in Lenin Hills. Discussions lasted until 1940, with no agreement.

1953: Following World War II, the American Embassy building that is still in use was provided to the USG in 1953. This building was built by German prisoners of war. At the same time the USSR was attempting to buy several large estates in D.C. On each occasion, local neighborhood associations opposed to their presence thwarted their efforts.

It was only in **1962** that both sides agreed to assist each other in acquiring sites in the respective capitals. Already the USG was anxious to vacate the Embassy building in Moscow, deeming it poorly constructed and costly to maintain.

Finally, in **1969**, the US and the USSR signed an Exchange-of-Sites Agreement. The USSR was given an 85-year lease for 12.5 acres of land on Mt. Alto, which had been a Veterans' Hospital. In exchange, the US obtained a 10 acre site for the Chancery Compound in Moscow, also on an 85 year lease, plus the same conditions for the land at Spaso House, the Ambassador's Residence. However, the retention of the existing Embassy building after the new facility was built was not permitted under this agreement.

The 1969 agreement called on both sides to work out conditions of construction agreement within 120 days. However, the negotiations dragged on for the next three years. Major sticking points were the Soviet furnished materials and installation of the structure and the height of the Soviet 8-story building on Mt. Alto, and our building in Moscow. Finally, due to pressure from Richard Nixon on the eve of a Summit with the Soviets, the US signed the agreement.

The agreement (typical of all embassies constructed in the Soviet Union) called for the host country to perform the basic structural work on the other's buildings using their labor and materials. Other systems of the respective buildings could be constructed with the owner's materials and host country workers whose work would be managed and approved by the owner's personnel. Each country had the right to finish construction of the top four floors of their office building with exclusive use of owner's materials and labor. Each country was limited to a maximum number of Owner's personnel within the host country: 9 management and 50 technical personnel. A key provision, which came back to haunt the U.S., was the right of the Soviet side to review and approve the architectural drawings for the building's frame, to ensure that it met local (Soviet) building codes and standards.

The U.S. chose the architectural firm, Skidmore, Owens, Merrill (SOM) as project architects in 1973 and the design began then.

The sites were exchanged formally in 1977. The Soviets started construction of their housing and school buildings immediately. The U.S. side believed by allowing the Soviets to begin early, we would gain leverage once our construction began in Moscow. In 1979 the US signed a construction agreement with the Soviet construction firm SVSI – for $55 million. Ground was broken for the new American Embassy complex in October 1979. I was there. Little did I realize that 17 years later, I would be involved in the same project, based in Washington.

In Moscow, the project was managed by the State Department's Office of Foreign Buildings. The original cost estimates for the entire compound, including Soviet construction costs, U.S. contractors, and USG overhead ranged up to $500 million. $192 million was actually spent incrementally in the 10-year period from 1977 to 1986. Another $1.5 million was spent in various studies to determine what to do with the building after Soviet-implanted listening devices were discovered in 1985. At the time, the Moscow project was the largest construction project ever attempted by the State Department's Office of Foreign Buildings (FBO). The complex includes, among other things, an eight-story office building, 123 apartments, 11 townhouses, an auditorium, a 9-classroom school, a 130-car garage, a gymnasium, and other recreational facilities.

In Washington, a U.S. contractor, Hyman Construction Company, constructed the housing and service facilities, and another firm Whiting Turner, furnished and installed the structure of the office building and the workers who installed the other systems. While the U.S. shipped to Moscow U.S. materials used in construction of all systems but the structure (including face brick), the USSR relied on U.S. materials for, not only the structure, but most of the other building systems.

The early stages of the project involved several series of negotiations on support issues: the number of apartments for FBO personnel, a secure warehouse, and various design issues. In 1979, a separate agreement was hammered out which gave the USG a warehouse site, a second Dacha site closer to the city center, in exchange for the Soviet's getting more property adjacent to their existing Dacha at Pioneer Point. This was the first time that the USG had purchased land in the U.S. to "swap" with another country. The agreement called for 25 years at no rent for each "dacha" site and 10 years no rent for the warehouse.

Talks stalled over contract price with SVSI. The USG side refused to let the Soviets occupy apartments at Mt. Alto until this contract price was settled at $54.6 Million. In June 1979, the Soviets finally agreed to this price. Ground was broken in October 1979. In December 1979, the Soviet Union invaded Afghanistan. Talks on the warehouse and dacha swaps stopped. US-USSR relations entered a deep freeze.

Despite the downturn in US-USSR relations, the construction of the complex continued. The agreement on the Dacha/Warehouse was finally completed in August 1980. The warehouse was completed in April 1982. The NOB was topped off in May 1982. Delays were expected to add almost $10 million to US contractor costs.

In August 1985, work was suspended in the NOB when the Soviet-implanted listening devices were discovered embedded into the structural shell of the building. Work on the rest of the compound (housing and school) continued and was completed in December 1986. Meanwhile, back in Washington, the Soviets were continuing to work on their new Embassy. The U.S. contractors, by 1985, had completed their work and Soviet workers were doing the interior finishing work. However, it should be noted that the Soviets had already completed their housing, school, auditorium and recreational facilities by 1979, fully seven years before the U.S. complex was completed in 1986.

It was at this point that the State Department invoked the provisions of the "Foreign Missions Act," which allowed the Secretary of State, on the basis of reciprocity, to require the USSR to acquire construction supplies and services for its embassy in Washington through the State Department. This was designed to bring U.S. practice regarding the provision of goods and services for construction projects into line with Soviet procedures. This ended the Soviets' ability to purchase freely on the U.S. economy. In 1987, the State Department informed the USSR that it would not be allowed to occupy their new chancery office building until the U.S. occupied its new office building.

1985-1996: A PERIOD OF RANCOR, ACCUSATIONS, DEBATE AND RESOLUTION – COMPLICATED BY ANOTHER SPY SCANDAL

After the discovery of Soviet-implanted listening devices in August, 1985, the Department of State spent the next eight years figuring out the extent of the Soviet penetration and then determining what steps the USG needed to take to ensure that the building could be made secure and national security information adequately protected in it. The debate was long, rancorous, and the ultimate outcome and plan was a compromise based mostly on political and cost considerations and face saving. The State Department was in the middle of a number of struggles, centering on claims and counterclaims. The Soviet Contractor demanded payment of the balance of the $54.6 million contract; while the Department of State was claiming non-performance. The case went to impartial arbitration, which dragged on.

The evaluation of the extent of damage the Soviet bugs had on the ultimate use of the building was carried out by various elements of the USG, with a number of congressional inquiries. Much of the content of those studies remains classified to this day. The general view of the Congressional inquiries was that the CIA, even though allegedly warned as early as 1982 by Soviet defectors, of the KGB plan to implant listening devices into the concrete pillars of the new building, maintained a technological cockiness that they could counter any Soviet devices and still keep the building secure for the conduct of national security business. After the evaluations were complete by 1989, nobody held onto this view.

The debate raged within the U.S. Government on what to do with the building – tear it down completely, sell it to commercial interests (Archer, Daniel, Midland made an offer), or rebuild it solely or partially for unclassified use with a new classified annex. A related debate took place on how to learn from the mistakes of the past so that the management of the next project would provide for a secure Embassy building.

In the midst of the furor over the bugged Embassy, another scandal emerged centered around the alleged compromise of the existing Embassy by a Marine Security Guard, Clayton Lonetree, who was arrested and ultimately convicted of espionage, serving nine years at Ft. Leavenworth, and released in 1996. Lonetree had become romantically involved with a Soviet employee in the Embassy, who in turn introduced him to her KGB "handler." It is important to note that at that time, and indeed until 1995, the USG had a clear "non-fraternization" policy with regard to relationships between Americans and Soviet citizens. The byword of the day among the single employees of the Embassy was "sleep NATO."

In 1986, the Soviets removed all of the Russian employees in the Embassy who performed a range of duties, drivers, secretaries, telephone operators, maintenance personnel, for reasons not directly linked to the Embassy project. This required the USG to bring in vast number of Americans to perform housekeeping functions and to assign many of these duties to professional diplomats who were not used to taking out the garbage or sorting the mail. This further undermined the morale of the American staff and led to some laxness in security practices. Due to the rapid build-up of American staff at that time, many of them needed to live in hotels, making it difficult to enforce the "non-frat" rules.

The Lonetree arrest intensified the media interest in the Embassy bugging. The combination led to the press zeroing in on Ambassador Arthur Hartman, the American Ambassador in Moscow at the time, and one of our most distinguished career ambassadors. As a result, Hartman retired shortly after, leaving Moscow under a cloud.

Here are a few of the headlines in the press and general media print at the time to illustrate the highly charged political atmosphere:

"Bugged US Embassy Stands – for Now – as a Reminder of the Cold War" LA Times 1987

"At Moscow Embassy, Continuous Shadow War" Washington Post 1985

"Our Colossal Failure in Moscow" Washington Post 1987 (Jeanne Kirkpatrick)

"Where Moscow Embassy Went Awry" U.S. News and World Report, 1987

"Reagan was Told in '85 of Problem in Moscow Embassy" New York Times 1987

"Unbeatable Bugs: The Moscow Embassy Fiasco" Washington Post 1990

"Time to Tear Down the New United States Embassy in Moscow Washington Times 1991

"Our New Moscow Embassy – Bungled and Bugged" Reader's Digest, 1987

"Envoy is blamed in Moscow Spying" New York Times 1988

"Ex-Ambassador Shares Blame for Moscow Scandal" Washington Post 1987

On Capitol Hill, Congress held hearings in connection with the State Department's request for additional funds to deal with the matter. Henry Hyde, of current renown as Chairman of the House Judiciary Committee, then was on the House Intelligence Committee. His remarks in October 1988 took the State Department and the CIA to task for their laxness, naivete and mismanagement of the Embassy construction project. His testimony goes over the extensive historical record of Russian, and then Soviet, notoriety for eavesdropping and espionage. One of the most famous cases in the Cold War era dates to 1952 when the Soviets gave the Embassy a replica of the Great Seal of the US, which hung prominently for many years in the Ambassador's study. A routine check for listening devices many years later revealed a planted device. There is a long history of similar devices being discovered in the Embassy, including use of "spy dust" to track the whereabouts of American diplomats (1980s), bugging of electric typewriters (early 1980s), and a number of "honey trap" cases involving US military attaches. Hyde cited all of these cases as examples of how the State Department and CIA should have taken more precautions in the management of the NOB project, calling them "babes in the KGB woods."

The Congressional testimony of the time zeroed in on the State Department's alleged inability to take responsibility for Embassy security seriously. Hyde's testimony refers to a scholarly view that State's poor management of security stems from an "attitude which is intrinsic to the organizational culture of the Department, based on the core task of diplomats to cultivate relationships, openness and communications above all else." Hyde cites this organizational culture as the reason why the Soviets were able to dupe the State Department every step of the way in the construction contract and to work the bilateral agreement to their advantage, which led to their project being largely complete and ours in shambles. Hyde states: "The primacy of superficial 'diplomacy,' or temporarily smooth relations, over security was well exemplified in negotiation of the terms under which US and USSR embassies were to be constructed. The related, painful discussions dragged out over more than a decade. The Soviets were both obstreperous and patient, to get terms and delays facilitating espionage and other purposes. They succeeded magnificently."

Another key player at the time in Congress was Senator Fritz Hollings, who helped galvanize the Senate Intelligence and Appropriations Committees into demanding demolition of the bugged Embassy.

Congress also turned their guns on the intelligence community, citing its failure to deal vigorously with counterintelligence threats. Also attacked was the FBI, who, Congress felt, didn't protest loudly enough against the location of the Soviet Embassy in Washington, or the construction terms. The FBI, Congress stated, failed to step into the fray because it is traditionally a small player in the foreign policy arena. The CIA also was criticized for not realizing the sophistication of the Soviet-implanted listening devices. James Schlesinger, a prominent U.S. official, who headed up one of the many independent commissions looking into the Embassy construction scandal, reported to Congress that: we 'do not yet understand either the technology or the underlying strategy, 'In past years, the Soviets were sufficiently behind us that we were able to detect penetrations, and neutralize them. That was the assumption in building this facility. We now face a rising curve of Soviet technology, with no gap between what the Soviets can do and what we can do; indeed, in some areas they have been ahead of us. If one permits the Soviets to precast concrete columns and beams off-site, the prime party to blame is not the Soviets, but ourselves. We have presented them with too much opportunity, too much temptation for them to resist."

In 1989, recognizing that Congress would not allow it to manage the project in the same manner as the original failed effort, the State Department established a special project office, "MEBCO," The Moscow Embassy Buildings Control Office, which was placed organizationally outside of the Office of Foreign Buildings and under the Undersecretary for Management. The office was headed by a Navy engineer, a career officer who was brought out of retirement, and staffed jointly by personnel from the Department of State and the Intelligence Community. This was done purposefully, so that the earlier rancor between State and the IC as well as the internal bickering between the construction and security elements within State could be resolved at a higher bureaucratic level. A senior Foreign Service Officer position was established as the MEBCO deputy director – the job I held from 1996-1998. The purpose of the deputy position, among other things, was to serve as a "political" advisor to the MEBCO director, assisting him in steering through the shoals of the State Department's unique "culture." In principle, MEBCO was to bring together under one organizational umbrella, all aspects of project management: design, construction, security, acquisition, logistics, budget, schedules, staffing, quality control and oversight.

With the establishment of MEBCO, and the passage of time, by the early 1990s, the debate moved from angry rhetoric to a discussion on how to dig ourselves out of this embarrassing hole. Various options were debated: tear it down, sell it, use if solely for unclassified work and build a secure annex behind it. Finally, in 1993, the "Top Hat" solution was adopted: tear down the top two floors and build a new four story steel frame structure on top of the remaining structure, which would be the secure part of the building, in that it would contain none of the original Soviet material. The cost was estimated at $240 million, and funding at this level was included in the State Department's budget for fiscal years 1992 and 1993. As part of the funding bill, Congress required the Secretary of State to certify to Congress, with the concurrence of the head of the CIA, that the new building was secure for the handling of national security information – written, spoken, and processed.

In the meantime, of course, the Soviet Union collapsed and the new government of the Russian Federation emerged. The US negotiated conditions of construction for its new project, which was signed in 1992. The key provisions on the U.S. side were:

- Construction to be carried out only by American workers – a limit of 300 was established.

- All materials to be imported into Russia in containers which would be considered to be diplomatic pouches, with all the attendant rights and privileges under the Vienna Convention (i.e., no inspection, no bills of lading).

- US retained sole control over the building design in return for a commitment to build the building to U.S. specifications.

- The U.S. retained the right to keep the Existing Office Building (EOB)

- The U.S. obtained title to the original Soviet "Change Building Site" to be used as a camp for the American workers.

In return, the U.S. dropped all monetary claims against the Soviet contractor, and the Russians were allowed to occupy their Chancery building in Washington.

An interesting footnote to the demise of the Soviet Union and the early days of the Russian Federation was the gesture by the new Russian government, which turned over the KGB plans to bug the Embassy to our Ambassador, Robert Strauss in early 1992. While an interesting symbolic gesture, they really didn't tell us anything we hadn't discovered through our own exhaustive investigation after discovering the devices in 1985. Some Russians were horrified that the new government had taken this step, considering it an act of treason.

THE CURRENT PROJECT, 1994 TO DATE:

With the funding in place and the organizational structure to manage it, the project proceeded through the planning and design phases. The combined State/IC team developed a series of plans covering transit security, construction security, procurement security, and quality control and assurance. Efforts were made to keep the project in a low profile within the U.S. construction community.

The key differences between the current project, dubbed the "SCF" or Secure Chancery Facilities" are:

- Exclusive use of top secret cleared American Construction workers.
- No Russians allowed on the site, except for debris removal, outside of the building, under escort.
- Protection of knowledge of end destination and owner from domestic procurement system.
- Use of exclusively American construction materials (an interesting legal argument over the definition of what constitutes an "American product."
- No requirement to have the design shown to or approved by the Russians.
- Protection of special construction technology in procurement, in transit, in storage and at the site.
- A transit security program – containers are pouches, are couriered within Russia. Maintenance of a secure warehouse.

The project was subjected to intensive oversight from the Intelligence Community and the State Department's Office of the Inspector General. A key part of my role as MEBCO Deputy was to deal with the IC and the IG and ensure that they were kept in the information loop regarding project developments.

As the project progressed, the staff devoted to security oversight increased dramatically, in recognition of the need to develop a viable counterintelligence program, from the time of hiring of the construction workers, and through an intensive program of briefings and "reporting" of contacts by the workers after they deployed. The "non-frat" policy from the earlier project no longer applies to any State Department official, so this is a very different environment from the earlier project.

The project proceeded to bid and contract by the spring of 1996. A joint venture of three U.S. firms was awarded the contract and the first American workers deployed in the

summer of 1996. A camp for 300 workers was shipped over to Moscow and erected within two months. A government team consisting of a State Department Project Director, security, and engineering officers, deployed at this time as well.

At the mid-point of actual construction, the effort still faces a number of special, yet manageable challenges, among them:

- Post relations – the Embassy, while looking forward to having the project completed, at the same time had little tolerance for the noise and disruption of having the project take place in the midst of their housing complex. The on-site project director has had to devote considerable time dealing with these issues with the Ambassador, Deputy Chief of Mission and Administrative Minister-Counselor.

- Design Changes – the design was done in 1994. By the time construction began in 1996, new changes in information technology led to new expectations on the part of the Embassy staff. New Embassy personnel who had not seen the original design requested changes to office configurations and space allocations. Understandably, project personnel resisted these changes, as they usually were costly and caused schedule delays. Nonetheless, several changes were adopted, including a more robust information technology "backbone" reflecting the growing use of the Internet in Embassy operations since the original design had been completed.

- Master Planning – As the project progressed, the State Department, through the Office of Foreign Buildings Operations, which will inherit management of the facility when MEBCO is through, began a Master Planning effort to rationalize use of the entire compound. Central to this effort is determining how to improve the consular operation. Our visa business is skyrocketing. The new Embassy, as designed in the mid -1970s was supposed to include a consular operation. It became evident by the early 1990s that this would never work. The consular function still remains in the Existing Office Building (EOB), and FBO is still wrestling with the various options and their costs for dealing with this problem after the SCF is complete.

- Relations with the Contractor – As it is to be expected, the project's complexity and visibility has led to a number of negotiated changes to the construction contract. Often these were adopted in the spirit of "partnering." Others were less cordial.

- Relations with the Russians – Although the project is governed by a new 1992 Agreement on Conditions of Construction, in reality, the project is held hostage by the Moscow Mayor, Lushkov, who seems to object to the fact that the agreement was hammered out between the USG and the MFA, with no involvement by the City of Moscow. He has interfered with the provision of staging areas for our materials, and the temporary relocation of the outside Embassy perimeter wall. It has been an annoyance, but has not caused delays.

At this time, the project is slated for completion in the spring of 2000, about eight months later than planned. The delays are due to a variety of reasons – more requirements built into the contract – some security driven, some design changes I already mentioned, some due to weather, some due to contractor logistical problems. At this point, the project is still expected to come in within budget.

As the Moscow project approaches completion, the State Department is already planning for a massive project to upgrade our diplomatic and consular facilities in China, with a new Embassy complex in Beijing as the centerpiece. It is clear that the State Department's intent is to take the "lessons learned" over the long and controversial history of the Moscow project and apply them to the China project so as to avoid the same pitfalls and embarrassment that befell the Moscow effort.