

FF040
E/W - U.S. ENVOY TO HUNGARY RESIGNS
(W/CN 7)

B-WIRE

27-JAN-90 06:49

WASHINGTON, JAN. 27 (SPECIAL) - THE FOLLOWING ARTICLE BY WALTER PINCUS AND ANN DEVROY APPEARS TODAY IN THE WASHINGTON POST:

WASHINGTON - MARK PALMER, THE U.S. AMBASSADOR TO HUNGARY, ABRUPTLY ACCELERATED HIS RESIGNATION FRIDAY AND PREPARED TO RETURN TO WASHINGTON NEXT WEEK. THE STATE DEPARTMENT EXPLAINED PALMER'S MOVE AS A REACTION TO "A GROWING PERCEPTION THAT HIS PLANNED FUTURE EMPLOYMENT APPEARED TO CONFLICT WITH HIS CURRENT DUTIES," ACCORDING TO DEPARTMENT SPOKESMAN MARGARET TUTWILER.

PALMER, A CAREER FOREIGN SERVICE OFFICER, WAS NAMED CHIEF EXECUTIVE THURSDAY OF A NEW CONSORTIUM OF NORTH AMERICAN FINANCIERS PLANNING LARGE INVESTMENT DEALS IN EASTERN EUROPE, INCLUDING THE \$10 MILLION PURCHASE THIS WEEK OF HALF INTEREST IN A HUNGARIAN BANK.

FRIDAY NIGHT PALMER RELEASED A STATEMENT IN BUDAPEST THAT SAID, "IN VIEW OF THE INTEREST GENERATED BY MY NEW POSITION AND IN ORDER TO AVOID ANY POSSIBLE APPEARANCE OF CONFLICT OF INTEREST, I AM RESIGNING." HE SAID THE DECISION TO RESIGN WAS HIS, ADDING THAT HE EXPECTS TO LEAVE BUDAPEST ON WEDNESDAY. THE STATE DEPARTMENT SAID THE EMBASSY'S NO. 2 OFFICIAL, DONALD KURSCH, TOOK OVER AS CHARGE D'AFFAIRES FRIDAY NIGHT.

AT THE STATE DEPARTMENT, TUTWILER, ASKED WHETHER PALMER WAS FORCED TO ADVANCE HIS RESIGNATION AND LEAVE HUNGARY, SAID THAT, IN LIGHT OF THE ANNOUNCEMENT OF HIS NEW POST, "OFFICIALS DISCUSSED WITH AMBASSADOR PALMER A GROWING PERCEPTION THAT HIS PLANNED FUTURE EMPLOYMENT APPEARED TO CONFLICT WITH HIS CURRENT DUTIES." SHE SAID PALMER "DECIDED" TO RESIGN.

PALMER NOTIFIED THE STATE DEPARTMENT SEVERAL WEEKS AGO THAT HE PLANNED TO LEAVE GOVERNMENT AS OF JULY TO TAKE A NEW POST AND CONSULTED AN ATTORNEY IN THE OFFICE OF LEGAL COUNSEL ON PROPER PROCEDURE. DEPARTMENT COUNSEL ABRAHAM D. SOFAER SAID FRIDAY NIGHT, "MY LAWYER MADE A TERRIBLE MISTAKE" AND GAVE PALMER INCORRECT ADVICE ABOUT THE PROCEDURES HE SHOULD FOLLOW TO CONTINUE SERVING AS AMBASSADOR AFTER ACCEPTING HIS NEW JOB.

SOFAER SAID NO ONE AT A SENIOR LEVEL WAS TOLD PALMER WAS NEGOTIATING FOR A NEW JOB THAT WOULD INVOLVE EXTENSIVE BUSINESS IN THE COUNTRY WHERE HE IS SERVING. NO SENIOR OFFICIAL AT THE DEPARTMENT HAD EXAMINED THE ISSUE OF HOW HE COULD SERVE AS AMBASSADOR FOR SEVERAL MORE MONTHS IF HE HAD TO RECUSE HIMSELF FROM ECONOMIC AND TRADE ISSUES. PALMER HAD PLANNED TO STAY ON AS AMBASSADOR THROUGH HUNGARY'S ELECTIONS, SCHEDULED FOR MARCH.

IN A TELEPHONE INTERVIEW FROM HUNGARY, PALMER SAID HE WAS IN WASHINGTON TWO WEEKS AGO WHEN THE OFFER TO BE THE CHIEF EXECUTIVE OFFICER OF THE CENTRAL EUROPEAN DEVELOPMENT CORP. WAS MADE TO HIM.

THE CORPORATION, WHOSE EXISTENCE AND PRINCIPAL OFFICERS WERE ANNOUNCED THURSDAY, PLANS TO CONCENTRATE ON INVESTMENTS IN TOURISM, COMMUNICATIONS AND COMMERCIAL REAL ESTATE, INITIALLY IN HUNGARY AND CZECHOSLOVAKIA. RONALD S. LAUDER, HEIR TO THE LAUDER PERFUME FORTUNE AND A FORMER U.S. AMBASSADOR TO AUSTRIA, IS PRINCIPAL OWNER OF THE FIRM.

PALMER SAID HE DISCUSSED THE MATTER WITH DEPUTY SECRETARY OF STATE LAWRENCE S. EAGLEBURGER, EDWARD J. PERKINS, DIRECTOR GENERAL OF THE FOREIGN SERVICE, AND LAWYERS IN THE OFFICE OF LEGAL COUNSEL. "I WAS EXTREMELY CAREFUL," HE SAID.

AFTER ACCEPTING THE JOB, PALMER SAID, HE FOLLOWED THE ADVICE GIVEN TO HIM BY THE ATTORNEY ON SOFAER'S STAFF - THE ADVICE SOFAER SAID FRIDAY NIGHT WAS WRONG. STATE DEPARTMENT OFFICIALS SAID PALMER FOLLOWED NEITHER THE FULL PROCEDURE FOR HANDLING OFFERS OF PRIVATE EMPLOYMENT WHILE STILL IN GOVERNMENT NOR THE FULL PROCEDURE FOR REMOVING ONESELF FROM THE CONDUCT OF PUBLIC BUSINESS IF CONFLICTS ARE POSSIBLE. SOFAER BLAMED THIS ON THE DEPARTMENT LAWYER WHO GAVE PALMER BAD ADVICE. (PTO)

FFD41 B-WIRE
E/W - (1) U.S. ENVOY TO HUNGARY RESIGNS

27-JAN-90 06:52

PALMER SAID IT WAS THE STATE DEPARTMENT THAT WANTED HIM TO STAY IN BUDAPEST THROUGH THE HUNGARIAN ELECTIONS IN MARCH. "I WOULD HAVE LEFT EARLIER."

PALMER SAID "THE DEPARTMENT, OR PART OF THE DEPARTMENT, FELT I SHOULD STAY THROUGH THE ELECTION," ADDING, "I WOULD HAVE LEFT EARLIER." NOW, HE SAID, THE DEPARTMENT "SEEMS TO FEEL THAT I SHOULD EXPEDITE MY DEPARTURE."

PALMER, 48, HAS BEEN THE ENVOY IN BUDAPEST SINCE DECEMBER 1986. FOR FOUR YEARS BEFORE THAT HE SERVED AS DEPUTY ASSISTANT SECRETARY OF STATE FOR SOVIET AND EASTERN EUROPEAN AFFAIRS. FOR HIS NEXT POST, HE HAD SOUGHT THE JOB OF AMBASSADOR TO THE SOVIET UNION. A STATE DEPARTMENT OFFICIAL SAID HE WAS TOLD "SEVERAL WEEKS AGO" THAT HE WOULD NOT BE GETTING THE MOSCOW JOB. AM/SF