

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#2a report	Classified Notes Secret <i>open 12-17-92 NLJ 91-333</i> 3 p	n.d.	A
#4a report	Appendix B: American Students in Post-War International Affairs 12 p Confidential <i>open 7-31-92 NLJ 91-331</i>	n.d.	A
#5a report	Appendix C: Coordination ... 8 p Secret <i>Sanitized 10-18-93 NLJ 91-330</i> <i>more info released 7/2/02 NLS/PAL 00-432 Appeal</i>	02/27/67	A
#8e report	Attachment 2: An American Council 2 p Confidential <i>Sanitized 12-17-92 NLJ 91-333</i>	n.d.	A
#8g memo	Charles Frankel to Katzenbach and Kohler re Int'l Education 9 p Confidential <i>open 7-31-92 NLJ 91-331</i>	02/23/67	A
#14 memo	Charles Frankel to Douglass Cater 1 p Confidential <i>open 11-15-91 NLJ 91-331</i>	04/04/67	A
#15 draft memo	Rusk to President 5 p Secret <i>Sanitized 7-31-92 NLJ 91-331</i>	04/04/67	A
#16 memo	Rusk to President 3 p Secret <i>Sanitized 7-31-92 NLJ 91-331</i>	04/05/67	A
#18 list	Organizations ... <i>open 11-15-91 NLJ 91-331</i> 1 p Secret	n.d.	A
#20 list	Organization ... 1968 Program " 1 p Secret	n.d.	A
#21 chart	Estimate Annual ... " 1 p Secret	n.d.	A
#7a report	Procedures Imposed On ... Secret <i>Sanitized 10-18-93 NLJ 91-330</i> 7 p	2-27-67	A

FILE LOCATION

Confidential File, Oversize Attachments, Packet #4, Box 193

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
 (B) Closed by statute or by the agency which originated the document.
 (C) Closed in accordance with restrictions contained in the donor's deed of gift.

1

The 8-page report which follows is unclassified.
The notes and appendices which follow the report,
however, are classified, containing Secret/Sensitive,
Secret, and Confidential material.

1a

THE UNDER SECRETARY OF STATE
WASHINGTON

March 24, 1967

Dear Mr. President:

The committee which you appointed on February 15, 1967 has sought, pursuant to your request:

--To review relationships between government agencies, notably the Central Intelligence Agency, and educational and private voluntary organizations which operate abroad; and

--To recommend means to help assure that such organizations can play their proper and vital role abroad.

The committee has held a number of meetings, interviewed dozens of individuals in and out of government, and reviewed thousands of pages of reports. We have surveyed the relevant activities of a number of federal agencies. And we have reviewed in particular and specific detail the relationship between CIA and each relevant organization.

Our report, supplemented with supporting classified documents, follows.

In summary, the committee offers two basic recommendations:

1. It should be the policy of the United States Government that no federal agency shall provide any covert financial

The President

The White House.

assistance or support, direct or indirect, to any of the nation's educational or private voluntary organizations.

2. The Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support.

1: A NEW POLICY

The years immediately after World War II saw a surge of communist activity in organizations throughout the world. Students, scientists, veterans, women and professional groups were organized into international bodies which spoke in the cadences, advocated the policies, and furthered the interests of the communist bloc. Much of this activity was organized, directed, and financed covertly by communist governments.

American organizations reacted from the first. The young men and women who founded the United States National Student Association, for example, did so precisely to give American youth the capacity to hold their own in the international arena. But the importance of students as a force in international events had yet to become widely understood and NSA found it difficult to attract private support for its international activities. Accordingly, the United States Government, acting through the Central Intelligence Agency, provided support for this overseas work.

We have taken NSA as an example. While no useful purpose would be served by detailing any other CIA programs of assistance to private American voluntary organizations, one fundamental point should be clearly stated: such assistance was given pursuant to National Security Council policies beginning in October, 1951 and with the subsequent concurrence of high-level senior interdepartmental review committees in the last four Administrations. In December, 1960, in a classified report submitted after a year of study, a public-private Presidential Committee on Information Activities Abroad specifically endorsed both overt and covert programs, including those assisted by CIA.

Our study, undertaken at a later time, discloses new developments which suggest that we should now re-examine these policies. The American public, for example, has become increasingly aware of the importance of the complex forms of international competition between free societies and communist states. As this awareness has grown, so have potential sources of support for the overseas work of private organizations.

There is no precise index to these sources, but their increase is suggested by the growth in the number of private foundations from 2,220 in 1955 to 18,000 in 1967. Hence it is increasingly possible for organizations like NSA to seek support for overseas activities from open sources.

Just as sources of support have increased, so has the number of American groups engaged in overseas work. According to the Agency for International Development, there has been a nine-fold increase just among voluntary organizations which participate in technical assistance abroad, rising from 24 in 1951 to 220 in 1965. The total of all private American voluntary groups now working overseas may well exceed a thousand.

The number of such organizations which has been assisted covertly is a small fraction of the total. The vast preponderance have had no relationship with the government or have accepted only open government funds--which greatly exceed funds supplied covertly.

The work of private American organizations, in a host of fields, has been of great benefit to scores of countries. That benefit must not be impaired by foreign doubts about the independence of these organizations. The committee believes it is essential for the United States to underscore that independence immediately and decisively.

For these reasons, the committee recommends the following:

STATEMENT OF POLICY

No federal agency shall provide any covert financial assistance or support, direct or indirect, to any of the nation's educational or private voluntary organizations. This policy specifically applies to all foreign activities of such organizations and it reaffirms present policy with respect to their domestic activities.

Where such support has been given, it will be terminated as quickly as possible without destroying valuable private organizations before they can seek new means of support. On the basis of our case-by-case review, we expect that the process of termination would be completed by December 31, 1967.

We believe that, particularly in the light of recent publicity, establishment of a clear policy of this kind is the only way for the government to carry out two important responsibilities. One is to avoid any implication that governmental assistance, because it is given covertly, is used to affect the policies of private voluntary groups. The second responsibility is to make it plain in all foreign countries that the activities of private American groups abroad are, in fact, private.

The committee has sought carefully to assess the impact of this Statement of Policy on CIA. We have reviewed each relevant program of assistance carried out by the Agency in case-by-case detail. As a result of this scrutiny, the committee is satisfied that application of the Statement of Policy will not unduly handicap the Agency in the exercise of its national security responsibilities. Indeed, it should be noted that, starting well before the appearance of recent publicity, CIA had initiated and pursued efforts to disengage from certain of these activities.

The committee also recommends that the implementation of this policy be supervised by the senior interdepartmental

review committee which already passes on proposed CIA activities and which would review and assist in the process of disengagement.*

2: NEW METHODS OF SUPPORT

While our first recommendation seeks to insure the independence of private voluntary organizations, it does not deal with an underlying problem--how to support the national need for, and the intrinsic worth of, their efforts abroad.

Anyone who has the slightest familiarity with intellectual or youth groups abroad knows that free institutions continue to be under bitter, continuous attack, some of it carefully organized and well-financed, all of it potentially dangerous to this nation.

It is of the greatest importance to our future and to the future of free institutions everywhere that other nations, especially their young people, know and understand American viewpoints. There is no better way to meet this need than through the activity of private American organizations.

* If the Statement of Policy is to be effective, it must be rigorously enforced. In the judgment of this committee, no programs currently would justify any exception to this policy. At the same time, where the security of the nation may be at stake, it is impossible for this committee to state categorically now that there will never be a contingency in which overriding national security interests may require an exception--nor would it be credible to enunciate a policy which purported to do so.

We therefore recommend that, in the event of such unusual contingencies, the interdepartmental review committee be permitted to make exceptions to the Statement of Policy, but only where overriding national security interests so require; only on a case-by-case basis; only where open sources of support are shown to be unavailable; and only when such exceptions receive the specific approval of the Secretaries of State and Defense. In no event should any future exception be approved which involves any educational, philanthropic, or cultural organization.

The time has surely come for the government to help support such activity in a mature, open manner.

Some progress toward that aim already has been made. In recent years, a number of federal agencies have developed contracts, grants, and other forms of open assistance to private organizations for overseas activities. This assistance, however, does not deal with a major aspect of the problem. A number of organizations cannot, without hampering their effectiveness as independent bodies, accept funds directly from government agencies.

The committee therefore recommends that the Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support.

Such a mechanism could take various forms. One promising proposal, advanced by Mr. Eugene Black, calls for a publicly funded but privately administered body patterned on the British Council.

The British Council established in 1934, operates in 80 countries, administering approximately \$30,000,000 annually for reference libraries, exhibitions, scholarships, international conferences, and cultural exchanges. Because 21 of its 30 members are drawn from private life, the Council has maintained a reputation for independence, even though 90 percent of its funds are governmental.

According to the UNESCO Directory of Cultural Relations Services, other nations have developed somewhat similar institutions. The Indian Council for Cultural Relations, for example, is entirely government-financed but operates autonomously. The governing body of the Swedish Institute for Cultural Relations consists of both government and private members. This institute receives 75 percent of its funds from the government and the remainder from private contributions.

The experience of these and other countries helps to demonstrate the desirability of a similar body in the United States, wholly or largely funded by the federal government. Another approach might be the establishment of a governmental foundation, perhaps with links to the existing Federal Inter-Agency Council on International Education and Cultural Affairs.

Such a public-private body would not be new to the United States. Congress established the Smithsonian Institution, for example, more than a century ago as a private corporation, under the guardianship of Congress, but governed by a mixed public-private Board of Regents.

The committee began a preliminary study of what might be the best method of meeting the present need. It is evident, however, that, because of the great range both of existing government and private philanthropic programs, the refinement of alternatives and selection among them is a task of considerable complexity. Accordingly, we do not believe that this exclusively governmental committee is an appropriate forum for the task and we recommend, instead, the appointment of a larger group, including individuals in private life with extensive experience in this field.

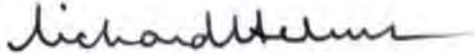
The basic principle, in any event, is clear. Such a new institution would involve government funds. It might well involve government officials. But a premium must be placed on the involvement of private citizens and the exercise of private judgments, for to be effective, it would have to have--and be recognized to have--a high degree of independence.

The prompt creation of such an institution, based on this principle, would fill an important--and never more apparent--national need.

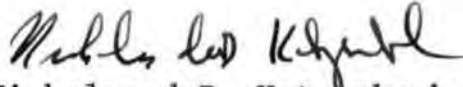
Respectfully,

A handwritten signature in dark ink, appearing to read "John W. Gardner", with a long horizontal flourish extending to the right.

John W. Gardner
Secretary of
Health, Education and Welfare

A handwritten signature in dark ink, appearing to read "Richard Helms", with a long horizontal flourish extending to the right.

Richard Helms
Director of
Central Intelligence

A handwritten signature in dark ink, appearing to read "Nicholas deB. Katzenbach", with a long horizontal flourish extending to the right.

Nicholas deB. Katzenbach
Under Secretary of State,
Chairman

2a

~~SECRET/SENSITIVE~~

~~(SECRET/SENSITIVE, SECRET and
CONFIDENTIAL ATTACHMENTS)~~

CLASSIFIED NOTES

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 91-333

By ing, NARA, Date 12-10-92

(These notes contain recommendations and interpretations relevant to the 303 Committee which are inappropriate for inclusion in the public report; references to classified appendices; and references to materials, both classified and unclassified, which should be made public, if at all, by the successor committee which we recommend should explore the question of a quasi-private funding mechanism).

1. (Page 1 of Public Report). The mandate of the committee is drawn from the Statement by Under Secretary Katzenbach, February 15, 1967, issued at the direction of the President. See UNCLASSIFIED Appendix A.

2. (Page 1). In addition to CIA, the committee secured reports from the Department of State, Bureau of Educational and Cultural Affairs; Department of Defense; Agency for International Development; Peace Corps; Department of Health, Education, and Welfare; National Science Foundation. Since none of these agencies engage in any covert assistance to relevant organizations, their reports (some CONFIDENTIAL)--in some cases voluminous--are not appended and will be supplied to the recommended successor committee.

3. (Page 2). See CONFIDENTIAL Appendix B for a detailed account, "American Students in Post-War International Affairs," prepared for the Committee by the office of the Special Assistant for Youth, Department of State.

4. (Page 2). See SECRET/SENSITIVE Appendix C for a description of the various approval mechanisms from 1947 to the present, "Coordination and Policy Approval of Covert Operations," dated 23 February 1967 and prepared at the Committee's request by CIA.

5. (Page 3). The Presidential Committee referred to was chaired by Mr. Mansfield Sprague of the American Machine Foundry

~~SECRET/SENSITIVE~~

~~SECRET/SENSITIVE~~

-2-

Corporation and included Allen Dulles, George V. Allen, and Gordon Gray among its public and private members. The assertion in the New York Times on February 24, 1967, pp. 1, 16, ("It was learned that an outside study group assigned in 1960 to review the agency's secret funding of the National Student Association and other non-Government organizations had strongly recommended the liquidation of such programs...") is strikingly inaccurate. (See Mr. Sprague's letter to the New York Times, UNCLASSIFIED Appendix D). Of the 62 pages in the SECRET Sprague Report proper, less than one deals with even the general subject, and only 2 of the 29 pages of appendices do so. These references are uniformly approving:

"Openness has been and should remain the ideal and eventual objective of U.S. information efforts. But the rough reality is that under present circumstances the world is too full of skepticism about governmental propaganda and too full of Communist efforts to poison the flow of international communications, to allow the U.S. Government to lay aside the weapon of unattributed or covert information activity. Indeed, the probability is that in coming years the necessity and usefulness of this approach will grow, not decline.

"The Committee, therefore, firmly endorses the importance and propriety of unattributed information activity...One technique in particular deserves to be used more extensively by CIA, viz., the creation and use of 'proprieties' (Organizations controlled and financed by the United States). These have impressively demonstrated their power and effectiveness in carrying out certain informational tasks...

"Closely related...is the problem of exposing, harassing, and, wherever possible, undermining the Communist parties and their various subsidiary and front organizations which are operating in the Free World...All of these situations call for an even more vigorous effort on our part to supplement present activities and to develop further programs of action, overt and covert, to counter the international Communist threat..." (pp. 17-18).

~~SECRET/SENSITIVE~~

~~SECRET/SENSITIVE~~

-3-

6. (Page 5). In the past it has been the responsibility of the 303 Committee to analyze and pass on specific CIA proposals on a case-by-case basis. We recommend that this responsibility now be enlarged and that the 303 Committee make periodic--perhaps quarterly--appraisals of all activities in this field, including disengagement from present activities pursuant to the Statement of Policy, and any future exceptions. Such appraisals would permit evaluation of possible cumulative effects not evident from case-by-case review.

Second, to add views which are independent of agency orientation and which are supported by a well-informed staff, we recommend that the Director of the Bureau of the Budget join with the 303 Committee for the purpose of assisting in these periodic appraisals.

(Also see SECRET/SENSITIVE Appendix E, paper entitled, "Procedures Imposed on CIA Projects to Prevent Misuse of Funds," 27 February 1967, prepared for the committee by CIA).

7. (Pages 6-7). See UNCLASSIFIED Appendix F for paper entitled, "Creating an American Adaptation of the British Council" and draft legislation prepared by CIA SECRET background papers, under cover of February 23, 1967, prepared for the committee staff by the Bureau of the Budget and a CONFIDENTIAL memorandum from Charles Frankel dated February 23, 1967, advancing the idea of a semi-autonomous federal foundation.

8. (Page 7). The committee has consulted privately with William Marvel and Herman Wells, Education and World Affairs; A. Merrimon Cunnigim, Danforth Foundation; Everett Case, Sloan Foundation; Alan Pifer, Carnegie Foundation; J. George Harrar, Rockefeller Foundation, McGeorge Bundy, Ford Foundation. We invited their confidential views on future funding arrangements and expect soon to receive a joint report which is likely to be of substantial benefit to the successor committee we recommend.

9. A copy of Under Secretary Katzenbach's letter to the President of February 22, 1967 appears as UNCLASSIFIED Appendix G.

~~SECRET/SENSITIVE~~

3

A

February 15, 1967

STATEMENT BY MR. KATZENBACH

The President believes strongly that the integrity and independence of the education community must be preserved. He has directed a careful review of any government activities that may endanger this integrity and independence.

He has further directed me, in consultation with Secretary Gardner and Director Helms, to formulate a policy which will provide necessary guidance for government agencies in their relationship to the international activities of American educational organizations.

At the same time, the President recognizes the great need of America's private organizations to participate in the world community. Other countries provide heavy subsidy for such activities. He has asked me to explore means for assuring that U.S. organizations play their proper and vital role.

4

B

AMERICAN STUDENTS IN
POST-WAR INTERNATIONAL AFFAIRS

Across a narrow table at the student union building in Prague in the spring of 1947, student representatives of East and West argued a program detail: Would an upcoming Calcutta conference, scheduled for February of the following year, be limited to university students, or would it embrace other youth as well? Would it be sponsored solely by the International Union of Students? Or would it be a joint venture of IUS and the World Federation of Democratic Youth?

For close to three hours the debate was pressed, one side led by the Soviets' Aleksandr Shelepin--subsequently to become head of the Soviet Security Ministry, the KGB--the other by the young American just out of college who was serving as interim representative of U.S. students.

At stake, it seemed clear to the American, was the degree of Communist influence that would be exerted at Calcutta on the university students of Southeast Asia, recognized by both sides as the future leaders of their countries. The West still had some say in the IUS, but in any joint effort with the World Federation of Democratic Youth, Soviet influence would overwhelm the democratic elements. The American's side lost.

The resulting "Conference of Youth and Students of Southeast Asia Fighting for Freedom and Independence"--one of three in Calcutta that spring--was of more than casual interest. Some observers have suggested that participants at the three conferences were used by Moscow to transmit its views regarding Communist insurrections in Burma, Malaya and Indonesia. While it is quite probable that orders, if they existed, were passed through a more direct channel, nevertheless the guidance, exhortations and aid given by the IUS and WFDY conference leaders to Communist youth groups from these countries doubtless provided significant support.

It was into this tough, tense world of political maneuvering that the U.S. National Student Association entered when it

~~CONFIDENTIAL~~

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 91-331

By 410 NARA, Date 7-27-92

~~CONFIDENTIAL~~

-2-

was organized six months later. When the original officers came to the State Department early in 1948 to discuss their plan to send observers to the IUS, they were dismissed with a lecture on their youthful naivete.

Without coaching and without briefing, responsible student leaders came to recognize the nature of the struggle they were involved in. They assessed the situation and decided--again, by themselves--that action was required. And notwithstanding the unconventional funding eventually resorted to, the students pursued the conflict on their own terms.

Theirs was not the only American private association to find itself engaged with elements that were old hands at the use of organizations as weapons in the struggle for power. Trade unionists, journalists, veterans groups, intellectuals--all felt the pressure.

Democratic unions pulled out of the Communist-dominated World Federation of Trade Unions in 1949 and formed the rival International Confederation of Free Trade Unions. Since then, through training schools and travel grants, scholarships and conferences, a bitter, costly confrontation has been underway in villages and towns all over the globe.

Journalists of East and West met together in the International Organization of Journalists when it was formed just after the Second World War, but from their key posts Communists gradually transformed it into what its first president called "a branch office of the Cominform." Non-Communist groups abandoned the IOJ and in 1952 set up the International Federation of Journalists.

Women were organized into the Women's International Democratic Federation, scientists into the World Federation of Scientific Workers, veterans into the Federation Internationale des Resistants. All were Communist-controlled, and all aimed to reach and influence the relevant professions and trades in the West and the developing areas.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-3-

The struggle, to be sure, was taking place on an international level. There is no way, however, to play a role in international federations except through a national affiliate, and thus the domestic organizations in the U.S. found themselves with the ball.

The history of the times probably is illuminated best by the experience of the American students and their national organization.

The International Is Founded

The founding congress of the International Union of Students, held in Prague in the summer of 1946, foreshadowed the troubles that lay ahead.

Many non-Communist countries were represented, the U.S. by a group of 25 delegates--khaki-shirted young World War II veterans in large part, then in college under the GI Bill and eager to take a hand in shaping a better world. They later became known as the Prague 25. For them, an international student federation would be a kind of United Nations at the student level, an instrument for peace and understanding.

But conflict began with the work of the Credentials Committee. In ruling on official delegates, the committee selected the Communist student group of India to organize that delegation; and it cut the Italian delegation, on which Communists were a small minority, from 20 to 10 (the Italian non-Communists walked out). All 24 of the USSR delegates were admitted, however, and business began with a clear Communist majority in place. Next, the agenda that had been prepared and circulated four months earlier by the International Preparatory Committee was discarded, and a new 25-page substitute passed out.

In a vain effort to resist the majority, some of the Americans caucused with moderate elements in the Western delegations, and in a nearby beer hall Catholics on the American delegation and Catholics from Hungary, Czechoslovakia and Poland put their heads together. Before the conference was over, the Dutch had withdrawn from the IUS, charging lack of respect for the rights of minority opinions.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-4-

And Then NSA

Despite misgivings about the IUS, the American delegates returned from Prague convinced that this country needed a strong national student organization to hold its own in the international arena. Unquestionably any student association would have important national concerns as well; but the 25 Americans who had observed the international give and take at Prague, the strength, effectiveness and recognition of the bodies represented there wished primarily to see an American organization that could affiliate with the federation and make the weight of its opinions felt in world student affairs.

The 25 took the initiative. With other representatives from universities and colleges across the land, they helped form, in 1947, the U.S. National Student Association. Headlines were telling of guerrilla warfare in Greece and the Truman Doctrine; the Berlin blockade was still months off. While favoring some links with the IUS, many student leaders were wary of that Communist-dominated federation.

The Rupture

Before even a conditional affiliation could be worked out, events brought a rupture to NSA-IUS negotiations. The Czech coup d'etat of February 1948 was decisive. Prague student demonstrations in behalf of the parliamentary form of government were suppressed, and more than 100 students were arrested. An NSA observer who had been present as the students moved up the hill to Hradcany Castle asked for an IUS protest. When the IUS sided with the Communists against the students, rejecting the appeal for a protest, NSA announced that relationships were terminated, and the American vice-president of IUS resigned.

The Czech coup was not the only evidence that IUS had become simply a Soviet front. When Stalin expelled Tito from the Cominform, the Yugoslav Union of Students suddenly found itself expelled from IUS, in violation of the constitution, on grounds that it supported the "fascist oppression" of Tito's government.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-5-

Then in 1950, two months after the start of the Korean war, the second IUS congress assembled. The first session saw a frenzied demonstration. As NSA observers looked on, delegates hoisted the North Korean representatives to their shoulders and marched around the hall amid cheering and singing.

For American student leaders, this was a turning point; any lingering thoughts of possible cooperation were abandoned. East and West went their separate ways.

After the Czech coup, the IUS was ruled from Moscow. Its resolutions mirrored Soviet foreign policy, its officials for the most part have been Communists, and its funds have been donated by the governments of Eastern Europe.

The Soviets also had firm control of the World Federation of Democratic Youth, a catch-all front for people defined as "youth" by the elastic Communist calendar.

The Youth Festivals

By 1947, WFDY and IUS were so tightly organized and controlled that they were able to stage the first of eight lavishly produced and financed spectacles: the World Youth Festival. At that first Festival, held in Prague and attended by 20,000 of the world's students and youth, handsome exhibits portrayed the glories of life in the East European peoples' democracies. The American exhibit is chiefly remembered for a large poster showing a Negro hanging from a tree; the caption said 70 Negroes had been lynched in the U.S. since V-J Day. An American student representative in Prague recalls that repeated attempts to enlist the American Embassy's help in getting a representative U.S. delegation to the Festival ran into a blank wall.

The Festival in Prague in 1947 was followed by one in Budapest in 1949, in East Berlin in 1951--that one brought the West awake--in Bucharest in 1953, Warsaw 1955, and the big Sixth World Youth Festival in Moscow in 1957. With 34,000 participants and travel grants to provide, it is estimated that the Moscow production cost the sponsors many tens of millions of dollars.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-6-

By 1959, the Soviets were ready to risk staging the seventh Festival outside the Iron Curtain, in Vienna. Here was terrain in which to operate. The earlier U.S. Government position discouraging attendance was changed to permit the first real American confrontation with the Communist fronts at the popular level.

The American delegation this time was large and more nearly representative. Thousands of participants visited the American information center, set up under the auspices of the Independent Research Service; and while Vienna newspapers adhered to their decision to print no word about the Festival, a Western-operated press turned out a special daily in four languages with an accurate account of proceedings--from the West's point of view--and news of upcoming events.

The eighth Festival was brought off with some difficulty in Helsinki in 1962. Once again, a Western-edited daily became the chief source of Festival information, including the news of dissident members of an East German delegation detained aboard a ship. A "Young America Presents" exhibit with jazz bands, poetry readings, records and books was accompanied by half a hundred university students ready to exchange ideas with anyone. As at Vienna, the organized American effort was coordinated by the Independent Research Service.

Although the Festivals drew the big headlines, probably the year-in, year-out work of the fronts was at least as important for communism's expansive purposes. The annual operating budget for the IUS, exclusive of Festivals, is estimated to be in the neighborhood of \$1,000,000. The money finances a variety of publications, scholarships for study in Communist countries, travel of individuals and delegations to conferences and seminars, and staff travel for on-the-spot guidance to student movements in the regions of greatest interest.

The New Nations Drawn In

The Communist-front IUS was strong, and it was attractive to students of the developing nations whom it encouraged in

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-7-

their aspirations for political freedom and social justice. These students of the Third World were eager for international contact; they wanted support for their national movements, and they wanted the give and take of an international forum. An alternative to the Communist front group, however, did not exist.

It was not American newspapers or American foundations--and certainly not the U.S. Government--that first spotted the problem and saw its significance. In this country few forces have been so little understood or so vastly underrated as the world's organized students and youth. Virtually alone among Americans, the leaders of the National Student Association recognized their significance and analyzed the problem.

NSA observers back from the 1950 Prague meeting that had lionized the North Koreans were convinced that a special effort was needed if NSA were to meet its responsibilities to the international student community.

"We knew that it was going to be two worlds for awhile," recalls a former NSA member, a veteran of IUS negotiating sessions, "and that we were in for a vicious fight. At that point the chips were down."

An Alternative to the Communist Front

At Christmastime in 1950, the NSA president, borrowing money for his passage, left with other American representatives for Stockholm to meet with delegates of 20 other national student groups. Murmurings had been heard earlier that year when West European and American student leaders participated in a summer seminar in Germany. Some at the seminar had serious misgivings about the West's role in the IUS and spoke openly of a rival organization. Some were going on to the IUS session; they would wait and see how things went at Prague. The Stockholm meeting was the result.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-8-

NSA was by no means of one mind about a rival organization. The classic question of whether to work for change from inside or outside an entity had been argued within the association; the NSA Congress had turned aside one proposal for a new anti-Communist organization earlier in the year.

At Stockholm, an "alternative," though not a rival "organization," was shaped. It became the International Student Conference. NSA support for the move was important, but the leading or inspiring force came mainly from the Swedes.

The new grouping was to eschew controversial political questions and concentrate on practical cooperation with student unions of the developing nations. To attract Asians, Africans and Latin Americans, it was necessary that it not be mistaken as another Cold War instrument; most student leaders from the developing areas had little inclination to choose sides and become a part of the East-West struggle.

A year later, in January 1952, the Stockholm group decided to set up a Coordinating Secretariat in Leiden, the Netherlands. By 1953 they had delegated 26 projects to participating unions, planned increased support for the Student Mutual Assistance Program, and made plans to send an international team to visit educational centers in Africa.

African and Asian student unions responded, and by 1954 there were 42 participants in the International Student Conference. Now only five nationally representative student unions outside the Iron Curtain remained with IUS. New projects were planned by the ISC: an exchange of information and technical teams, seminars and work camps, a student press conference. There were publications, good-will delegations and regional conferences to come. Grants from the Foundation for Youth and Student Affairs in New York were helping to make them possible.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-9-

At Home, Assault From the Right

With a new international student organization free from Communist control coming to life, the Americans considered it important to develop effective relations with these democratic student unions now loosely banded together.

But in the face of the challenge, the NSA of the early Fifties felt itself seriously handicapped.

Clearly, for an American body to establish relationships with the new student groups springing up around the southern half of the globe, it would be necessary to understand their revolutionary point of view and to speak to it.

But at home the United States was about to enter an era of blacklists, gray lists, suspicion and restriction. There was fear of Communist penetration of American institutions. Student and youth organizations, some of which had in fact been heavily penetrated in the depression days, were considered particularly susceptible--and hence particularly suspect.

Far from being encouraged to make common cause with the anti-colonial, socialistic young elites of the emerging nations, NSA instead was defending itself against assault from the Right. The experience at an Illinois college--a false report on campus that the House Un-American Affairs Committee had declared NSA Communist, then news headlines, a referendum, and withdrawal of membership--was typical of the times. An NSA officer's denunciation of the Berkeley loyalty oath brought a flood of protests charging communism. A packaged TV student forum program with NSA participants fought for its life on station after station.

Attempts to Finance a Program

Then there was the problem of money. NSA had begun on a shoestring. Later, a Philadelphia department store gave free office space in its building, and a newspaper friend coached

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-10-

the young officers in the art of writing proposals to foundations. Occasional grants of \$1500 or \$2000 for specific projects materialized. No one, however, had much time to devote to fund-raising.

And there was no answer to the problem of funding administrative costs--the supplies, salaries and publications, the travel of staff or of a fraternal delegation to other countries--that constitute the great bulk of the budget and that do not fit the "project" concept usually looked for by potential private donors.

Foundations were cautious about grants in the political field; in any case, they, like the government, knew little of IUS and its potential.

At some point in the first half of the 1950s, an informal memo went to the Ford Foundation from one of the NSA founders, proposing the creation of a new fund similar to the Fund for the Republic. The money, it was suggested, could meet an important need by helping religious and secular organizations to do their job abroad. The figure of \$1,500,000 was mentioned. No action resulted.

NSA was without the means even to send representatives to other national student unions' annual meetings--standard practice among the European unions.

It was scarcely a position from which to challenge international communism.

NSA and USG: A Coming Together

Interested observers, looking back, recall that individual student leaders had visited the State Department early in the Fifties. They were groping. To the low-level officials who received them, they explained their concern about IUS and its dangers for the future leadership of the emerging countries. Some of the students indicated financial assistance would be necessary. What did the Department think could be done?

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-11-

Any notion that the foreign affairs agencies of the U.S. Government should be concerned with students as a force in international events had yet to take root in any agency of government. The pretensions of these young students could hardly be taken seriously. Certainly most officers in either State or CIA had never heard of the IUS.

Nevertheless, the students' growing conviction that IUS was a dangerous mechanism of Communist activity was followed by what has been described as a slow recognition within government, primarily within the CIA, of the same fact, and a financial relationship began.

NSA's international affairs office was situated for years in Cambridge, Mass., separate from the association's headquarters. Beginning with a small sum for support of the international effort--supplies, travel for the international affairs vice-president and for delegations to ISC meetings--the agency's subsidy grew gradually as NSA adopted for itself the kind of operation that had long been standard among European student unions.

Fraternal delegations had to be sent abroad to maintain contact with counterpart unions. There were delegations to ISC meetings, then to ISC sub-group meetings. When the French or British students held their annual sessions, an American representative had to attend. Then bigger delegations were needed when such meetings attracted both East Europeans and uncommitted student leaders and became, in effect, a point of confrontation. With almost all other student unions more than 3000 miles distant, the cost was heavy.

Encouraged to exercise freedom of judgment and of action, and with the new mobility afforded them by their increased resources, the NSA leaders steadily developed into the top specialists--in or out of government--on international student political affairs. Their expertise did not go unrecognized. Confidence in their judgment grew. Indeed, their interpretation of events may frequently have nudged the Government into positions that might not otherwise have been considered.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-12-

Throughout, the object of the agency's relationship with NSA leaders was never intelligence--one reason why old pros at CIA discounted it as a serious venture.

The object was more dynamic. It was to provide the means to build a relationship between American students and those of the developing world in circumstances free from Communist influence or control, and thereby help prevent the capture of legitimate revolutionary movements.

~~CONFIDENTIAL~~

5

C

~~SECRET~~
~~SENSITIVE~~

5a 2

23 February 1967

COORDINATION AND POLICY APPROVAL OF COVERT OPERATIONS

A. Historical Evolution

1. The first formal authority for what is now called "covert action" in the post-World War II era was the National Security Council (NSC) directive NSC 4-A, which was approved on 19 December 1947. Without elaborating coordination procedures, it directed the Director of Central Intelligence to undertake covert action and to ensure that the resulting operations were consistent with U.S. policy. The DCI was to ensure through liaison with State and Defense that operations were consistent with U.S. policy.

2. NSC 4-A was refined and superseded by the issuance on 18 June 1948 of a new NSC directive, NSC 10/2. This defined more clearly the aims and methods of covert action and spelled out with more precision the procedures for ensuring that covert operations conducted under it were consistent with U.S. foreign and military policies. "Designated representatives" of the Secretaries of State and Defense comprised the "Senior Consultants," or "10/2 Panel," which included civilian representatives of State and Defense and a military representative of the JSC. These Senior Consultants met with the Assistant Director for Policy Coordination, the CIA office responsible at that time for planning and conducting covert operations, and reviewed proposed new covert projects to be conducted by CIA.

3. NSC 10/2 was further refined and superseded by the issuance on 23 October 1951 of NSC directive NSC 10/5. This new directive authorized an expansion of world-wide covert operations and changed policy coordination procedures. The Psychological Strategy Board, which had been established on 4 April 1951, was charged with determining the "desirability and feasibility" of proposed covert programs and major covert projects. A new and expanded "10/5 Panel" was established, comprising the members of the earlier 10/2 Panel but adding staff representatives of the Psychological Strategy Board (PSB). It functioned much as the 10/2 Panel had, but the resulting procedures proved cumbersome and potentially insecure. Accordingly, when the PSB was replaced by the Operations Coordination Board (OCB) on 2 September 1953, coordination of covert operations reverted to a smaller group identical with the former 10/2 Panel, without OCB staff participation.

4. There subsequently was some retrogression toward the broader 10/5 Panel principle. On 15 March 1954, the issuance of NSC 5412, which superseded NSC 10/5, required that the DCI consult with the OCB and with

~~SECRET~~
~~SENSITIVE~~

SANITIZED
E.O. 12958, Sec. 3.6
NLJ/RAC 00-432 Appeal
By sj, NARA, Date 6-27-02

~~SECRET~~
SENSITIVE

other U.S. Government departments and agencies as appropriate to ensure that covert operations were consistent with U.S. policies. NSC 5412/1, which superseded NSC 5412 on 12 March 1955, directed the DCI to consult with the Planning and Coordination Group (PCG) of the OCB and made the PCG the "normal channel" for the policy approval of covert operations. (In March 1955, the DCI briefed the PCG of the OCB on those CIA covert action operations which he had previously approved under NSC 4-A, 10/2, 10/5, and 5412.)

5. Covert coordination procedures reverted once more to a smaller and a more streamlined coordinative group with the issuance on 28 December 1955 of NSC 5412/2, superseding NSC 5412/1. NSC 5412/2 has remained in force up to the present. It removed the policy coordination and approval functions from the OCB and transferred them to "designated representatives" of the President and the Secretaries of State and Defense to meet with the DCI as the "normal channel" for policy approval of covert operations. The coordinative body came to be known as the "5412/2 Designated Representatives" or the "Special Group." It comprised (and comprises) representatives of the rank of Assistant Secretary or above. It was charged with reviewing in advance all major covert programs initiated by CIA or otherwise directed.

6. NSC 5412/2 coordinative procedures were slightly modified on 26 March 1957 with the issuance of an annex to the directive. The annex authorized approval solely by the Secretary of State of particularly sensitive projects that did not have military implications. This special authorization has not been utilized to date. It also required, however, that CIA keep the Departments of State and Defense advised on progress in implementing all approved covert action programs.

7. With the inauguration of the Kennedy Administration in early 1961, the Special Group (which changed its name to the "303 Committee" in June 1964 in accordance with NSAM 303) meetings were transferred to the White House under the chairmanship of the President's Special Assistant for National Security Affairs. (This was first McGeorge Bundy, then General Maxwell Taylor, then back to Bundy, and finally to Walt Rostow, the present chairman). Prior to early 1961, the State Department member had been the "informal" chairman.

B. Policy Doctrine

1. From the brief description of the evolution of coordination and approval procedures affecting covert operations, it is apparent that prior

2
~~SECRET~~
SENSITIVE

~~SECRET~~
~~SECRET~~
~~SECRET~~

to March 1955, the governing NSC directives (5412, 10/5 and 10/2) provided for consultation with representatives of State and Defense but these individuals had no approval functions; nor did they include a representative of the President. Many of CIA's continuing covert action projects and programs were therefore begun when responsibility for policy conformity rested with the DCI in accordance with existing NSC directives. These projects and programs were in general discussion with State and Defense representatives, but the representatives were not called upon -- nor were they authorized -- to take affirmative action. (Normal Bureau of the Budget review procedures, of course, represented a measure of outside Executive control.) During this period certain decisions involving vital interests of the U.S. were, of course, referred to the President at the initiative of the DCI.

2. Even under NSC 5412/2, particularly in the early years (1955-1958), criteria governing submission of projects to the Special Group were never clearly defined, being left to the discretion of the DCI. During these early years, however, a considerable body of policy doctrine was established, which has been followed ever since.

3. At the beginning of 1959, regular weekly meetings of the Special Group were instituted, with one result that criteria for submission of projects to the Group were in practice considerably broadened.

4. Not until CIA's own internal instruction, dated 4 March 1963, on Special Group submissions, however, did the criteria for submissions become more formal and precise. The 1963 CIA directive noted that the decision to submit an operational program or activity to the Special Group would be made by the DCI, and that political sensitivity would usually be the chief criterion for submission. The instruction also noted that where unusually large sums of money are involved, the DCI may decide to submit a program or activity on the grounds of funds alone. The instruction detailed the following types of programs or activities which, as a general rule, require Special Group action:

Political and propaganda action programs involving direct or indirect action to influence or support political parties, groups or specific political leaders, including operations which use labor, youth, students, and influential military organizations as political pressure groups.

Economic action programs designed to influence governments to support U.S. national policy objectives, or to prevent Bloc countries from obtaining some strategic politico-economic advantage in countries or areas of importance to U.S. global strategy.

~~SECRET~~
~~SECRET~~
~~SECRET~~

~~SECRET~~

Paramilitary action programs.

CIA clandestine and covert action annexes to U.S. Country Internal Defense Plans.

The instruction also dealt with cases requiring resubmission to the Special Group: where there is need for a new policy determination or to reaffirm the previous policy decisions; when developments or changes are such as to make the subject a matter for re-examination by the Group; and if specifically required by the Special Group in its approval of the program or activity.

5. These criteria have remained unchanged in subsequent CIA internal directives.

C. Comparative Numerical Approvals of CIA Proposals

1. Statistical reflection of the action of approval authority on CIA programs early in its life are difficult to offer on a comparative basis because of the steady refinement of "programs" into individual "projects", but the best recapitulation available shows:

a. Projects approved by DCI on internal authority:

(1949 - 1952)	81	Truman Administration
---------------	----	-----------------------

b. Projects approved by DCI in coordination with Operations Coordination Board or Psychological Strategy Board:

(1953 - 1954)	66	Eisenhower Administration
---------------	----	---------------------------

c. Projects approved or reconfirmed by Operations Coordination Board, the Special Group or 303 Committee:

Eisenhower Administration	104
Kennedy Administration	163
Johnson Administration	142

(March 1955 - February 1967)

2. As the sophistication of the policy approval process developed so did the participation of the external approving authority. Since establishment of the Special Group (later 303 Committee), the policy arbiters have questioned CIA presentations, amended them and, on occasion, denied them outright. The record shows that the Group/Committee, in some instances, has over-ridden objections from the DCI and instructed

~~SECRET~~

~~SECRET~~

~~SECRET~~
~~SECRET~~
~~SECRET~~

the Agency to carry out certain activities.

3.4(b)(1)

The Committee has suggested areas where covert action is needed, has decided that another element of government should undertake a proposed action, imposed caveats and turned down specific proposals for CIA action from Ambassadors in the field.

3.

3.4(b)(1)

D. Special Briefings

1. Bureau of the Budget

a. Because of the judgments necessary to budget for covert action operations, Bureau of the Budget (BOB) officials may sometimes attend meetings of the Special Group (or 303 Committee) and participate in review discussions. For example, at a special meeting of the Special Group on 12 December 1963, requested by BOB, BOB participants were Messrs. Gordon, Staats, Hansen, and Amory. The minutes of this meeting reflect that the BOB officials participated fully in discussions concerning covert action programs and activities in each area of the world. They heard the Agency's presentations

~~SECRET~~
~~SECRET~~
~~SECRET~~

~~CONFIDENTIAL~~

and the consensus expressed by the Special Group concerning the continuation of such programs. The meeting also afforded the BOB officials with the views of the State Department (as expressed by Mr. Johnson) concerning the desirability of maintaining the present programs in Latin America, and the views of the Department of Defense (through Mr. Gilpatric) that the division of responsibilities for paramilitary operations between CIA and the Department of Defense (NSAM 57) is quite adequate.

b. Another type of ad hoc BOB briefings is reflected in the minutes of the 303 Committee meeting of 29 September 1966. With respect to the steps necessary to modernize Radio Free Europe and Radio Liberty, Mr. Helms informed the Committee that he would discuss the proposition with the BOB. Mr. Rostow indicated that he planned to convey the feeling of the Committee to the Director of the BOB at an early opportunity, favoring modernization.

c. The BOB, since 1962, has known of every covert action project of CIA and, in the case of the large international activities, has examined them closely as line items. Invariably, BOB has asked if the activity has policy approval, and has probed regarding the sense of the Committee in respect to any qualifications, limitations or changes in emphasis.

2. Other

a. Special briefings have also been given to White House officials, the Special Group/303 Committee, and certain other government officials. (The DCI's briefing of the Planning and Coordination Group of the OCB in March 1955 has already been mentioned; this covered those covert action programs which he had previously approved.) [REDACTED]

3.4(b)(1) [REDACTED] this briefing was given on the personal request of President Kennedy. In June 1961, the Special Group received a written presentation summarizing all projects as of that date which involved support to political parties and political leaders [REDACTED] and including full information on funding procedures. The minutes show that the Special Group took special note of the presentation and raised no objections. In August 1961, the Special Group received a general briefing paper which covered paramilitary and economic operations, [REDACTED]

[REDACTED]

In October 1964, Chief, Covert Action Staff made an oral presentation to the 303 Committee concerning CIA's covert relations with foundations. This presentation was requested by Mr. Bundy. C/CA outlined the different types of foundations dealt with, [REDACTED]

3.4(b)(1)

6. [REDACTED]

3.4(b)(1)

E. State Department Coordination

1. Newly-appointed principal State Department officers and outgoing ambassadors are briefed in depth by CIA Headquarters officials on broad objectives and CIA's activities within the country. Shortly after an Ambassador arrives at his post, the CIA Chief of Station gives him a detailed and specific briefing on the Agency's covert action activities in the country. Covert action matters growing out of CIA's responsibilities

~~SECRET~~
~~SECRET~~

under NSC directives provide for full participation and review by State Department and Ambassadors in the formulation of specific programs, with the decision on them being made at appropriate policy levels. In the field, this means full details on the substance and objectives of the activity, and, depending upon circumstances, clandestine means and methods to the extent that they are related directly to the substance of the activity. The purpose is to allow the Ambassador to judge the desirability of the program and inherent political risks. Instructions to Agency field stations with respect to CIA's field coordination with Ambassadors are frequently re-stated, the latest in January 1966.

2. CIA representatives participate in the mission Country Team meetings and are often requested to draft proposals for forwarding to Washington for policy review and approval, especially in the fields of internal security and covert action.

3. All 303 Committee programs or activities are coordinated with the Ambassador, as well as the Assistant Secretary of State of the area concerned. This coordination process has to be accomplished before the proposal is submitted to the 303 Committee. A number of approved programs or activities originate with the Ambassadors or the Department of State. 303 Committee proposals and other covert action matters are discussed between CIA Area Division Chiefs and their State Department counterpart Assistant Secretaries at regular, usually weekly, informal meetings.

~~SECRET-8~~
~~SECRET~~
~~SECRET~~

6

D

Appendix D

New York Times

March 16, 1967

**Group's Findings on
C.I.A. Overseas Aid**

To the Editor:

An editorial in The Times on Feb. 27 states that a study group which I headed in 1960 recommended liquidation of C.I.A. programs providing clandestine support to nongovernmental organizations in education, labor, publishing and other fields. Your editorial presumably refers to the report of the President's Committee on Information Activities Abroad which was submitted to the President in December of 1960.

I would not ordinarily feel it appropriate to comment publicly on the contents of a classified report. In this case, however, I believe it is in the public interest to correct a possibly erroneous impression which your editorial might convey.

The committee, of which I was chairman, found expressly that clandestine programs of C.I.A. of the character which you describe were essential at that time to counter the thrust of Communist activity which was preventing the establishment and threatening the existence of free institutions everywhere, particularly in the so-called less-developed areas.

In addition to recommending that these C.I.A. programs should be continued, and indeed expanded, the committee also concluded that new and additional facilities and instrumentalities were needed to broaden the base and improve the flexibility of United States support

for educational development and similar programs abroad.

In this connection it suggested consideration of the establishment of a quasi-independent foundation which would coordinate and finance programs designed to promote educational development abroad and which would be funded by the Government and also, hopefully, by private sources.

We concluded that several activities clandestinely supported by C.I.A. contributions might better serve national objectives if such projects could be supported openly, providing a proper vehicle could be organized and that Congressional backing and appropriations were made available.

But we did not recommend that the C.I.A. abandon activities which it had been supporting, since there was then no organized better way of doing it.

MANSFIELD D. SPRAGUE

New York, March 13, 1967

7

E

~~SECRET~~
~~CONFIDENTIAL~~

PROCEDURES IMPOSED ON CIA PROJECTS
TO PREVENT MISUSE OF FUNDS

The Agency system of controls designed to insure the proper management and use of funds, incorporates and is based on traditional concepts of budgeting, accounting and auditing. It is characterized by application of specialized management and operational techniques which necessarily must be utilized to meet special operational and security considerations involved in Agency operations. The following paragraphs identify the six general phases of the Agency system and summarize the pertinent aspects of each.

1. Program Approval

Actions related to approval and authorization to undertake covert operations are outlined in the paper of 23 February 1967, titled "Coordination and Policy Approval of Covert Operations."

2. Budget Formulation and Execution

Formulation and execution of the Agency budget involves the following steps:

a. Budget Approval

All major programs and projects are identified by line item, explained, and justified in connection with development of the Annual Operating Budget, which is reviewed and approved by, (a) Office Heads, (b) Operation Directorates, (c) the Executive Director/Comptroller, (d) the Director of Central Intelligence, (e) the Bureau of the Budget, and (f) Select sub-committees of the House and Senate.

b. Individual Activity Project Approval

Each project is individually reviewed and subjected to executive action at the Operating Directorate level. The review encompasses examination and evaluation of objectives, past performance, cost, method of conducting operations, management of projects, and if privately established activity is involved, compatibility of its objectives and operations with Agency missions and objectives. After initiation, each project is renewed, re-examined and evaluated as part of the annual program and budgeting process, and as changing circumstances require.

SANITIZED

E.O. 12356, Sec. 3.4

NIJ 91-330

By lig, NARA, Date 8-13-93

~~SECRET~~
~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

c. Allocation and Apportionment of Funds

The Executive Director/Comptroller's Staff exercises overall control in connection with the allocation and apportionment of funds to major programs, activities, and projects. No project or activity is permitted to draw, obligate, or commit any funds without first receiving an appropriate allocation from the Executive Director/Comptroller. Reprogramming of project activities is conducted as required by change in conditions. Reallocations of funds are made accordingly.

3. Financial Control Systems

[REDACTED]

[REDACTED]

1.3(a)(4)

[REDACTED]

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

~~CONFIDENTIAL~~

~~SECRET~~
~~CONFIDENTIAL~~
~~CONFIDENTIAL~~

[REDACTED]

[REDACTED]

1.3(a)(4)

[REDACTED]

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

[REDACTED]

1.3(a)(4)

5. Funding and Accounting Procedures

- a. The Office of Finance maintains a system of accounts and records to provide control over, and accountability for all

~~SECRET~~
~~CONFIDENTIAL~~
~~CONFIDENTIAL~~

~~SECRET~~

funds and assets, and prepares reports reflecting full disclosure of the financial results of Agency activities.

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

~~SECRET~~

~~SECRET~~
~~CONFIDENTIAL~~

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

a. General - All activities and installations, domestic and overseas, are scheduled for audit at least annually by the Agency Audit Staff. The Audit Staff is organizationally independent of operations, being a component of the Office of Inspector General, who reports directly to the Director of Central Intelligence. Audits are conducted in accordance with the standards and principles proscribed by the General Accounting Office and the American Institute of Certified Public Accountants.

~~SECRET~~
~~CONFIDENTIAL~~

~~SECRET~~
~~CONFIDENTIAL~~

[REDACTED]

1.3(a)(4)

[REDACTED]

1.3(a)(4)

d. Action on Audit Reports - Audit reports are issued by the Audit Staff to the operating component concerned, through the responsible Deputy Director, with copies to the Executive Director/ Comptroller, Inspector General and interested functional components of the Agency. The responsible component is required to outline contemplated action on each recommendation included in the audit report.

Summary

In summary the system of financial management and control of Agency expenditures outlined above is designed to utilize recognized and proven budgetary, accounting, and audit techniques, plus specialized adaptations, to obtain maximum control over the use of CIA funds in the public interest. No one of these measures nor any mix of them guarantees completely against the misapplication of Agency funds. The controls and safeguards for each project are tailored to the operational relationships, cover and security requirements which apply. Most of the controls listed above are applied to the majority of Agency projects. In any case, as many precautionary steps as possible are taken as are compatible with the prevailing operating requirements and relationships. If at any time there is evidence, or even a suspicion of misapplication of government funds, special action is taken to investigate the circumstances, verify the facts, and initiate corrective action. We believe that the degree of risk taken in this regard is minimized by the aforementioned system of financial management and controls, by the regular accounting and reporting that is required, by the special

~~SECRET~~
~~CONFIDENTIAL~~

~~SECRET~~
~~SECRET~~
~~SECRET~~

investigative action which is initiated when necessary and by vigilant operational evaluation and assessment of all Agency projects, which is a continuing process.

~~SECRET~~
~~SECRET~~
~~SECRET~~

2

F

CREATING AN AMERICAN ADAPTATION OF THE
BRITISH COUNCIL

A recent scrutiny of the history, organizational structure and programs of the British Council suggests that its hierarchial structure could be adapted for our purposes even though the British Council does not make large-scale financial grants of the type required. The British Council has an excellent international image as a quasi-private institution even though over 90% of its funds are overtly provided by the British Government. The "private" image has emerged slowly since the Council was created in 1934. The fact that the British Council's activities are largely educational and non-political contribute to its quasi-private image, as does the fact that a majority of the Council's Executive Committee and advisory panels and committees are not Government officials. Furthermore, the British Council is not required to publicly justify itself to British officialdom. However, the Council's annual budget (about \$30 million) is closely scrutinized by the British Treasury; and the Council publishes an annual report containing general highlights of its activities and supplemented by appropriate financial and other statistical appendices.

"The American Council for Overseas Assistance"

The creation by legislation of an "American Council", partially modeled on the British Council's organizational structure, appears to be both practically and psychologically feasible.

Mr. Eugene Black's 3 June 1966 Wellesley commencement address, which proposed creation of such an institution, has attracted significant support from Senate leaders of both political parties. The ranking Republican, Senator Aiken, praised the speech and inserted it in the 9 June 1966 Congressional Record; and the Democratic Majority Leader, Mr. Mansfield, expressed delight that Mr. Aiken had done so. Mr. Black stated in his speech: "I know President Johnson is thinking along these lines."

Mr. Black's imaginative and stimulating proposal and the favorable reaction to it by Senators Aiken and Mansfield, suggest that favorable sentiment could be marshaled in the 90th Congress to create "An American Council for Overseas Assistance" as proposed in the attached draft bill. The American Council concept might also attract considerable support from those private U.S. groups actively engaged in assistance programs abroad.

A BILL

To provide for the establishment of the American Council for Overseas Assistance (to be called the American Council) in order to promote the improvement and understanding of educational, social, economic, scientific and cultural institutions in the nations of the world community.

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 "American Council for Overseas Assistance Act of 1967."

DECLARATION OF PURPOSE

SEC. 2. The Congress hereby finds and declares --

(a) that the encouragement and improvement of educational, social, economic, scientific, and cultural institutions and understanding in the developing nations of the world community is a matter of continuing concern to the American people and their Federal Government;

(b) that such encouragement and improvement facilitates the efforts of men and nations to progress in freedom and greater understanding of and peaceful cooperation with one another;

(c) that the more highly developed nations should continue to render assistance to developing nations;

(d) that it is desirable and possible for this purpose to draw increasingly upon the wealth of private professional skills, experience and talent

1 in the United States;

2 (e) that overseas assistance programs would benefit if American
3 corporations, trade unions, foundations, universities, and other such
4 entities were to become increasingly involved in these programs; and

5 (f) that to begin implementation of the above goals, it is desirable
6 to establish an American Council for Overseas Assistance whose purpose
7 shall be to assist and encourage private American individuals and organ-
8 izations to participate in the task of rendering assistance to developing
9 nations, and of encouraging local participation by democratic private and
10 governmental institutions.

11 DEFINITIONS OF EDUCATIONAL, SOCIAL,

12 ECONOMIC, SCIENTIFIC, AND CULTURAL KNOWLEDGE

13 SEC. 3. As used in this Act "educational, social, economic, scientific,
14 and cultural knowledge" shall include but not be limited to the fields of:
15 political science, economics, psychology, sociology, history, law,
16 demography, geography, linguistics, international relations and other
17 social sciences, and the pure sciences, the mass communications media,
18 commerce, labor relations, agriculture and engineering.

19 ESTABLISHMENT OF A COUNCIL

20 SEC. 4. (a) there is hereby authorized to be created The American
21 Council for Overseas Assistance (hereinafter referred to as the "Council"),
22 which will not be an agency or establishment of the United States Govern-
23 ment.

24 (b) the Council shall be subject to the supervision and direction of a

1 Board of Trustees (hereinafter referred to as the "Board"), which shall
2 consist of twenty-five members including a Chairman and a Vice Chair-
3 man. The Board Chairman, Vice Chairman, and members shall be
4 appointed by the President of the United States with the advice and con-
5 sent of the Senate and shall be selected from the relevant educational,
6 professional, business, labor, cultural and scientific, but non-governmental,
7 segments of U.S. society.

8 (c) the Board may create such specialist advisory groups and
9 committees as it deems necessary.

10 (d) the Board Chairman and Vice Chairman shall be persons with
11 wide experience in the field of international affairs, but no person shall
12 be eligible for the Board Chairmanship or Vice Chairmanship who is
13 presently or who has been for two years preceding his nomination for the
14 Chairmanship or Vice Chairmanship an employee of the Federal Govern-
15 ment.

16 (e) the Vice Chairman shall perform the duties of the Chairman
17 in his absence, and should a vacancy in the Chairmanship occur, the
18 Vice Chairman shall act as Chairman pending the appointment of a new
19 Chairman by the President of the United States.

20 (f) the terms of office of the Board Chairman and Vice Chairman
21 shall be fixed by the Board. The terms of office of the other Board
22 members shall be as follows: Eight shall serve for terms of four years,
23 eight for terms of three years, and seven for terms of two years.

24 (g) the Board members shall receive compensation, pursuant to

1 authorization of the Council, at the rate of \$100 per diem while engaged
2 in the business of the Council.

3 (h) the Board shall convene at least three times annually and at
4 such other times as the Chairman may determine, but the Chairman
5 shall also call a meeting at the written request of at least one-third of
6 the members of the Board.

7 (i) each member of the Board shall be given notice, by registered
8 mail, certified mail, or telegram to his last known address of record,
9 not less than fifteen days prior to any meeting or the call of such meeting.

10 (j) in furtherance of the Declaration of Purpose of this Act (SEC. 2,
11 above), the Council shall prepare an annual report (with financial appendices
12 as appropriate) on its activities, which report shall be presented to the
13 President of the United States, who may make such recommendations to
14 the Congress concerning Council activities as he deems appropriate. The
15 annual report shall be made available to the public after its presentation
16 to the President of the United States.

17 THE DIRECTOR AND THE DEPUTY DIRECTOR

18 SEC. 5. (a) The Board shall appoint a full-time, paid Director and
19 Deputy Director of the Council. The Director shall serve, as well, as
20 an ex officio, but non-voting trustee of the Council. In addition, he shall
21 be the chief executive officer of the Council. The Director shall receive
22 compensation at the rate provided for level III of the Federal Executive
23 Salary Schedule, and the Deputy Director shall receive compensation at
24 the rate provided for in level V of such schedule. The Deputy Director

1 shall perform such functions as the Director, with the approval of the
2 Council, may prescribe, and be acting Director during the absence or
3 disability of the Director, or in the event of a vacancy in the office of
4 Director.

5 (b) The Director shall carry out the programs and policies of the
6 Council and such other functions as the Council may delegate to him, con-
7 sistent with the provisions of this Act.

8 AUTHORITY OF THE COUNCIL

9 SEC. 6. The Council is authorized to --

10 (a) render financial assistance, including grants, to private U.S.
11 individuals, groups, corporations, foundations, universities, institutes
12 and other relevant U.S. entities which seek help in implementing assistance
13 programs that are consonant with the Declaration of Purpose of this Act.

14 (b) give preference wherever possible to assistance programs con-
15 ducted abroad by those groups which encourage local initiative and partici-
16 pation by recipients and thereby seek to produce more effective, relevant
17 and timely programs.

18 (c) seek means of drawing increasingly upon the wealth of private
19 professional skills, experience and talent in the United States, and of
20 enlisting the participation of corporations, foundations, institutes, univer-
21 sities and other such entities in assistance programs.

22 (d) render financial assistance increasingly through grants par-
23 ticularly grants which match the total of financial support being rendered
24 by the U.S. private sector and the overseas recipient.

(e) encourage and seek financial support of the Council's work from the professional, cultural, academic, labor, agricultural and business sectors of the U.S. community, and from charitable foundations.

(f) make financial commitments in support of the above objectives for periods up to three years.

CORRELATION OF PROGRAMS

SEC. 7. (a) The Council shall not provide funds for specific projects and activities for which funds are available from U.S. Government agencies.

LIMITATION ON GRANTS

SEC. 8. (a) No individual presently or formerly in the employment of the Federal Government shall be eligible to receive any grant or other assistance pursuant to this Act.

LIMITATION ON BOARD MEMBERSHIP

SEC. 9. (a) No individual shall be eligible to serve as a trustee of the Council during the two-year period following termination of his employment by the Federal Government.

FREEDOM OF INFORMATION

SEC. 10. (a) The Council shall make available to the public the results of any research carried out pursuant to this Act.

(b) The Council's annual report shall be made available to the general public.

ADMINISTRATIVE PROVISIONS

SEC. 11. (a) In addition to any authority vested in it by other provisions

1 of this Act, the Council, in carrying out its functions, shall have the
2 authority --

3 (1) to prescribe such regulations as it deems necessary
4 governing the manner in which its functions shall be carried out;

5 (2) to receive money and other property donated, bequeathed,
6 or devised, without condition or restriction other than it be used
7 for the purposes of the Council, and to use, sell, or otherwise
8 dispose of such property for the carrying out of its functions;

9 (3) in the discretion of the Council, to receive (and to use,
10 sell or otherwise dispose of, in accordance with paragraph 2 immedi-
11 ately above), money and other property donated, bequeathed, or
12 devised to the Council with a condition or restriction, including a
13 condition that Council funds also be used for the same purpose as
14 the gift, provided such restriction does not violate any other law of
15 the U. S. Government;

16 (4) appoint such employees as are necessary to carry out its
17 functions, define their duties, and supervise and direct their activi-
18 ties;

19 (5) utilize from time to time, as appropriate, experts and
20 consultants, including panels of experts;

21 (6) accept and utilize the services of voluntary and uncompen-
22 sated personnel and reimburse them for travel expenses, including
23 per diem;

24 (7) rent office space in the District of Columbia and elsewhere

1 as necessary to its purposes; and

2 (8) make all other necessary expenditures.

3 (b) The Council, in carrying out its functions, shall not have
4 the authority --

5 (1) to operate any laboratories or pilot plants of any type;

6 AUTHORIZATION

7 SEC. 12. (a) To enable the Council to carry out its powers and duties,
8 there is authorized to be appropriated to the Council, out of any money
9 in the Treasury not otherwise appropriated, not to exceed \$75,000,000
10 for the fiscal year ending June 30, 1968, and for each succeeding fiscal
11 year.

12 (b) Appropriations made pursuant to the authority provided in
13 subsection (a) of this section shall remain available until expended.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

FEB 23 1967

MEMORANDUM FOR MR. ROSENTHAL

Subject: The British Council and an American Council

Following is a brief discussion of three areas:

1. The British Council -- description, activities. You will note that it performs many functions similar to USIA and State's CU.
2. The American Council idea -- what its purposes would be, how it might be organized and operate, and two questions that should be addressed in considering the proposal, one of which we have discussed.
3. The Congressional problem -- which committee would get the bill and who would handle the appropriations.

William R. Thomas 3d

William R. Thomas 3d
Acting Chief
International Division

Attachments

1. The British Council is an official, independent government agency established in 1934 to provide wider knowledge of Britain and the English language in foreign countries. A royal charter was given to the Council in 1940.

Its principal function is to teach the English language abroad. It now operates programs in 80 countries. In some cases the British Council has programs where the U.K. does not maintain diplomatic representation.

Similar to our own USIA, the Council supports reference libraries (180 of them) in leading cities around the world, and sponsors exhibitions, art festivals and tours of British ballet, theatre groups, orchestras and individual performers. The Council recruits, trains, and posts British experts overseas for specific assignments and for specific periods of time.

The Council provides scholarships for foreign students to stay in Britain and services those students while in the United Kingdom. The Council also sponsors conferences, meetings and interchanges of scientists, teachers, and students. There are many students who are sent individually to attend meetings abroad. The 1965-1966 budget is approximately \$31,000,000.

The Council consists of a 30-member executive committee - nine of whom are nominated by government departments. The President of the Council is a retired military General. Despite its independence, the Council maintains close ties with the British foreign office.

SANITIZED

E.O. 12356, Sec. 3.4

NIJ 91-333

By sig, NARA, Date 12-10-92

2. An American Council

The purpose of establishing a Council would be to support overseas activities of U.S. organizations which:

- a. Are important to U.S. foreign policy objectives;
- b. Private foundations are not willing to support;
- c. Cannot be supported by a U.S. Government agency because of political sensitivities of the foreign recipient.

In order to fulfill its role, the Council would have to have an image as an independent, non-Government-controlled entity. One device to help accomplish this would be the membership of the Council itself. For example, the legislation could require that the majority of the Council members be appointed by the President from among specific private groups, e.g., presidents of philanthropic foundations, university presidents and officers of scholarly organizations. The members should be appointed for long, fixed terms (7-10 years). Heads of some Government agencies could also be on the board, ex officio, but they would be in the minority.

The Council could give grants to U.S. organizations for the overseas activities of these organizations, including trips of Americans overseas and the provision of technical assistance by these Americans to their foreign counterparts. Foreign visits to the U.S. would also be supported.

The Council would appoint an executive director to be the operating head of the organization. Neither he nor other staff would be Federal employees.

Despite the most careful construction of the Council, however, we should recognize it would always be subject to the allegation that it is simply an arm of the United States Government. It would necessarily have to justify its budget annually to the legislative branch of the Government.

In these circumstances, how many useful functions would require support by a Council-type agency under the three criteria stated at the beginning of this paper? Could these activities be distinguished from other overt activities, such as State's cultural exchange program, in the eyes of Congress and the public?

~~SECRET~~

Another pertinent question is to what extent would the creation of an American Council decrease the amount of private funds now flowing to similar purposes? There is a general tendency for foundation money to dry up in areas into which the Government moves. To the extent that this develops in the case of the American Council, the usefulness of the Council would be decreased.

Finally, despite its limitations, the proposal might have the effect of appearing to be a positive step to meet legitimate U.S. overseas interests, while at the same time protecting domestic private organizations in the U.S.

~~SECRET~~

3. The legislative problem.

The committees most likely to get a Council bill would be the Senate Foreign Relations and House Foreign Affairs Committees. We can only guess as to how it would be greeted there. Sen. Fulbright's interest in the sort of activities in which the Council would be engaged is attested to by the student and teacher exchange program which bears his name. However, he is now generally antagonistic to Administration proposals; he might question the need for another program in the same general field as his own; and he might look upon this as an effort to continue CIA programs (of which he has been a major critic).

Although we think it would be desirable to keep a Council bill in the foreign affairs committees, there are alternatives if the chances of those committees acting favorably appear dim. The purposes of the bill could be written in terms of U.S. cultural or educational goals, in which case the education committees might get the bill. Other purposes could conceivably be devised to direct the bills to still other committees.

With respect to the appropriations committees, again the best guess is the subcommittees that handle the State Department and related appropriations (Rooney in the House, McClellan in the Senate). Rooney's subcommittee is not an easy one. It sharply cut the 1967 cultural exchange budget which the Administration had already reduced below the 1966 level.

896

DEPARTMENT OF STATE
ASSISTANT SECRETARY

~~CONFIDENTIAL~~

FEB 23 1967

MEMORANDUM TO: U - Mr. Katzenbach
G - Mr. Kohler

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 91-331

By ing NARA Date 7-27-92

THROUGH: S/S

SUBJECT: The Reorganization of International Educational and Cultural Activities

The situation created by public discussion of the CIA's activities in international educational and cultural activities confronts us with both a negative and a positive task.

On the negative side, lines must be drawn indicating what the Government in general, and CIA in particular, will not do. I take it that this will be one consequence of the high-level review ordered by the President.

However, the announcement that new rules have been adopted is unlikely by itself to remove doubts, or to eliminate the cloud of suspicion that will surround all U. S. educational and cultural programs, whether public or private, for some time to come. Moreover, a solution that merely says what we will not do will not solve the essential problems that the actions of the CIA were designed to solve--the problem of supporting international exchanges at a proper level, and in a manner allowing us to pursue long-range objectives free from immediate political pressures.

I would urge in the strongest terms, therefore, that the high-level review now being conducted lead to the positive proposal of a new framework for international educational and cultural affairs. Three alternatives seem to me to be available.

Alternative 1: Turn over responsibilities to State/CU, and request a larger appropriation for FY 1968 to take care of these new tasks. A rough estimate of additional appropriations needed is \$8,976,000. (An illustrative breakdown of this figure is attached at Tab A.)

This alternative has been widely proposed by Congressmen and Senators--e.g., Congressman Wayne Hays and Senator Javits--and has been frequently mentioned in the press. Legal opinion is that the Mutual Educational and Cultural Exchange Act of 1961 (the Fulbright-Hays Law) provides full authority to State to provide open support to private organizations engaged in international exchange activities.

In favor of this proposal are the following considerations:

- 1) It is simple.
- 2) Favorable and reasonably quick action could be expected in Congress.
- 3) CU as an organization could absorb this new function quickly

and

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-2-

and comfortably, since it has been conducting parallel activities for some time.

Against this proposal are the following considerations:

- 1) Even though the State Department's support is overt, the State Department imprimatur, in the present atmosphere, will leave strong suspicion, at home and abroad, that our intellectual, cultural and youth activities are being subjected to political manipulation.
- 2) The overseas management of State's exchange programs by USIA will reinforce this impression.
- 3) The program will always be under some pressure from Congress and other quarters to produce quick and obvious political results, and to avoid "controversial" groups, individuals and themes.
- 4) The budgetary outlook will probably vary from uncertain to bad.

On balance, I regard this Alternative as feasible, and as better than the status quo, but only as a very partial answer to the problem.

Alternative 2: Create an American version of the British Council, and turn over to it only the kind of general organizational support activity previously conducted by CIA.

This idea has been in the wind for some time, and has been put forward both within the Administration and by people outside. It essentially proposes a semi-private corporation, supported by government funds, and governed by a Board of Trustees chosen from the private sector.

In favor of this proposal are the following considerations:

- 1) It will ensure open control by the private sector, and particularly the educational community.
- 2) It will insulate the activities supported against charges of political manipulation.

Against this proposal are the following considerations:

- 1) It is too limited in scope, and will not repair the damage that has been done to the whole spectrum of Government-supported exchange activities.
- 2) It adds one more agency to a field of activity that is already

over-

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-3-

over-populated, and that is badly in need of simplification and coordination.

3) It overlaps functions that could properly be conducted by the new Center for Educational Cooperation (HEW) under the International Education Act of 1966.

4) It does not come to grips with the problem of our official overseas representation in cultural affairs by USIA - a problem that has been a chronic source of trouble, and that, in the circumstances now existing, is almost certainly going to get worse.

On balance, I believe that this proposal is a move in the right direction, but that it does not go far enough, and will not satisfy the most important domestic or foreign critics.

Alternative 3: Create a semi-autonomous Foundation for International Educational and Cultural Exchange, and turn over to it, in a phased manner, the following activities and programs:

- 1) All State/CU's academic exchange programs.
- 2) All USIA's libraries, cultural centers, book programs, etc.
- 3) All AID's long-range, non-technical educational activities, including continuing educational programs in countries where AID does not or will cease to function.
- 4) All general support to private organizations of the kind previously given by CIA.
- 5) All activities involving the counselling, assistance, placement and repatriation of foreign students, whether Government sponsored or not.
- 6) Art exhibits and presentations in the performing arts, including the "reverse flow" to this country.

(Some of these activities could be sub-contracted to other agencies: e.g., the Library of Congress could handle overseas libraries, and give them its sponsorship.)

I. I suggest the following guidelines with regard to the basic structure of such a Foundation.

- 1) It should be governed by a Board of Trustees, composed of 15-25 members chosen from private life. The authorizing legislation should probably provide that a majority of the group be representatives of key voluntary and educational organizations. (This is similar to the legislation for the U.S. National Commission for UNESCO.)

~~CONFIDENTIAL~~

- 2) This Board, which might be called a "Grants Commission" to make its functions clear, should have final authority for the expenditure of all funds, as well as general supervisory authority over policy and policy execution.
- 3) The Foundation should have a Director or Administrator, of Under-Secretary rank, at the Executive Pay Level II or III. He should have a Deputy at Executive Level V. Neither should be in a Cabinet Department.
- 4) The Foundation should be free to receive private donations in addition to Government appropriations.
- 5) The Committees of Congress to which it reports should probably be the education committees.
- 6) It should be represented abroad by Cultural Affairs Officers and/or Educational Officers, who are full members of the State Department, but who carry the additional title, "Representative of the Foundation for International Educational and Cultural Exchange." (This is similar to French representation in this country, and to British representation in some countries.)

II. The relationship of such a Foundation to other agencies now operating will have to be carefully defined.

For purposes of general coordination, I would recommend that the Director or Administrator of the Foundation be named Chairman of the Federal Inter-Agency Council on International Educational and Cultural Affairs. This Council, which is now the principal instrument of coordination in the Government, and is chaired by the Assistant Secretary of State for Educational and Cultural Affairs, should be upgraded in its authority and altered in its composition. It should consist of the following member agencies: (The proposed new members are starred.)

State/CU

State/SCI*

AID

HEW (Center for Educational Cooperation and Office of Education)
Peace Corps

National Science Foundation*

National Endowment for the Arts*

National Endowment for the Humanities*

Atomic Energy Commission*

National Aeronautics and Space Agency*

Library of Congress (now has observer status)

Official observer status should go to:

Bureau of the Budget (now has observer status)

USIA (now is a member agency)

Smithsonian Institution (now has observer status)

Office of Science and Technology

~~CONFIDENTIAL~~

-5-

This reformed Council would be more relevant to the actual facts than the present set-up. The new agencies listed above for membership are active in the field of international intellectual exchange in a major way, and their programs have considerable impact on matters like the brain drain and the technological gap. They are also deeply affected in their international activities by the general U. S. posture with regard to exchanges, and by our reputation for honesty in this field.

III. Questions can be asked about the impact of such a Foundation on existing agencies and programs.

Question 1) What would be the impact on State/CU?

Answer: State/CU will still be responsible for the exchanges of non-academic leaders and specialists, which is the most immediately diplomatic-political aspect of its present activities.

It would also be responsible for--and would be freer to devote its energies to--the area of general foreign policy guidance concerning the significance of intellectual and cultural movements and events.

It would have, in addition, more direct control of and responsibility for the corps of educational and cultural officers in our embassies. These officers ought to be freer than they have been in the past to report on events in their country. Under present conditions, they are excessively pre-occupied with other duties related to their USIA tasks. Although CU would be a smaller bureau with a smaller budget under these conditions, its significance for policy would be greater.

Finally, CU would serve as the transmission belt between the activities of the proposed Foundation and our programs overseas.

Question 2) What would be the impact on the new Center for Educational Cooperation in HEW?

Answer: This Center would continue to be the principal agency for stimulating and supporting the domestic U. S. effort in international studies. By creating a parallel Foundation whose responsibilities are for overseas activities, the fuzziness in the present situation would be removed.

Question 3) What

~~CONFIDENTIAL~~

Question 3) What happens to AID education programs?

Answer: Short-range project-oriented education projects would continue in AID's domain. More long-range activities, including activities that continue after technical assistance ceases, would gradually be transferred to the Foundation.

An essentially similar recommendation was made by John Gardner in his AID and the Universities.

In dealing with this problem, it would be a mistake, obviously, for the Foundation to take over AID activities quickly. The transfer should be a planned one over a period of time.

Question 4) What happens to Cultural Affairs Officers?

Answer: They would be transferred to State. State now reimburses USIA, from CU appropriations, for approximately 100 man-years (Americans) and over 200 man-years (foreign) for the conduct of cultural affairs programs overseas. This provides a base for the transfer of personnel. If and when other cultural activities--e.g., libraries, cultural centers--are transferred, adjustments in the present USIA budget could be made.

USIA will undoubtedly take the position that its entree and credibility will be adversely affected by such a transfer. This does not come to grips with the fact that our cultural activities are now adversely affected by their tie-up to USIA overseas. Nor does it face the new situation created by recent revelations, which make it imperative that the bona fides of our cultural activities be spelled out visibly, dramatically, and in a new form.

Moreover, since State/CU, under this proposal, would also give up much of its authority, and various agencies will change their responsibilities, this change will be only a part of a larger picture, and cannot be construed as aimed at USIA alone.

Another and important advantage of this proposal is that it will remove long-standing barriers to the recruitment of good Cultural Affairs Officers. The best ones we have are dissatisfied with their present situation, which requires them to report through Public Affairs Officers. Outstanding figures like Cleanth Brooks, who served in London, and Laurence Wylie, now in Paris, have said that they could not recommend to any colleague that he repeat their experience.

Dissatisfaction

~~CONFIDENTIAL~~

-7-

Dissatisfaction with the present state of affairs has been expressed for a number of years, and recently with increasing impatience, by the U. S. Advisory Commission on International Educational and Cultural Affairs, by the Board of Foreign Scholarships, and by outstanding representatives of American higher education. The White House Conference on International Cooperation specifically recommended both a semi-autonomous Foundation, and the dissociation of cultural affairs from USIA. No step would do more to restore the confidence of the educational community in government-sponsored exchanges than this change in our system of overseas representation.

Question 5) What happens to the plans for Education Officers?

Answer: These plans would continue to be valid for countries where there is a large private educational traffic with the United States, or where a large number of Federal agencies are active in education, and require coordination.

In smaller and medium-sized embassies, it would be appropriate to combine the activities of the Cultural and Educational Officers. In large embassies, according to the Ambassador's desires, one could be subordinate to the other.

In general, the above proposal would probably mean that we would not need more than 30 Education Officers in overseas posts.

Summary:

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

-8-

Summary:


In favor of this third alternative are the following consideration:

- 1) It provides a visible guarantee of the integrity of all U.S. exchange activities.
- 2) It brings together activities that belong together.
- 3) It deals across the board, rather than in an ad hoc way, with the fundamental problem of government-private cooperation.
- 4) It is based on similar proposals that have been put forward for many years by the educational-scientific-cultural community, and will remove most of the objections they have raised to existing arrangements.
- 5) It puts exchange activities in a healthier setting - an educational and long-range foreign policy setting rather than a propagandistic and short-range setting. (In this connection, it would be useful, though not absolutely essential, to explore the possibility of five-year appropriations for such a Foundation.)

Against this proposal are some obvious considerations:

- 1) It is ambitious, and envisages major administrative changes. There will be bureaucratic pushing and pulling.
- 2) It will probably lead to general debate, since it will require new legislation.

On balance, even these adverse considerations seem themselves to be favorable consequences. I believe the Administration can turn what is now an embarrassment into a major triumph for its credibility, flexibility and imagination if it puts forward this idea.


Charles Frankel

cc: Mr. McPherson, The White House
Mr. Cater, The White House
Mr. Gardner, HEW

Attachment:

Illustrative breakdown (Tab A)

~~CONFIDENTIAL~~

ESTIMATE OF ADDITIONAL APPROPRIATIONS REQUIRED

1. American student participation in international Conferences abroad:

396 universities
150 colleges
546 institutions x 1 student @ \$1,000 each = \$546,000 *
 2. Student conferences in the U. S.

5 regional annual meetings

Unit cost \$22,000 - logistics
20,000 - international travel
24,000 - domestic transportation for
100 U.S. students
\$66,000

5 conferences = \$330,000
 3. Participation in International meetings by U.S. Scholars (funding through scholarly societies) = \$500,000
 4. Network of counseling and orientation centers for foreign students = \$1,600,000
 5. Support to private student interchange organizations (including university-to-university interchange)

\$6,000,000

- Total \$ 8,976,000

* This is merely a rough-and-ready way of figuring costs if the decision were taken to ensure broad representation of U.S. students at international meetings. Obviously, some institutions need not be represented at all; others would have more than one delegate. Obviously, too, these figures merely contemplate attendance by small delegations at the many meetings that take place.

9

G

9a

February 22, 1967

Dear Mr. President:

With respect to your inquiry of yesterday, I wish to assure you that Secretary Gardner, Mr. Helms and myself will be able to complete our inquiry into the relations of government agencies and private organizations operating abroad in the very near future. I anticipate that it will be possible to report our conclusions and recommendations early next month.

In the interval, there are certain basic facts with respect to past activities of the Central Intelligence Agency in this area which should be underscored.

When the Central Intelligence Agency lent financial support to the work of certain American private organizations, it did not act on its own initiative but in accordance with national policies established by the National Security Council in 1952 through 1954. Throughout it acted with the approval of senior interdepartmental review committees, including the Secretaries of State and Defense or their representatives. These policies have, therefore, been in effect under four Presidents.

The support provided by the Central Intelligence Agency enabled many far-sighted and courageous Americans to serve their country in times of challenge and danger to the United States and the free world.

Furthermore, the Central Intelligence Agency has been, and continues to be, indispensable to the security of this nation. It is vitally important that the current controversy over its support of certain private organizations not be permitted to obscure the value, or impede the effectiveness, of competent and dedicated career officials serving this country.

Respectfully yours,

Nicholas deB. Katzenbach

The President,

The White House.

96

STATEMENT BY THE PRESIDENT

I have received ~~and carefully studied~~ the report from the committee which I appointed on February 15 to review relationships between the Central Intelligence Agency and private American voluntary organizations. This committee consisted of Under Secretary of State Nicholas Katzenbach, as Chairman, Secretary of Health, Education, and Welfare John Gardner, and CIA Director Richard Helms.

I accept this committee's proposed statement of policy and ⁶am directing all agencies of the government to implement it fully.

^{We} I will also give serious consideration to the committee's recommendation "that the government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support." To review concrete ways of accomplishing this objective, I am requesting Secretary Rusk to serve as chairman of a special committee which will include representatives from the Executive, the Congress, and the private community. ~~Also, this committee will be able to report to me within the next forty-five days.~~

~~The committee will include:~~

98

THE UNDER SECRETARY OF STATE
WASHINGTON

March 24, 1967

Dear Mr. President:

The committee which you appointed on February 15, 1967 has sought, pursuant to your request:

--To review relationships between government agencies, notably the Central Intelligence Agency, and educational and private voluntary organizations which operate abroad; and

--To recommend means to help assure that such organizations can play their proper and vital role abroad.

The committee has held a number of meetings, interviewed dozens of individuals in and out of government, and reviewed thousands of pages of reports. We have surveyed the relevant activities of a number of federal agencies. And we have reviewed in particular and specific detail the relationship between CIA and each relevant organization.

Our report, supplemented with supporting classified documents, follows.

In summary, the committee offers two basic recommendations:

1. It should be the policy of the United States Government that no federal agency shall provide any covert financial

The President

The White House.

assistance or support, direct or indirect, to any of the nation's educational or private voluntary organizations.

2. The Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support.

1: A NEW POLICY

The years immediately after World War II saw a surge of communist activity in organizations throughout the world. Students, scientists, veterans, women and professional groups were organized into international bodies which spoke in the cadences, advocated the policies, and furthered the interests of the communist bloc. Much of this activity was organized, directed, and financed covertly by communist governments.

American organizations reacted from the first. The young men and women who founded the United States National Student Association, for example, did so precisely to give American youth the capacity to hold their own in the international arena. But the importance of students as a force in international events had yet to become widely understood and NSA found it difficult to attract private support for its international activities. Accordingly, the United States Government, acting through the Central Intelligence Agency, provided support for this overseas work.

We have taken NSA as an example. While no useful purpose would be served by detailing any other CIA programs of assistance to private American voluntary organizations, one fundamental point should be clearly stated: such assistance was given pursuant to National Security Council policies beginning in October, 1951 and with the subsequent concurrence of high-level senior interdepartmental review committees in the last four Administrations. In December, 1960, in a classified report submitted after a year of study, a public-private Presidential Committee on Information Activities Abroad specifically endorsed both overt and covert programs, including those assisted by CIA.

Our study, undertaken at a later time, discloses new developments which suggest that we should now re-examine these policies. The American public, for example, has become increasingly aware of the importance of the complex forms of international competition between free societies and communist states. As this awareness has grown, so have potential sources of support for the overseas work of private organizations.

There is no precise index to these sources, but their increase is suggested by the growth in the number of private foundations from 2,220 in 1955 to 18,000 in 1967. Hence it is increasingly possible for organizations like NSA to seek support for overseas activities from open sources.

Just as sources of support have increased, so has the number of American groups engaged in overseas work. According to the Agency for International Development, there has been a nine-fold increase just among voluntary organizations which participate in technical assistance abroad, rising from 24 in 1951 to 220 in 1965. The total of all private American voluntary groups now working overseas may well exceed a thousand.

The number of such organizations which has been assisted covertly is a small fraction of the total. The vast preponderance have had no relationship with the government or have accepted only open government funds--which greatly exceed funds supplied covertly.

The work of private American organizations, in a host of fields, has been of great benefit to scores of countries. That benefit must not be impaired by foreign doubts about the independence of these organizations. The committee believes it is essential for the United States to underscore that independence immediately and decisively.

For these reasons, the committee recommends the following:

-4-
Statement of Policy

No federal agency shall provide any covert financial assistance or support, direct or indirect, to any of the nation's educational or private voluntary organizations. This policy specifically applies to all foreign activities of such organizations and it reaffirms present policy with respect to their domestic activities.

Where such support has been given, it will be terminated as quickly as possible without destroying valuable private organizations before they can seek new means of support.*

We believe that, particularly in the light of recent publicity, establishment of a clear policy of this kind is the only way for the government to carry out two important responsibilities. One is to avoid any implication that governmental assistance, because it is given covertly, is used to affect the policies of private voluntary groups. The second responsibility is to make it plain in all foreign countries that the activities of private American groups abroad are, in fact, private.

The committee has sought carefully to assess the impact of this Statement of Policy on CIA. We have reviewed each relevant program of assistance carried out by the Agency in case-by-case detail. As a result of this scrutiny, the committee is satisfied that application of the Statement of Policy will not unduly handicap the Agency in the exercise of its national security responsibilities. Indeed, it should be noted that, starting well before the appearance of recent publicity, CIA had initiated and pursued efforts to disengage from certain of these activities.

The committee also recommends that the implementation of this policy be supervised by the senior interdepartmental

*On the basis of our case-by-case review, we expect that the process of termination can be largely--perhaps entirely--completed by December 31, 1967.

review committee which already passes on proposed CIA activities and which would review and assist in the process of disengagement.*

2: NEW METHODS OF SUPPORT

While our first recommendation seeks to insure the independence of private voluntary organizations, it does not deal with an underlying problem--how to support the national need for, and the intrinsic worth of, their efforts abroad.

Anyone who has the slightest familiarity with intellectual or youth groups abroad knows that free institutions continue to be under bitter, continuous attack, some of it carefully organized and well-financed, all of it potentially dangerous to this nation.

It is of the greatest importance to our future and to the future of free institutions everywhere that other nations, especially their young people, know and understand American viewpoints. There is no better way to meet this need than through the activity of private American organizations.

* If the Statement of Policy is to be effective, it must be rigorously enforced. In the judgment of this committee, no programs currently would justify any exception to this policy. At the same time, where the security of the nation may be at stake, it is impossible for this committee to state categorically now that there will never be a contingency in which overriding national security interests may require an exception--nor would it be credible to enunciate a policy which purported to do so.

We therefore recommend that, in the event of such unusual contingencies, the interdepartmental review committee be permitted to make exceptions to the Statement of Policy, but only where overriding national security interests so require; only on a case-by-case basis; only where open sources of support are shown to be unavailable; and only when such exceptions receive the specific approval of the Secretaries of State and Defense. In no event should any future exception be approved which involves any educational, philanthropic, or cultural organization.

The time has surely come for the government to help support such activity in a mature, open manner.

Some progress toward that aim already has been made. In recent years, a number of federal agencies have developed contracts, grants, and other forms of open assistance to private organizations for overseas activities. This assistance, however, does not deal with a major aspect of the problem. A number of organizations cannot, without hampering their effectiveness as independent bodies, accept funds directly from government agencies.

The committee therefore recommends that the Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support.

Such a mechanism could take various forms. One promising proposal, advanced by Mr. Eugene Black, calls for a publicly funded but privately administered body patterned on the British Council.

The British Council established in 1934, operates in 80 countries, administering approximately \$30,000,000 annually for reference libraries, exhibitions, scholarships, international conferences, and cultural exchanges. Because 21 of its 30 members are drawn from private life, the Council has maintained a reputation for independence, even though 90 percent of its funds are governmental.

According to the UNESCO Directory of Cultural Relations Services, other nations have developed somewhat similar institutions. The Indian Council for Cultural Relations, for example, is entirely government-financed but operates autonomously. The governing body of the Swedish Institute for Cultural Relations consists of both government and private members. This institute receives 75 percent of its funds from the government and the remainder from private contributions.

The experience of these and other countries helps to demonstrate the desirability of a similar body in the United States, wholly or largely funded by the federal government. Another approach might be the establishment of a governmental foundation, perhaps with links to the existing Federal Inter-Agency Council on International Education and Cultural Affairs.

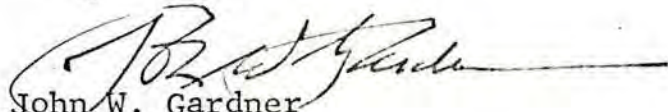
Such a public-private body would not be new to the United States. Congress established the Smithsonian Institution, for example, more than a century ago as a private corporation, under the guardianship of Congress, but governed by a mixed public-private Board of Regents.

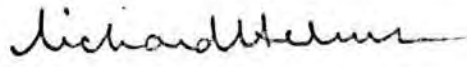
The committee began a preliminary study of what might be the best method of meeting the present need. It is evident, however, that, because of the great range both of existing government and private philanthropic programs, the refinement of alternatives and selection among them is a task of considerable complexity. Accordingly, we do not believe that this exclusively governmental committee is an appropriate forum for the task and we recommend, instead, the appointment of a larger group, including individuals in private life with extensive experience in this field.

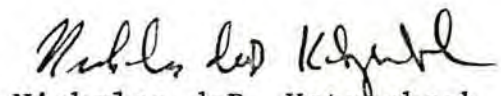
The basic principle, in any event, is clear. Such a new institution would involve government funds. It might well involve government officials. But a premium must be placed on the involvement of private citizens and the exercise of private judgments, for to be effective, it would have to have--and be recognized to have--a high degree of independence.

The prompt creation of such an institution, based on this principle, would fill an important--and never more apparent--national need.

Respectfully,


John W. Gardner
Secretary of
Health, Education and Welfare


Richard Helms
Director of
Central Intelligence


Nicholas deB. Katzenbach
Under Secretary of State,
Chairman

10
March 29, 1967

THIS MATERIAL WAS TAKEN FROM BLUE BOOK

THIS DATE.....THE APPENDICES WERE GIVEN TO
JIM CLARK BUB FOR HIS INFORMATION

JR

The eight-page report which follows is unclassified. The Notes and Appendices which follow the report, however, are classified, containing Secret/Sensitive, Secret, and Confidential material.

NOTES

12

Mr. Roth

13

90TH CONGRESS
1ST SESSION

H. R. 7745

*Russ
Fasell*
H. R. 7643

IN THE HOUSE OF REPRESENTATIVES

MARCH 23, 1967

Mr. FRASER introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

To promote private United States participation in international organizations and movements, to provide for the establishment of an Institute of International Affairs, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Institute of International
4 Affairs Act".

5 SEC. 2. There is created as an agency of the United
6 States of America a body corporate to be known as the "In-
7 stitute of International Affairs" (hereafter in this Act re-
8 ferred to as the "Institute").

9 SEC. 3. (a) The purposes of the Institute are—

1 (1) to strengthen friendship and understanding
2 among the peoples of the world;

3 (2) to encourage the development of free and
4 democratic institutions;

5 (3) to promote private United States participation
6 in international organizations and movements when such
7 participation supports the purposes set forth in para-
8 graph (1) or (2) of this section; and

9 (4) to encourage continuing studies of (a) private
10 international communications, and (b) the effect of such
11 communications on the strengthening of democratic
12 institutions.

13 (b) The Institute shall carry out the purposes set forth
14 in subsection (a) of this section through and with private
15 organizations, individuals, governmental agencies, and inter-
16 national organizations by planning, initiating, assisting,
17 financing, administering, and executing programs and proj-
18 ects designed to promote the achievement of such purposes.

19 SEC. 4. The Institute, as a corporation—

20 (1) shall have perpetual succession unless sooner
21 dissolved by an Act of Congress;

22 (2) may adopt, alter, and use a corporate seal,
23 which shall be judicially noticed;

24 (3) may make and perform contracts with any in-
25 dividual, corporation, or other body of persons however

1 designated, whether within or without the United States
2 of America, and with any government or governmental
3 agency, domestic or foreign;

4 (4) shall determine and prescribe the manner in
5 which its obligations shall be incurred and its expenses
6 allowed and paid;

7 (5) may, as necessary for the transaction of the
8 business of the Institute, employ, and fix the compen-
9 sation of, officers, employees, agents, and attorneys and,
10 the Institute may, without regard to the provisions of
11 title 5 of the United States Code governing appoint-
12 ments in the competitive service and the provisions of
13 chapter 51 and subchapter III of chapter 53 of such title
14 relating to classification and General Schedule pay rates,
15 employ, and fix the compensation of, officers, employees,
16 agents, and attorneys of the Institute employed for serv-
17 ice outside the United States, except that the salary of
18 any person thus employed shall not exceed the maximum
19 salary established by the General Schedule under sec-
20 tion 5332 of title 5 of the United States Code;

21 (6) may acquire by purchase, devise, bequest, or
22 gift, or otherwise, lease, hold, and improve such real
23 and personal property as it finds to be necessary to its
24 purposes, whether within or without the United States,
25 and in any manner dispose of all such real and personal

1 property held by it and use as general funds all receipts
2 arising from the disposition of such property;

3 (7) shall be entitled to the use of the United States
4 mails in the same manner and on the same conditions as
5 the executive departments of the Government;

6 (8) may, with the consent of any board, corpora-
7 tion, commission, independent establishment, or execu-
8 tive department of the Government, including any field
9 service thereof, avail itself of the use of information,
10 services, facilities, officers, and employees thereof in car-
11 rying out the provisions of this Act;

12 (9) may accept money, funds, property, and serv-
13 ices of every kind by gift, devise, or bequest, or grant,
14 or otherwise, and make advances and grants to any
15 individual, corporation, or other body of persons, whether
16 within or without the United States of America, or to
17 any government or governmental agency, domestic or
18 foreign, when deemed advisable by the Institute in
19 furtherance of its purposes;

20 (10) may sue and be sued, complain, and defend,
21 in its corporate name in any court of competent jurisdic-
22 tion; and

23 (11) shall have such other powers as may be nec-

1 necessary and incident to carrying out its powers and duties
2 under this Act.

3 SEC. 5. Upon termination of the corporate life of the
4 Institute all of its assets shall be liquidated and, unless other-
5 wise provided by Congress, shall be transferred to the United
6 States Treasury as the property of the United States.

7 SEC. 6. (a) The management of the Institute shall be
8 vested in a board of directors (hereafter in this Act referred
9 to as the "Board") composed of nine members appointed
10 by the President, by and with the advice and consent of the
11 Senate. No more than one member shall, at any one time,
12 be an employee of the Federal Government.

13 (b) Four of the Board members shall be appointed by
14 the President from lists of nominees submitted by the two
15 major political parties, with two selected from each party
16 list.

17 (c) The remaining five Board members will be broadly
18 representative of institutions, organizations, and activities
19 having a demonstrated interest in international affairs.

20 The Board shall appoint its chairman.

21 (d) Each member of the Board shall be appointed for
22 a term of six years, except that of the first nine members
23 appointed under this Act three shall be appointed for a

1 term of two years and three shall be appointed for a term
2 of four years. Any person appointed to fill a vacancy
3 occurring prior to the expiration of the term for which his
4 predecessor was appointed shall be appointed only for the
5 remainder of such term; but upon the expiration of his
6 term of office a member shall continue to serve until his
7 successor is appointed and shall have qualified.

8 (e) Members of the Board appointed from private life
9 shall each receive \$100 per diem when engaged in the actual
10 performance of duties vested in the Board, plus reimburse-
11 ment for travel, subsistence, and other necessary expenses
12 incurred by them in the performance of such duties. Mem-
13 bers of the Board who are officers or employees of the United
14 States shall serve without compensation in addition to that
15 received for their services as such officers or employees, but
16 they shall be reimbursed for travel, subsistence, and other
17 necessary expenses in the same manner as in the case of
18 members appointed from private life.

19 (f) The Board shall direct the exercise of all the powers
20 of the Institute.

21 (g) The Board may prescribe, amend, and repeal by-
22 laws, rules, and regulations governing the manner in which
23 the business of the Institute may be conducted and in which
24 the powers granted to it by law may be exercised and en-

1 joyed. A majority of the Board shall be required as a
2 quorum.

3 (h) In furtherance and not in limitation of the powers
4 conferred upon it, the Board may appoint such committees
5 for the carrying out of the work of the Institute as the Board
6 finds to be for the best interests of the Institute, each com-
7 mittee to consist of two or more of the directors, which
8 committees, together with officers and agents duly author-
9 ized by the Board and to the extent provided by the Board,
10 shall have and may exercise the powers of the Board in the
11 management of the business and affairs of the Institute.

12 SEC. 7. The Institute shall be a nonprofit corporation
13 and shall have no capital stock. No part of its revenue,
14 earnings, or other income or property shall inure to the bene-
15 fit of its directors, officers, and employees and such revenue,
16 earnings, or other income, or property shall be used for the
17 carrying out of the corporate purposes herein set forth. No
18 director, officer, or employee of the corporation shall in any
19 manner directly or indirectly participate in the deliberation
20 upon or the determination of any question affecting his per-
21 sonal interests or the interests of any corporation, partner-
22 ship, or organization in which he is directly or indirectly
23 interested.

24 SEC. 8. When approved by the Institute, in furtherance

1 of its purposes, the officers and employees of the Institute
2 may accept and hold offices or positions to which no compen-
3 sation is attached with governments or governmental agen-
4 cies of foreign countries.

5 SEC. 9. The Secretary of State shall have authority to
6 detail employees of the Department of State to the Institute
7 under such circumstances and upon such conditions as he
8 may determine. Any such employee so detailed shall not
9 lose any privileges, rights, or seniority as an employee of the
10 Government by virtue of such detail.

11 SEC. 10. The principal office of the Institute shall be
12 located in the District of Columbia, but there may be estab-
13 lished agencies, branch offices, or other offices in any place
14 or places within the United States or elsewhere in any of
15 which locations the Institute may carry on all or any of its
16 operations and business under bylaws or rules and regu-
17 lations.

18 SEC. 11. The Institute, including its franchise and in-
19 come, shall be exempt from taxation now or hereafter im-
20 posed by the United States, or any territory or possession
21 thereof, or by any State, county, municipality, or local taxing
22 authority.

23 SEC. 12. The right to alter, amend, or repeal this Act is
24 hereby expressly reserved. If any part of this Act shall
25 for any reason be adjudged by any court of competent juris-

1 diction to be invalid, such judgment shall not affect, impair,
2 or invalidate the remainder of this Act, but shall be con-
3 fined in its operations to the part hereof directly involved in
4 the controversy in which such judgment shall have been
5 rendered.

6 SEC. 13. In lieu of the provisions of the Government
7 Corporation Control Act, the Institute shall be subject to the
8 applicable provisions of the Budget and Accounting Act,
9 1921.

90TH CONGRESS
1ST SESSION

H. R. 7745

A BILL

To promote private United States participation in international organizations and movements, to provide for the establishment of an Institute of International Affairs, and for other purposes.

By Mr. FRASER

MARCH 23, 1967

Referred to the Committee on Foreign Affairs

14

DEPARTMENT OF STATE
ASSISTANT SECRETARY

~~CONFIDENTIAL~~

April 4, 1967

MEMORANDUM FOR: The Honorable Douglass Cater, Jr.
 Special Assistant to the President
 The White House

SUBJECT: Conversation with John Oakes, Editorial Page
 Editor, The New York Times

Regarding the attached editorial, I made a quiet call to John Oakes, whom I know, and pointed out that the President had never "pledged" to shift responsibility for the nation's educational involvement abroad from State to HEW. I said that State was in thorough accord with the principle that the center of gravity for the domestic aspect of this activity should move to HEW, and had helped stimulate the proposal, but that it was obvious that there could be only one Secretary of State, and that he must be finally responsible for what any branch of the Government does overseas.

With regard to the appointment of the Secretary as Chairman of the new Committee, I pointed out that he was, first, the senior Cabinet officer, and, second, that this was essentially a foreign policy issue. Accordingly, it would have been an oddity requiring a good deal of explanation if any other choice but the one that was made had been made.

The conversation was entirely friendly and low key, and will be held in confidence. John Oakes emphasized that the editorial was not in any way intended as a personal criticism of the Secretary of State or of his competence as Chairman of the group. He also said that he was grateful for the clarification of the issues involved and understood them better. He would keep all this in mind when and if he writes again on these matters.

When I get the chance I will mention this conversation briefly to the Secretary.

Attachment:
NY Times clipping
April 2, 1967


Charles Frankel

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12356, Sec. 3.4
NLJ 91-331
By lig, NARA, Date 11-12-91

Open Support Openly Given

The Katzenbach committee's recommendation that no Federal agency shall henceforth provide any covert financial assistance to educational or private voluntary organizations—and President Johnson's prompt order to turn the recommendation into national policy—should bring an end to an unhappy chapter of ill-considered, though well-intentioned, official policy.

Disclosure of the Central Intelligence Agency's secret subsidies for the international activities of the National Student Association and a host of other legitimate voices of American educational and intellectual life severely distorted the image of independence of American scholarship abroad. The real fault lay in the shortsightedness in Congress and the nation at large which, during a critical time in the battle of ideas, prevented open support of such organizations. The corrosive influence of McCarthyism, which made for widespread anti-intellectualism, effectively held back public support for many private groups that combined anti-Communism with reform-minded liberalism.

The Katzenbach committee accurately observed that the American public has, since those dark days, become sufficiently aware of the need for providing open backing of American representatives taking part in the international competition of ideas. Its recommendation that the Government support participation in this competition "in a mature, open manner" calls for prompt execution.

The proposal of a "public-private mechanism," financed in considerable degree with public funds but independently administered, has worked in Britain with the British Council and here with the Smithsonian Institution. And the acceptance of Fulbright scholars by the international academic community is additional proof that governmental money is in no way tainted when it is openly allocated.

The only flaw in the President's response to the recommendation that a new committee provide a blueprint for the projected public-private agency is his appointment of the Secretary of State to chair this group. This goes counter to earlier pledges, under the International Education Act of 1966, to shift responsibility for the nation's educational involvement abroad from the State Department to the Department of Health, Education and Welfare.

The American educational and intellectual voice speaks most effectively when there is least suspicion that it is being prompted by the agents of foreign policy. Now that a break with past covert operations has been made, the opportunity to move the responsibility for education's foreign activities into H.E.W. should not be missed.

Curb on C.I.A.

An End to Covert Aid

When the Central Intelligence Agency's role in subsidizing the overseas activities of some student, labor and other private American organizations was disclosed six weeks ago, the general reaction was that such C.I.A. activity had been a mistake. "I think the C.I.A. has a job to do, but it can do it without using [the] labor movement," said A.F.L.-C.I.O. President George Meany.

President Johnson ordered a halt to C.I.A. financing of the National Student Association, whose links to the C.I.A. were at the center of the exposé. He also appointed a committee consisting of Under Secretary of State Nicholas Katzenbach, as chairman, Secretary of Health, Education and Welfare John Gardner, and C.I.A. Director Richard Helms, to review the whole problem of financing groups that combat Communist propaganda and activity abroad.

In issuing its report last week, the committee argued—taking the National Student Association as an example—that the N.S.A. sought funds from the C.I.A. in the early 1950's because, as a leftist though anti-Communist group, it could not get the money from other sources, private or governmental, in view of the prevailing political climate of the period. More recently, however, the report concluded, "[the] American public . . . has become increasingly aware of the importance of the complex forms of international competition between free societies and Communist states. . . . Hence it is increasingly possible for organizations like N.S.A. to seek support for overseas activities from open sources."

Accordingly, the committee made two recommendations:

First, it recommended a new policy under which "no Federal agency shall provide any covert financial assistance or support, direct or indirect, to any of the nation's educational or private organizations." The committee said exceptions should be made when required by "overriding national security interests," as determined by the Secretaries of State and

Defense, but added that none of the present subsidy programs fall into this category.

Second, since "free institution continue to be under bitter, continuous attack" abroad, the committee recommended creation of a "public-private mechanism" to provide public funds openly to overseas activities of organizations which are adjudged deserving, in the national interest of public support.

President Johnson adopted both recommendations, ordering rapid liquidation of covert C.I.A. financing of private voluntary organizations, and naming Secretary of State Dean Rusk to head a new study of what form the proposed "public-private mechanism" should take.

The other members of the Rusk committee have not yet been named. When they are, they will have to resolve some basic problems.

One of these will be how to keep the private, voluntary institution free from Government direction, so there is no question in foreign countries that the organization are free. Another problem is how Congress, which presumably will openly appropriate funds for the program, can retain some watch dog role over public money.

The Katzenbach committee anticipated these questions by citing the experience of the British Council—an institution which receives 90 per cent of its funds from the British Government but remains pretty independent and under predominantly private control as it operates libraries, teaches English and finances British cultural and scientific delegations overseas. But there is an added question to which this British model has little relevance: What about the more direct political action financed by the C.I.A., such as the reported use of an American labor union to foment strikes against Cheddi Jagan's Marxist regime in Guyana?

In recommending an American system the Rusk committee will have the opportunity to look at the problem narrowly—as simply the question of finding new financing for organizations helped by the C.I.A.—or it can broaden its inquiry. The broad approach would provide an opportunity to look into the whole range of Government

and private activities overseas from the State Department's exchange program to the public scholarships, from the United States Information Agency's libraries to its radio programs, and it should give it an opportunity to develop an all-embracing philo-

philosophy of how a free society should be represented in foreign lands.

~~SECRET~~

15

SANITIZED

E.O. 12356, Sec. 3.4

NJ 91-331

By sig, NARA, Date 7-27-92

DRAFT

4-4-67

MEMORANDUM FOR THE PRESIDENT

Subject: Scope of Special Review of Funding of Private
Voluntary Organizations Abroad

On March 29, you asked me to serve as Chairman of a special committee to consider a recommendation in the Katzenbach-Gardner-Helms report, "that the Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support." On April __, you announced a committee of __ representatives from the Executive, the Congress and private life.

Approach

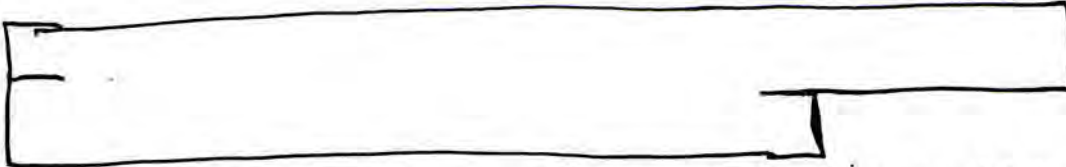
A first task of the committee will be to review the activities formerly funded by CIA ^{to see which of these} ~~which~~ can be considered in the future for overt Government funding. The purpose of this review will be to determine whether continued support is in the U.S. interest.

The Katzenbach committee has identified such organizations (excluding Radio Free Europe and Radio Liberty-- see below) which were receiving CIA support

1.3
(a)(4)

~~SECRET~~

2



1.3(a)(4)

We will also attempt to judge the extent to which similar organizations not formerly funded by CIA may seek and deserve public support, if overt funding is available for these purposes.

If there is a need, a second question involves the form or means of public support. Should we expand existing appropriations or should we create new organizations, including the quasi-public foundation or council proposed in the Katzenbach report?

Third, if we recommend a quasi-public council to fill the gap left by termination of CIA funding, is there any advantage to transferring to such a body the support of existing Federal activities? "Education and World Affairs", a non-profit corporation, representing seven major foundations, has suggested transfer to such a body some or all of the \$400 million of educational programs carried out by regular Government agencies (e.g., Fulbright-Hays exchange program, AID educational development programs, USIA information centers, etc.) The basic purpose would be to separate international education and cultural activities from mission-oriented foreign affairs agencies.

~~SECRET~~


~~SECRET~~

3

Lastly, the special committee should address the proper relationship between Federal and private support to the above activities. In the case of the British Council, private contributions are 10% of total income. In the U.S. where foundations with assets of over \$20 billion play such a large role in our cultural and educational life, one might expect a higher percentage. However, experience indicates a reluctance on the part of private contributors and foundations to give sustained operating support to entities funded by the Federal Government (e.g., the Smithsonian).

Alternatives

Of the many and varied alternatives, three emerge at this time as deserving particular attention by the special committee. The committee could recommend:

1. Take no special action but assist the  organizations formerly funded by CIA to find support from private sources and regular agency programs.
2. Propose a new means of providing grants to American private voluntary organizations for the type of activities formerly funded

1.3(a)(4)

~~SECRET~~

~~SECRET~~

4

by CIA [redacted]

[redacted] The means could range from an appropriation to an existing agency (State or HEW) to a quasi-public council.

1.3(a)(4)

3. Propose a new packaging of the above activities with existing international educational and cultural programs, like Fulbright academic exchanges, support of East-West Center in Hawaii and American universities abroad, and exchange of cultural and sports presentations. In FY 1968, these latter activities are budgeted at about \$50 million.

These are not the only alternatives. The committee members may suggest others.

Radio activities

Although affected by the new funding policies established by the Katzenbach Committee, Radio Free Europe and Radio Liberty should not be included in the study of the special committee. The radios are propaganda instruments, not cultural and educational, which involve difficult and unique problems. The most appropriate forum for working with CIA in considering

~~SECRET~~

~~SECRET~~

5

alternatives for the future of these organizations would be the 303 committee and the Bureau of the Budget.

Procedure

I expect to hold the first meeting of the Committee on my return from Punta Del Este. The first session of the full committee will be directed to an exploration of the problem and the development of main lines of investigation.

My objective is to complete the work of the special committee in about 60 days. However, the staffing within the Executive Branch of a proposal as far reaching as alternative 3 would take more time. ^{probably} It would not be ready for presentation to Congress until January 1.

The staff work for the Committee is being done by the Bureau of the Budget.

If you have no objection, I will proceed as outlined above.

Secretary of State

Approve _____

See me _____

~~SECRET~~

~~SECRET~~

16
April 5, 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Scope of Special Review of Funding of Private Voluntary Organizations Abroad

On March 29, you asked me to serve as Chairman of a special committee to consider a recommendation in the Katzenbach-Gardner-Helms report that

The Government should promptly develop and establish a public-private mechanism to provide public funds openly for overseas activities of youth, educational, cultural, and labor organizations which are adjudged deserving, in the national interest, of public support.

This memorandum outlines for your approval the way in which I plan to proceed with this assignment.

Approach

1. I propose to have the committee review the kinds of activities formerly funded by CIA which might accept overt Government funding to determine whether continued support is in the U. S. interest.

- 1.3
(4)(4)
- We will concentrate on the organizations (excluding Radio Free Europe and Radio Liberty --see below) which the Katzenbach committee identified as possible recipients of overt Government support.

- We will also attempt to judge the extent to which the many voluntary American organizations not formerly funded by CIA may seek and qualify for public support, if overt funding is available.
- The committee should not review CIA covert activities, beyond those identified by the Katzenbach committee as prospects for overt U. S. funding.

SANITIZED

E.O. 12356, Sec. 3.4

NJ 91-331

By ing NAKA, Date 7-27-92

~~SECRET~~

~~SECRET~~ ~~SECRET~~

- Radio Free Europe and Radio Liberty should not be included at least initially in the study of the special committee, since the radios are primarily propaganda instruments, not cultural and educational. The 303 committee with the support of the Budget Director should proceed immediately with a study of the alternatives for the future of these organizations.

2. If there is a demonstrated need for public funding, we will examine form or means of public support. Should we expand existing appropriations (like HEW's Center for International Education) or should we create new organizations, including the quasi-public foundation or council proposed in the Katzenbach report?

3. In connection with a quasi-public council, we will explore any advantage to transferring to such a body the funding of existing agency educational and cultural activities.

- "Education and World Affairs," a non-profit corporation, representing seven major foundations, has suggested transfer to such a body, a large part of the \$400 million of educational and exchange programs carried out by regular Government agencies.
- Realistically, we propose to limit the committee's consideration to a smaller package of activities in the range of \$50-\$60 million annually. These might include Fulbright academic exchanges, support of East-West Center, American colleges and universities abroad such as the one in Beirut, and cultural and athletic presentations.

4. We will also look into the relation between Federal and private financing. Our experience demonstrates a reluctance on the part of private contributors to give sustained operating support to entities basically funded by the Federal Government (e. g., the Smithsonian). On the other hand, Government has given grants to institutions which are almost wholly funded privately.

* * * * *

~~SECRET~~ ~~SECRET~~

~~SECRET~~ ~~SECRET~~

3

I expect to hold the first meeting of the committee on my return from Punta Del Este. My objective is to complete the work of the special committee in about 60 days. I will keep you regularly informed as the work of the committee proceeds.

Secretary of State

Approve _____

See me _____

~~SECRET~~ ~~SECRET~~

(W) 17

THE UNDER SECRETARY OF STATE
WASHINGTON

22

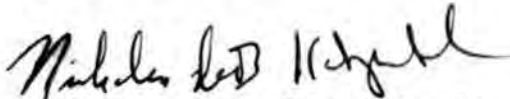
March 24, 1967

Dear Mr. President:

I have the honor to transmit herewith the Report of the Committee which you appointed on February 15 and which you asked me to chair regarding Government Assistance to Educational and Private Voluntary Organizations.

The Report itself is unclassified and can hence, if you wish, be made public. Appended to it are notes and seven appendices which are classified.

Respectfully,


Nicholas deB. Katzenbach

Attachment.

The President,

The White House.

~~SECRET~~~~SPECIAL HANDLING~~

18

Organizations which might accept Overt Funding

	Support - in millions
1. <u>The Asia Foundation</u>	<u>\$8.5</u>
- Technical assistance to Foreign Governments	1.4
- Assistance to educational institutions	2.2
- Exchange of persons	.4
- Assistance to foreign private groups	1.5
- Book programs	.3
- Overhead	2.7
2. <u>International Commission of Jurists</u>	<u>.5</u>
- Legal studies and investigative activities	.5
3. <u>Friends of India</u>	<u>.1</u>
- Exchange of persons	.1
4. <u>Center for Research on Religious Institutions</u>	<u>.1</u>
- Religious studies	.1
5. <u>Cooperative League of U.S.</u>	<u>.3</u>
6. <u>American Newspaper Guild</u>	<u>.3</u>
- Assistance to foreign private groups	.3
- Overhead	*
7. <u>National Student Association</u>	<u>.3</u>
- Assistance to foreign private group	.2
- Exchange of persons	*
- Overhead	.1
8. <u>U. S. Youth Council</u>	<u>.2</u>
- Assistance to foreign private groups	.1
- Overhead	.1
9. <u>Foundation of Youth and Students</u>	<u>.3</u>
- Exchange of persons	.1
- Overhead	.2
10. <u>Fund for International Social and Economic Education</u>	<u>.4</u>
11. <u>World Confederation of the Teaching Profession</u>	<u>.5</u>
- Assistance to foreign private groups	.2
- Overhead	.3

Grand total

11.5

*Less than \$50 thousand

DECLASSIFIED

E.O. 12356, Sec. 3.4

NIJ 91-331

By ing, NARA, Date 11-12-91~~SECRET~~~~SPECIAL HANDLING~~

TENTATIVE AGENDA**Committee on Public Funding of Overseas Activities of
American Voluntary Organizations**

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| I. Opening Remarks | Secretary Rusk |
| II. Briefing on the work of the
Review Committee | Under Sec. Katzenbach |
| III. Briefing on the Review Committee's
recommendation on new methods of
support for private voluntary
organizations | Secretary Gardner |
| IV. Briefing on the "British Council"
and mechanisms used by other coun-
tries to conduct similar activities
to those under review. | Assistant Secretary Frankel |
| V. General approach to the Study | Staff |
| VI. Review of private overseas acti-
vities within the purview of study | Staff |

~~SECRET~~

20

Organization

1968 Program

National Education Association/
World Confederation of Orgs.
of Teaching Profession

\$ 575,000

Cooperative League of the USA

275,000

American Council for the Inter-
national Commission of Jurists

540,000

Asia Foundation

8,510,000

American Friends of India Committee
(an example)

15,000

American Newspaper Guild

300,000

U.S. Nat'l Students Assn.

100,000*

U.S. Youth Council

100,000**

Fund for International Social and
Economic Education

400,000

Subtotal

10,815,000

RL

12,363,000

RFE

19,675,000

Labor

1,000,000

GRAND TOTAL

\$ 43,853,000

* International Commission only

** Adm. overhead only

DECLASSIFIED

E.O. 12356, Sec. 3.4

NLJ 91-331

By ij, NARA, Date 11-12-91

~~SECRET~~

~~SECRET~~~~SPECIAL HANDLING~~

21

Estimated Annual Support by Function and Source
(\$ in millions)

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 91-331

By ~~ing~~, NARA, Date 11-12-91

"B" List Organizations	Overt Government					Foundations or Council		Other	Total	
	T/A to For. Govts A.I.D.	Asst to Educ Inst. State C/U and A.I.D.	Exchange Program State C/U	Book Programs USIA	Assistance to Foreign Private Groups A.I.D.	Overhead for U.S. Groups Proj. Gen.	Legal and Religious Studies	Special Arrangement		
The Asia Foundation.....	1.4	2.2	.4	.3	1.5	1.4	1.3	--	--	8.5
International Commission of Jurists.....	--	--	--	--	--	--		.5	--	.5
Friends of India.....	--	--	.1	--	--	--		--	--	.1
Center for Research on Religious Institutions.....	--	--	--	--	--	--		.1	--	.1
Cooperative League of U.S.	--	--	--	--	--	--		--	.3	.3
American Newspaper Guild.....	--	--	--	--	.3	--	*	--	--	.3
National Student Association...	--	--	*	--	.2	*	*	--	--	.3
U.S. Youth Council.....	--	--	*	--	.1	*	*	--	--	.2
Foundation of Youth and Students.....	--	--	.1	--	--	*	.1	--	--	.3
Fund for International Social and Economic Education.....	--	--	--	--	--	--	--	--	.4	.4
World Confederation of the Teaching Profession.....	--	--	--	--	.2	.1	.1	--	--	.5
Total.....	1.4	2.2	.6	.3	2.3	1.6	1.8	.6	.7	11.5

* Less than \$50 thousand

~~SECRET~~~~SPECIAL HANDLING~~