

Report on CIA's Finance

Here is the text of the Cabinet committee's report to President Johnson of Central Intelligence Agency support of voluntary organizations, released yesterday by the White House:

Dear Mr. President:

The committee which you appointed on Feb. 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 the 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 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 re-

acted 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 pro-



Nicholas deB. Katzenbach



Richard Helms



John W. Gardner

... their report released by the President

grams 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 reexamine 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.

Growth Noted

There is no precise index to these sources, but their increase is suggested by the growth in the number of private foundations from 2220 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 has 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 organi-

zations 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.*

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

Basic Problem

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.

The time has surely come for the Government to help support such activity in a more 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.

Recommendation

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 million 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 per cent 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 per cent 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 Govern-

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LBJ's Reply on CIA

President Johnson issued this statement in response to the Katzenbach committee report.

I have received the report from the committee which I appointed on Feb. 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 am directing all agencies of the Government to implement it fully.

We 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.

ment. 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.

Not New to U.S.

Such a public-private body would not be new to the United States. Congress estab-

lished 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.

Footnotes

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

**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.