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JUN 6 1967

Executive Registry
67-2990

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director for Plans
Executive Director/Comptroller

SUBJECT: Liquidation of CA Staff Proprietary Project
DTPILLAR

1. This memorandum contains in Paragraph 3 a recommendation for approval by the Director of Central Intelligence.

2. Background

a. Pursuant to the recommendations of the Katzenbach Committee, as approved by the President of the United States, covert support of the DTPILLAR instrumentality (hereinafter called the Foundation) will be terminated as soon as practicable. The 303 Committee, at a meeting on 27 May 1967, agreed that overt U. S. Government support should be provided to help sustain the Foundation in the future, and approved a terminal Agency grant of [] to be funded through covert channels. This amount, together with an estimated [] in savings and reserve funds available to the Foundation at the end of its current fiscal year, 31 July 1967, will provide funds for FY 1968 expenditures without a prejudicial curtailment of activities, and should allow a substantial carryover into FY 1969.

b. Since no alternate sponsorship is available, the Trustees of the Foundation will assume full ownership and responsibility upon disassociation with the Agency. The Board of Trustees has assured the Agency that the Foundation will continue its present policies and areas of interest and its normal functions and procedures. The Agency has recommended that the Foundation reduce overhead and program costs as soon as possible to a level which is more commensurate with the anticipated levels of support from other foundations, overt government grants and contracts, channels to be developed by the Rusk Committee, and donations from private individuals and corporations.

c. A Liquidation Plan, concurred in by interested Agency components, is attached.

DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
SOURCE/METHOD/EXEMPTION 3B2B
NAZI WAR CRIMES DISCLOSURE ACT
DATE 2007

GROUP 1
Excluded from automatic
downgrading and
declassification

6. All liabilities of the Foundation, including legal, moral, and contingent liabilities and commitments, shall become the full responsibility of the Board of Trustees as of 31 July 1967.

7. Upon passing of terminal funds as outlined above, an agreement will be obtained from the key members of the Board of Trustees and Foundation officers, whereby they accept full title and possession of the Foundation's assets and assume full responsibility for its liabilities and operation.

IV. Changes

8. There will be no change in the legal status of the Foundation as a result of the termination of covert interest. The Foundation was incorporated under the California Nonprofit Corporation Law and has perpetual existence unless and until it is dissolved by the members. Any future changes, as well as any negotiation with governing bodies, will be the responsibility of the Foundation without any assistance or restriction by the Agency.

9. No change is anticipated in the Foundation's policies or areas of interest. The only change foreseen in functions and procedures is an orderly reduction of operations to adjust to an expected lower level of income.

10. The absence of headquarters guidance, security traces, assembly of information, review of parallel actions, establishment of priorities, etc., as well as the lack of field station support, certainly will affect the Foundation's day-to-day capability to provide support for U. S. Government policies in Asia. However, the experience of the Foundation and the character and quality of its personnel, particularly its field representatives, who will all have varying degrees of natural access to U. S. officials qualified to advise on broad national interests, will tend to reduce the effects of disengagement. Foundation management will also have access to U. S. policy guidance through the designated liaison officer in the Department of State.

V. Disposition of Personnel

11. The only Agency employee in the project is [] a staff agent, who is the Foundation field representative in Vietnam. He will remain in his position until a satisfactory non-Agency replacement, now planned by September 1967, can be made in order to avoid the security risks

which may be involved in an earlier dismissal or resignation. After that he will be given an assignment which will not compromise the Foundation. His cover salary and other costs after 31 July 1967 will not be reimbursed to the Foundation. Contracts and arrangements with all other personnel will be the responsibility of the Board of Trustees.

VI. Accounting and Writeoff of Balance

12. The Foundation will continue to submit to the Agency copies of its monthly financial statements through July 1967, the end of its current fiscal year. These will be processed in the normal manner. After that, no Foundation report to the Agency will be required.

13. The Office of Finance is authorized to write off the balance in the DTPILLAR investment account after the processing of the July 1967 financial statement submitted by the Project, plus any part of the 8.5 million terminal funding which has not yet been recorded in the investment account at that time. It is estimated that the total amount for writeoff will be approximately [] , consisting of [] terminal grant, [] revolving fund, [] liquidation fund transmitted in April 1967, [] other funds, and [] anticipated savings on the current year budget. Memorandum-record assets already written off are operational investments in Asia in the amount of [] (amount recoverable in cash, negligible) and capital expenditures for equipment at a cost of [] (present sale value estimated at []).

VII. Audit

14. The audit for the fiscal year ending 31 July 1967 will be conducted by cleared and witting members of Peat, Marwick, Mitchell & Co. Copies of the audit report will be made available to the Agency. In subsequent years the Agency will have no jurisdiction over the audit, and no further security clearances will be obtained for this purpose. However, the President of the Foundation has agreed to request a cleared and witting auditor from Peat, Marwick, Mitchell & Co., at least for the San Francisco office, for FY 1968 and for as long after that as practicable.

VIII. Disposition of Records

15. Overt files will continue under the Foundation's present records management system. The Foundation maintains a secure file of correspondence and documents executed in pseudonym. This file will be made available to a representative of the CA Staff to determine its disposition.

IX. U. S. Government Liaison after Agency Disassociation

16. The 303 Committee has agreed to designate an officer in the Department of State to act as liaison with the Foundation on matters of national interest and as coordinator for negotiations between the Government and the Foundation on matters of overt support. For as long as is required the CA Staff will make available to the Department representative an Agency officer who is knowledgeable of the project and Foundation affairs.

X. Project Amendment or Renewal

17. This Liquidation Plan and the approved memorandum to which it is attached shall serve as a project amendment (or renewal) and termination for the authorization of the terminal funding covered in Paragraph 3.

XI. Security

18. All witting Foundation employees will be afforded an appropriate debriefing regarding their responsibilities in protecting sensitive information concerning the Agency - Foundation relationship against disclosure to unauthorized persons.

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT: Termination of The Asia Foundation Project

1. The Special Group came to the following decisions recently regarding The Asia Foundation.

a. CIA should terminate its relationship with the Foundation as soon as possible.

b. State Department should assume the responsibility for liaison with the Foundation and for development of overt support to the Foundation after FY 1968.

c. CIA should continue to provide covert financial support to the Foundation for FY 1968.

2. The tenor of the Special Group discussion makes it apparent that CIA support in 1968 is to be considered a terminal payment to the Foundation, to be used to support the foundation through whatever interim period is necessary to establish adequate overt funding through private and governmental sources. In this sense, these funds are no longer to be considered as locked to the execution of a particular program during 1968.

3. The decision of the Special Group is in complete accord with the policy statement recommended by the Katzenbach Committee and put in force by the President. The spirit of the policy requires the termination of covert funding of The Asia Foundation as quickly as possible. Under the terms of Special Group decision, funds to support the Foundation through FY 1968 could be moved to the Foundation in FY 1967 thereby providing an almost immediate end to our legal relationship with the Foundation. This would require the following:

a. A reserve release of [] to be passed to the Foundation as a terminal grant.

b. Notice to the Congress that under Special Group guidance, the Agency intends to take this step unless there is some objection. This notice should offer a reduction of [] in the 1968

satisfy now before the Congress and should indicate the reduction in the reserve resulting from this action.

e. A termination or liquidation plan should be prepared which contains the usual legal requirements ending CIA responsibilities for Foundation liabilities, authorizing the write-off of Agency assets, authorizing amendment of the project for the termination grant and describing whatever new covert funding methods will be used to pass the grant funds.

4. The proposal to seek a reserve release in order to terminate our relationship with the Foundation has advantages to the Government, the Agency, and the Foundation. The quicker termination takes place, the quicker the risk of the disclosure of the continuing relationship is reduced. The quicker termination takes place, the quicker the Foundation can pursue its quest for private financing, divested from CIA, with good conscience and self-assurance.

5. An alternative is to await FY 1968 and attempt to pass funds to the Foundation then. This may require the assumption of Congressional appropriation of these funds in lieu of waiting for the actual appropriation. If we do wait actual appropriation, the entire process of termination may require an additional six months of continued association which is both a security risk and a deterrent to the fund raising efforts of the Foundation.

6. In addition to the disadvantages of waiting, we believe it would be in the Director's interests to be able to demonstrate to the Congress that the Agency is taking action to disassociate from domestic organizations and that such disassociation will result in future dollar savings. My recommendation that we seek a reserve release will provide the Director an opportunity, with Bureau of the Budget approval, to suggest to the Congressional Committee in which they can reduce the Agency's budget for FY 1968 and provide Committee members with concrete ammunition to support the position that the Agency has been scrubbed and that the Committee has taken steps to withhold funds, in part and where reasonable, for those things which the Katzenbach group identified as projects the CIA should not fund after December 1967.

7. With your approval, I would propose to discuss this matter formally with the Bureau of the Budget. Unless serious reservations are raised in that corner, I would then recommend that the Director discuss the matter with the Chairmen of our Congressional Committees, and assuming satisfactory reaction therefrom authorize an immediate reserve release request of \$8.5 million for the purpose.

John M. Clarke
Director of Planning,
Programming, and Budgeting

APPROVED:

Executive Director-Comptroller _____ Date _____

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LIQUIDATION PLAN for
CA Staff Proprietary Project
DTPILLAR

I. Identification

1. Project DTPILLAR was initiated in April 1951 to aid in the creation of private action institutions and groups in Asia which would provide expanding opportunities for Asians and thus counteract the appeal of Communism. Since 1951 [] has been obligated for this project. FY 1967 approval was []

2. The instrumentality is a non-profit, tax-exempt foundation based in San Francisco, with a small office in New York and resident offices in fourteen Asian countries, where it has won widespread recognition, acceptance, and respect. It is run by a Board of Trustees and elected officers who take an active interest in its affairs.

II. Terminal Funding

3. In accordance with the 303 Committee's recommendation of a terminal Agency grant of [], this amount will be requested from the Agency's reserve for contingencies, or otherwise made available, and will be passed as soon as securely feasible in order to close out the funding channels and to permit a timely and complete disassociation of the Agency from the Foundation. It will be transmitted to the Foundation, in coordination with Monetary Division and Central Cover Staff, with 31 July 1967 as a target date for completion.

4. After completion of the terminal funding, the Trustees and officers will be in a position to deny categorically that the Foundation is continuing to receive covert support, falling back on their 21 March published statement that they have in the past accepted an unstated amount of funds from organizations identified as Agency conduits.

III. Transfer of Ownership

5. All assets of the Foundation will be turned over to the Board of Trustees as of 31 July 1967, plus any part of the terminal funding not received at that time. There will be no further accountability to the Agency.

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3. Recommendation

It is recommended that the Director of Central Intelligence approve:

- a. A terminal grant of [] to DTPILLAR,
- b. The transfer as of 31 July 1967 of all Foundation assets, liabilities, and functions to the Board of Trustees of the Foundation, and
- c. The writeoff of the terminal grant ([] as well as the outstanding balance in the Agency's DTPILLAR investment account (an estimated additional []) after the processing of the Foundation's July 1967 financial statement.

[]
 Chief []
 Covert Action Staff

Attachment:
Liquidation Plan

LIQUIDATION PLAN
 CA Staff Proprietary Project
 DTPILLAR

CONCURRENCE SHEET

[] CA/SG	6 June 1967 Date
[] O/F	8 June 67 Date
[] O/PPB	8 June 67 Date
[] CCS/F	6 June 1967 Date
[] O/S	7 June 1967 Date
[] M/S/BG	7 June 1967 Date
[] SSA/DDS	13 June 1967 Date

* subject to congressional appropriation for DTPILLAR is pending FY 1968 budget request and BOB appropriation action.

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MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director for Plans
Executive Director/Comptroller

SUBJECT: Liquidation of CA Staff Proprietary Project
DTPILLAR

CONCUR:

[Signature] 7 JUN 1967
Deputy Director for Plans

[Signature] 13 JUN 67
Deputy Director for Support

[Signature] 13 JUN 1967
General Counsel

[Signature] 20 JUN 1967
Executive Director/Comptroller

DCI approval is based on the assumption that ~~will~~ Senate action on an FY 68 appropriation will not reduce the amount approved by the House. If this should prove not to be the case, then we will need to review this action.

The Recommendation contained in paragraph 3 is approved:

[Signature]
Director of Central Intelligence
20 JUN 1967
Date

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[Signature]
20 June 67