

28 January 1963

MEMORANDUM FOR THE RECORD

SUBJECT: Luncheon Meeting, 12:30 P.M., 24 January 1963

PARTICIPANTS: Russell Smith (President, The Asia Foundation),
DCI, DDCI, C/CA, C/CA/2

1. DCI expressed his appreciation of Mr. Smith's willingness to assume the presidency of TAF, which he described as an important and difficult position. Mr. Smith, in response, referred to his more-than-nine-years as a Trustee of TAF, his deep interest in it, and described his present greater understanding of TAF. As a Trustee, he said, his duties had brought him in touch with major projects of TAF; only as President, had he come to the realization of the depth of the activity. He pointed out that whereas the Trustees deal with projects in excess of \$25,000 the bulk of the Foundation's activity is concerned with a great number of less costly projects. Mr. Smith remarked on his perception that the value of TAF operations could not be related to costs of projects; he had learned, as President, that many low-cost projects could be just as effective as the larger ones.

2. Mr. Smith briefly reviewed the background of the Foundation, the days of the CFA, and the conversion to The Asia Foundation with the attendant change in policy and method. Mr. Smith emphasized his belief that the Foundation, as a private institution, had demonstrated its ability to work productively in Asia in areas of importance to the U.S. from which official programs are precluded.

3. With respect to relationships between The Asia Foundation and CIA, Mr. Smith spoke of the wisdom of those in CIA who had vested in the Foundation sufficient autonomy for it to live up to its private character and assume responsibility for carrying out its mission. In this connection, Mr. Smith stated his belief that without such a degree of independence and responsibility the Foundation would not be able to attract and hold its dedicated staff, nor could it hope to sustain the interest and guidance it now enjoys from the Trustees. Mr. Smith described the Foundation's Trustees as anything but "rubber stamps."

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4. Mr. Smith spoke of the Foundation's program as being dedicated to the concept of countering communist inroads in Asia and as being in all instances keyed directly or indirectly to U.S. objectives. Mr. Smith acknowledged that a small percentage of the Foundation's programs were for the sake of "window-dressing," public relations, or entree into fields of interest. In discussing such projects, however, Mr. Smith remarked that since becoming President he has learned that some projects which, at first appearance, seem even to be frivolous, may have concealed edges or potential.

5. Mr. Smith expressed his understanding of the causes underlying the budget reduction for fiscal year 1964. Although the reduction will impair the Foundation's plans and delay its development, Mr. Smith did not regard the reduction as critical. In his remarks on where and how to effect the reduction, Mr. Smith spoke of the Foundation as an institution having a number of integral and vital arms. He believes strongly that the institutional character of the Foundation should be preserved and that to close down total programs in countries would be unwise. Largely for this reason, Mr. Smith felt that the reduction would have to be made in programs rather than administrative costs. He noted that the exclusion of the Foundation from Burma would make the reduction in budget easier to absorb.

6. DCI responded to Mr. Smith by confirming Mr. Smith's description of relationships between the Foundation and CIA. DCI affirmed his belief in the role which the Foundation could play by action toward U.S. objectives in areas and fields which were not suitable for official U.S. action or were not receiving attention of official agencies. DCI remarked that like all such operations the Foundation had a number of critics in this city, but that the criticism usually was based on a lack of true understanding of the Foundation and its purposes. DCI noted the need for a budget reduction in 1964 and related the need to the national fiscal policy. DCI was required to leave for another meeting at two o'clock and suggested that Mr. Smith continue the discussion with DDCI.

7. DDCI explained some of the Agency's budgetary limitations and stressed that The Asia Foundation reduction was one of many reductions, that the Foundation had not been singled out for reduction. DDCI stated that while he could offer no firm hope for relief from the 1964 budget reduction there was always the possibility

that funds now earmarked for activities in 1964 would be released and that C/CA would be alert to such possibilities. C/CA stated that it did occur sometimes during the fiscal year that funds became available. The Foundation would receive full consideration for use of such funds, especially if it could present specific valuable projects which might otherwise not be implemented.

[Chief, CA/2]

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