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THE WHITE HOUSE

Office of the Press Secretary

NATIONAL ENDOWMENT FOR DEMOCRACY

December 16, 1983

FACT SHEET

BACKGROUND

The National Endowment for Democracy is a private, non-profit and nonpartisan corporation. The Endowment has come into existence as a result of bipartisan cooperation involving both the Democratic and Republican Parties, labor and business leaders and leading representatives of other sectors of American society.

The legislative proposal to create the Endowment emerged last spring from The Democracy Program, a study group of American leaders, administered by the bipartisan American Political Foundation. President Reagan announced the study in his June 1982 speech at Westminster Hall in London as one of several U.S. initiatives -- both governmental and non-governmental -- to strengthen democratic institutions and values throughout the world.

In its most recent session, Congress, with the Administration's support, voted to fund the Endowment. The granting agency will be the United States Information Agency, which -- along with the General Accounting Office and the relevant committees of Congress -- will exercise financial oversight over the Endowment's operations. The Endowment will be administered by an independent Board of Directors.

PURPOSE

The purpose of the Endowment, as stated in its articles of incorporation, are as follows:

- 1) to encourage free and democratic institutions throughout the world through private sector initiatives, including activities which promote the individual rights and freedoms, including internationally recognized human rights, which are essential to the functioning of democratic institutions;
- 2) to facilitate exchange between United States private sector groups (especially the two major American political parties, labor, and business) and democratic groups abroad;
- 3) to promote United States nongovernmental participation, especially through the two major American political parties,

labor, business, and other private sector groups, in democratic training programs and democratic institution-building abroad;

4) to strengthen democratic electoral processes abroad through timely measures in cooperation with indigenous democratic forces;

5) to support the participation of the two major American political parties, labor, business, and other United States private sector groups in fostering cooperation with those abroad dedicated to the cultural values, institutions, and organizations of democratic pluralism; and

6) to encourage the establishment and growth of democratic development in a manner consistent both with the broad concerns of United States national interests and with the specific requirements of the democratic groups in other countries which are aided by programs funded by the Endowment.

The Endowment will make program grants to a broad range of organizations, including, though not limited to, the AFL-CIO affiliated Free Trade Union Institute, the National Chamber Foundation-affiliated Center for International Private Enterprise, the National Democratic Institute for International Affairs, and the National Republican Institute for International Affairs.

MEMBERSHIP

The Board of Directors of the Endowment will hold its first meeting on Friday afternoon, December 16, 1983. The Members of the Board are:

Polly Baca Barragan, Vice Chairman, Democratic National Committee;

Ambassador William E. Brock, III, U.S. Special Trade Representative;

Mrs. Legree Daniels, Chairman, National Black Republican Council;

Frank J. Fahrenkopf, Jr., Chairman, Republican National Committee;

Dante B. Fascell, Member of Congress;

Lane Kirkland, President, AFL-CIO;

Charles T. Manatt, Chairman, Democratic National Committee;

Louis Martin, Assistant Vice President for Communications, Howard University;

John Richardson, Youth for Understanding;

Dr. Olin Robison, President, Middlebury College;

Albert Shanker, President, American Federation of Teachers;

Ambassador Sally Shelton, International Business Counsellors;

Charles T. Smith, Jr., Chairman of the Board, SIFCO;

Jan Van Andel, Chairman of the Board, Amway Corporation.

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Missionaries for Democracy: U.S. Aid for Global Pluralism

By DAVID K. SHIPLER
Special to The New York Times

WASHINGTON, May 31 — For several years after Soviet troops entered Afghanistan in 1979, a former editor and Information Minister in Kabul tried to get money to restore the village school system destroyed in rebel-held areas of his country.

The Afghan, Sabahuddin Kushkaki, applied unsuccessfully to the United States Agency for International Development and to major American private foundations. Every one turned him down, thinking the war would be short.

Then, as the fighting continued, he and some friends happened upon an organization with the right combination of Government money, bureaucratic flexibility and anti-Communist commitment — the National Endowment for Democracy.

Using Federal money, it provided \$180,845 to train teachers, conduct literacy courses for rebel fighters, reopen some schools and publish new text-

books with unflattering accounts of the Soviet role in Afghan history. "They have been giving us help without any strings attached," Mr. Kushkaki said on a recent visit to Washington.

Public Money, Private Interests

This is part of an unusual worldwide campaign, billed as a promotion of democracy and free enterprise, which mixes public funds and private interests. Conceived in a new spirit of ideological confidence in the United States, the effort is described by some of those involved as an expression of the "Reagan Doctrine," which envisions an aggressive American policy in fostering a move toward democracy in the third world. After three years, the program has now taken a clear shape.

The National Endowment for Democracy, a private group created for the purpose, has channeled a total of \$53.7 million in Government money to foreign political parties, labor unions, newspapers, magazines, book publishers and other institutions in countries where democracy is deemed fragile or nonexistent.

The Federal money is being used for such undertakings as helping the Soli-

Continued on Page 16, Column 3

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idity labor union print underground publications in Poland, buying materials for an opposition newspaper in Nicaragua, bolstering the opposition in South Korea, aiding a party in Northern Ireland that is a member of the Socialist International and getting out the vote in Grenada and Latin American countries.

Money is also going to monitor and publicize human-rights abuses by Vietnam, for union-organizing in the Philippines and for public-opinion surveys to help political parties opposing the right-wing dictatorship in Chile.

"We're engaged in almost missionary work," said Keith Schuette, head of the National Republican Institute for International Affairs, which conveys some of the money to foreign political parties that share the Republicans' views. "We've seen what the Socialists do for each other. We've seen what the Communists do for each other. And now we've come along, and we have a broadly democratic movement, a force for democracy."

In some respects, the program

Net. Endowment for Democracy

THE NEW YORK TIMES, SUNDAY, JUNE 1, 1986

Democracy's Missionaries: U.S. Pays for Pluralism

resembles the aid given by the Central Intelligence Agency in the 1950's, 60's and 70's to bolster pro-American political groups. But that aid was clandestine and, subsequent Congressional investigations found, often used planted newspaper articles and other forms of intentionally misleading information.

The current financing is largely public — despite some recipients' wish to keep some activities secret — and appears to be given with the objective of shoring up political pluralism, broader than the C.I.A.'s goals of fostering pro-Americanism. Although some grants go to unions and parties that are close to the Administration's policy line, others support groups that disagree with Washington on the danger of the Soviet threat, for instance, or on aid to the Nicaraguan rebels.

Supporters praise it for lending novel flexibility to Government-aided efforts abroad, for doing what official agencies have never been comfortable doing in public.

Opponents in Congress have branded it as more anti-Communist than pro-democratic and have faulted it for meddling in other countries' internal affairs.

The National Endowment was created in 1983 as an amalgam of various sectors of American society, including business, labor, academic institutions and the two major political parties.

Its board of directors reflects that diversity, including such prominent figures as former Vice President Mondale; former Secretary of State Henry A. Kissinger; Lane Kirkland, president of the A.F.L.-C.I.O.; Representative Dante B. Fascell, the Florida Democrat who heads the House Foreign Affairs Committee; Olin C. Robison, president of Middlebury College; Frank J. Fahrenkopf Jr., chairman of the Republican National Committee, and Charles T. Manatt, former chairman of the Democratic National Committee.



John Richardson, left, is chairman of the the National Endowment for Democracy. Carl Gershman, endowment's president, said that before grants are made, a list of potential recipients is sent through the State Department to the C.I.A. to be sure none are receiving covert funds.

Concept Collects Praise and Criticism

The concept of a private group as a conduit for Government funds for such a program has drawn both praise and criticism from liberals and conservatives alike.

The endowment's chairman is John Richardson, who was president in the 1960's of Radio Free Europe, which was funded by the C.I.A. He was Assistant Secretary of State for Educational and Cultural Affairs in the 1970's, and has worked with nonprofit agencies such as Freedom House and the International Rescue Committee.

The money, disbursed to the National Endowment by the United States Information Agency, then flows through complex channels. Some is given directly by the group to those who use it. But most of it goes from the endowment to four "core grantees."

They are the A.F.L.-C.I.O.'s Free Trade Union Institute; the Center for International Private Enterprise of the Chamber of Commerce, and the National Republican and National Democratic Institutes for International Affairs, which are affiliated with the Republican and Democratic national committees. These either run programs themselves or pass the money on to others.

The concept of the endowment took shape as the country moved from the dark self-doubts after the Vietnam War into a new era of confidence in its own virtues and a conviction that democracy should be supported publicly and proudly, without the secrecy that tainted the C.I.A.'s activities.

"We should not have to do this kind of work covertly," said Carl Gershman, president of the endowment and an aide to Jeane J. Kirkpatrick when she was the chief United States delegate to the United Nations. "It would be terrible for democratic groups around the world to be seen as subsidized by the C.I.A. We saw that in the 60's, and

that's why it has been discontinued. We have not had the capability of doing this, and that's why the endowment was created."

Mr. Gershman insists that there is no contact between the C.I.A. and the endowment and that before grants are made, a list of the potential recipients is sent by the endowment through the State Department to the C.I.A. to be sure none is receiving covert funds. No such case has been reported, Mr. Gershman said.

J. Brian Atwood, president of the National Democratic Institute for International Affairs, which receives some of the money, denies that the endowment's work bears any resemblance at all to earlier C.I.A. activities, which he said "did terrible damage to our own values" and "reflected a misunderstanding of what our values as a democratic society were all about."

He said that "many institutions didn't know they were receiving C.I.A. money," and that those who get money from the endowment are supposed to know where the money comes from

and must agree to have the fact publicized.

Some grants seem at least superficially similar, however. La Prensa, the opposition paper in Nicaragua, is receiving \$100,000 worth of newsprint, ink and other supplies this year to help it survive. In the early 1970's, the C.I.A. gave at least \$1.6 million to El Mercurio, the major Santiago daily, which also faced economic pressure, from the Government of President Salvador Allende Gossens. Books and magazines were published with C.I.A. money, and campaigns to get out the vote were conducted, as they are now with endowment money.

The prospect of publicity causes discomfort to some who receive money. Because Congress has made the endowment subject to the Freedom of Information Act, Eugenia Kemble, head of the A.F.L.-C.I.O.'s Free Trade Union Institute, has expressed uneasiness about providing the detailed financial statements that are being required by the General Accounting Office. In a draft report, the G.A.O. criticized the endowment for inadequate monitoring of expenditures and recommended tighter procedures. Miss Kemble complained that any report going to the endowment can become public.

Since the end of World War II, the A.F.L.-C.I.O. has funneled money from various Government agencies to build up non-Communist unions abroad. Despite its denials, the labor movement has been suspected of conveying C.I.A. money. Miss Kemble expressed worry that publicity could endanger individuals facing dictatorial governments and involved in "sensitive" work.

"There are some grantees we are phasing out because they cannot stand this," she said. "There's a failure to empathize with the people out there in terms of the political difficulties in which they have to operate."

For example, detailed expense reports, including names and specifics of the clandestine Solidarity printing operation inside Poland, would probably give the Polish police enough information to close down the operation. Miss Kemble said one European organization had infiltrators in communist unions to report on their plans and activities; making details public would damage the effort, she said.

But Mr. Schuette, of the Republican Institute, has a different view. "We cannot be secret," he said. "There is nothing secret. Our rule is, it's going to be public. Therefore, I'm not going to do anything that is going to damage people if it becomes public."

Congressional Criticism Is Not Uncommon

Although \$53.7 million seems a small amount when compared with the \$38.3 billion allocated in foreign aid over the last three years, some members of Congress object to the grants in view of cutbacks in domestic programs. At a recent Congressional hearing, Representative Barney Frank, Democrat of Massachusetts, said, "To say that we're not going to fund public transportation or research on cancer because

we've got to give money to a French union for political purposes just doesn't seem reasonable."

Representative Hank Brown, Republican of Colorado, raised questions about possible conflict of interest, not-

ing that the endowment's board includes current or former officers of some of the major grant recipients, including the A.F.L.-C.I.O., the Democratic and Republican Institutes, and the Chamber of Commerce. Although they do not vote on their own programs, he said, "The board has seen its job as one of dividing the public money among their own organizations."

Mr. Gershman and others involved counter that the input of such experienced people is essential for a wise program.

But that wisdom has also been challenged. At a Congressional hearing recently, Representative Frank chided the Democratic Institute for supporting the Social Democratic and Labor Party of Northern Ireland, which grew out of the nonviolent Catholic civil rights movement. Mr. Atwood called it "the only major party that is seeking to work through the democratic process," and said it needed help in building a structure. A total of \$85,000 has been allocated for a training institute and a seminar on financing, communications and organization, Mr. Atwood said.

Taxing Americans To Tell Irish of Politics

Representative Frank raised an eyebrow. "Maybe I've been in Massachusetts too long," he said, "but the notion that we have to tax the Americans to teach the Irish about politics seems to me a very strange one. If people want to help one party or another in Northern Ireland, that's fine. But I don't think the American taxpayers ought to be taxed to do that."

That is precisely what is happening, however, not only in Northern Ireland, but also in Asia, Latin America and elsewhere. Those involved argue that democracy cannot be bolstered without strengthening democratic institutions.

The Republicans and Democrats approach the task in different ways. The Democrats usually hold conferences and seminars for a variety of parties in a given country or region, while the Republicans choose a particular party that seems to share conservative American positions on foreign policy and economic issues. The two institutes worked together to monitor the recent elections in the Philippines, documenting fraud and intimidation.

The effort thus provides common ground for diverse American viewpoints. "A conservative may see it as a better way to compete with the Communists," Mr. Atwood said. "I see it as a better way to bring about human rights in the world and a better way to bring about change and development in the world."

This sometimes puts the program at odds with the Administration's policies and preferences. The Social Democratic and Labor Party of Northern Ireland, for example, is a member of the Socialist International and a supporter of the Sandinista Government of Nicaragua, which the Reagan Administration would like to see overthrown.

State Department Opposed Seoul Program

Similarly, when the Democrats proposed a conference in Washington of the South Korean opposition, the State Department worried about adverse reaction from the Seoul Government.

The endowment gave the grant anyway, the conference was held and the State Department ultimately revised its assessment.

On May 9-11, the Democrats used their money to sponsor a conference in Caracas of democratic parties from Venezuela, Chile, Argentina, Uruguay and Spain "to share ideas and experiences of party leaders who have been through the same problem — military dictatorship," Mr. Atwood said.

NY Times: Sun, June 1, 1986

This kind of activity has two long-term benefits, he says: First, to build a sense of international solidarity among those who believe in democracy; and second, to reduce the fear of some leaders in Washington that friendly military dictatorships may give way to democratically elected governments prone to Communist influence.

In Mr. Atwood's view, this can reassure "the people who are status quo-oriented, who say that we can't get on the side of change because we don't know what will happen."

"The fear of the unknown factor is less if you know the people who are pushing for change," he said.

The Republican Institute focuses more narrowly on moderate and conservative parties. "We wouldn't get involved with a Socialist Party," Mr. Schuette said. Those the Republicans have helped have often lost elections — in Portugal, Costa Rica and Bolivia, and most recently in Colombia, where the Conservative Party's Presidential candidate, Alvaro Gomez Hurtado, lost in a landslide May 26 to Virgilio Barco Vargas of the Liberal Party. The grant was intended to increase the participation of disaffected voters and party members.

"We do not fund political candidates in campaigns overseas," Mr. Schuette said. "Our programs are not designed or intended to have any effect on elections."

This was seconded by Mr. Fahrenkopf, the Republican national chairman and vice chairman of the endowment. "We feel we are accomplishing our purpose if in a country there are free elections," he declared. "It's really superfluous whether the particular parties we're helping are victorious or not."

The lines between promoting democracy and promoting a particular party's chances in an election are hard to draw, however. The A.F.L.-C.I.O.'s Free Trade Union Institute has channeled money to unions and other organizations associated with particular parties in Latin America, Africa, Asia and Western Europe.

Furor Over Aid To French Rightists

In an unpublicized move that was disclosed late last year, a \$575,000, two-year grant was authorized to an extreme right-wing French group, the National Inter-University Union, known as U.N.I., its acronym in French. In 1982, a parliamentary inquiry found that U.N.I. had been created largely by a paramilitary, extremist nationalist organization called Service d'Action Civique, or S.A.C., which was founded in 1947 to provide order at meetings and protection for Gen. Charles DeGaulle.

S.A.C. was infiltrated by criminal elements in the 1960's and 70's, the inquiry found, and was declared an illegal organization after a political scandal arose around the killing of six people in the southern French town of Auril in 1981. "U.N.I. was, at its beginnings, a satellite movement of S.A.C.," the inquiry concluded, "and it is today closely associated with it."

U.N.I. opposed the governing Socialists before and during the last election campaign, pasting posters over subway maps declaring, "Socialism is a lie and a fraud." It has distributed pamphlets accusing a Catholic aid agency of being a Marxist-Leninist front, and has campaigned against what it sees as Marxist influence in universities.

Last November, after French journalists reported the American funding of U.N.I., the endowment suspended its grant, Mr. Gershman said, leaving \$73,000 of the \$575,000 undelivered. The board is to decide next week whether to resume payments on the current grant, but Mr. Gershman said that no further grant would be made.

It is a new process, Mr. Fahrenkopf observed, one that is bound to run into trouble in the beginning, if it is as bold as it should be. "We're going to make mistakes," he said. "If we don't make mistakes, we shouldn't exist."

Selling Democracy

The National Endowment for Democracy, engulfed in controversy since it was created in 1984, has reached the point where its survival seems relatively assured.

BY CHRISTOPHER MADISON

On a recent Friday morning, in the air-conditioned banquet room of a downtown hotel, an elite group of Washington power brokers gathered.

At the table were former Secretary of State Henry A. Kissinger, former Vice President Walter F. Mondale, Labor Secretary Bill Brock, AFL-CIO president Lane Kirkland, a representative of the Chamber of Commerce of the United States and several other corporate executives, Republican National Committee (RNC) chairman Frank J. Fahrenkopf Jr. and former Democratic National Committee (DNC) chairman Charles T. Manatt and, from Congress, Rep. Dante B. Fascell, D-Fla., chairman of the Foreign Affairs Committee, and Sen. Orrin G. Hatch, R-Utah, who chairs the Labor and Human Resources Committee.

The meeting was part of a continuing effort to save a tiny institution that the men in the hotel room had helped to create but that most Washingtonians—let alone most Americans—knew little of: the National Endowment for Democracy.

The endowment's president, Carl Gershman, assumed an upbeat tone. "While we certainly have problems, a good deal of progress has been made," he told those gathered around the table.

He cited a recent favorable article on the institution in *The New York Times*, a better-than-anticipated report from the General Accounting Office (GAO) and some positive rumblings from Congress, which had extended the endowment's life each year by the slimmest of margins.

The outlook for next year's appropriation was improving daily, Gershman said, thanks to recent ef-

forts by Brock and Fahrenkopf in their meetings on Capitol Hill, including one with Warren Rudman, R-N.H., a key Senator who once opposed the endowment but was now said to be coming around.

Gershman, in fact, was optimistic enough about the future to discuss expanding the endowment's staff and looking for bigger offices, a clear sign of life in any young Washington institution, especially one constantly under fire.

The endowment's story is partly a tale of the difficulties in bringing a new idea—especially a controversial and complex one—to life in the Washington bureaucracy.



Democracy Endowment president Carl Gershman
Some do not want the endowment to succeed.

But it is also a story of the skillful maneuverings by a handful of powerful people—the board members who sat around the table that recent morning—who brought the endowment to life in 1983 and who continue to participate in, and benefit from, its activities.

It is a pre-scripted drama in that it includes the usual Washington mix: congressional critics concerned about potential misuse of government funds, negative media stories about endowment projects that backfire and counterarguments and justifications from the endowment's officials and supporters.

But the unique character of the endowment makes the story unusual: It is a nongovernmental, nonprofit entity that is financed entirely by the federal government—\$18 million this year—to conduct international political activities broadly designed to encourage the establishment of democratic institutions around the world, particularly free trade unions, strong and independent political parties and an independent business sector.

That is a new wrinkle in American foreign policy. The endowment's goals are clearly in line with broad U.S. interests, but its activities seem too undiplomatic for the State Department to conduct. According to its backers, that's why the endowment was created.

For example, several weeks before Secretary of State George P. Shultz visited South Korea in May to lend support to President Chun Doo Hwan, the endowment sponsored a program to bring Korean opposition leaders to the United States for a discussion about fostering a transition to democracy in their country.

Just as curious as the endowment's mission is its genesis.

It was created on Nov. 18, 1983.

Shepard Sherbell/Picture Group

in anticipation of legislation authorizing the use of government funds to finance its activities. On that date, 14 persons signed articles of incorporation in the District of Columbia, establishing the endowment as a nonprofit corporation to "encourage free and democratic institutions throughout the world through private-sector initiatives." Four days later, President Reagan signed the bill.

The endowment is self-perpetuating: its activities are directed by a board that chooses new members when the terms of existing members expire.

Because of its structure, the endowment has a clubby appearance. It was formed by a coalition of labor, business and the two political parties, and representatives of those groups serve on its board. In addition, the bulk of the endowment's grants go to four institutes established by those four core organizations when the endowment was created.

"The core groups are vital to the concept," said Fascell, an endowment board member and a key founder and backer. "These groups are fundamental to American political life."

Yet there are some indications that these groups will play a reduced role in the endowment's future. Labor, which received the lion's share of endowment funds during its first two years, got less this year because of congressional concern that labor was overshadowing the other groups.

And because of recent controversies surrounding some of the labor-run programs, the endowment may give greater scrutiny to those programs in the future. This may cause some strain among endowment officials, its board and labor officials, who have played such a pivotal role in its creation.

For a variety of reasons, the endowment has generated more controversy than democracy so far.

The largest stir came late last year, and involved the Free Trade Union Institute, the institute set up by the AFL-CIO as one of the endowment's "core grantees" and the recipient of 68 per cent of the endowment's grants during the first two years of operations. The institute, it turned out, was supporting right-wing union and student groups in France, and critics complained that such activities were hardly within the endowment's charter.

Although an endowment investigation concluded that the French groups were pro-democratic and legitimate grant recipients, the incident has led to a series of changes in the endowment's operations to allow greater oversight of the grants to

the core institutes. Endowment officials also said that the labor institute had not asked for further funds for the controversial French programs.

Other controversies have erupted when endowment funds appeared to be spent in support of a particular foreign political party even though they were intended for political education purposes or for "get out the vote" efforts. This happened in Panama in 1984, for example, when the U.S. ambassador angrily cabled to Washington that the endowment was meddling in Panama's politics.

As a result of this type of controversy, the Democratic Party's Democratic Institute for International Affairs does not involve itself in election activities, although other grant recipients do.

Another endowment controversy came

approved by the endowment: to buy ink and other supplies for *La Prensa*, the only nongovernment-controlled newspaper in Nicaragua.

Prodemca's other activities, including the U.S. newspaper ads in support of the contras, are financed through nongovernment contributions, the USIA investigation concluded.

The Prodemca incident showed a lack of political judgment on the part of endowment officials, according to Rep. Dan Mica, D-Fla., who chairs the Foreign Affairs Subcommittee on International Operations, which has jurisdiction over the endowment. The endowment "means controversy," said Mica, who has generally supported it.

Keith Schuette, who heads the Republican Institute for International Affairs, said the endowment has "gasped for every breath that it has gotten."

Nevertheless, it may survive.

"We've had some growing pains, but we're coming along," Fascell said.

And Rep. Hank Brown, R-Colo., a longtime endowment critic who has tried to eliminate it several times, said, "I think it's clear there just aren't the votes to abolish it."

ORIGINS

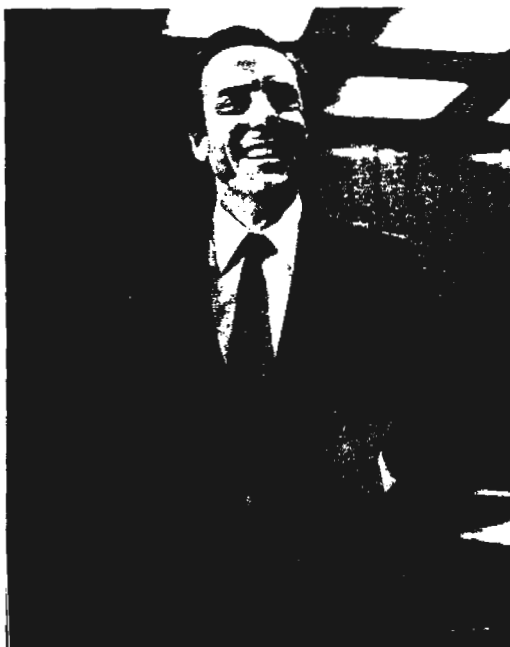
Considering its pedigree, things should have come easier. The endowment's origins center around a group of people who are still closely connected: Fascell, Kirkland, Manatt and Brock, who was RNC chairman when he first became interested in the idea. All remain on the endowment board.

Others involved then and now at a slightly lower level include Eugenia Kemble, a labor official who heads the Free Trade Union Institute, and Scheutte, a former aide to Secretary of State Alexander M. Haig Jr.

Three others who were involved at the outset but are no longer connected with the endowment are political scientist George Agree, historian Allen Weinstein and Michael Samuels, who was formerly with the Chamber of Commerce but now serves as a deputy U.S. trade representative based in Geneva.

While Samuels left the scene because of his new job, Agree reportedly became disenchanted with how the endowment was finally structured, and Weinstein, involved in the endowment's planning, was passed over by the board when it named Gershman the endowment's first president in 1984.

Another key participant whose involvement was unofficial was R. Spencer Oliver, a prominent behind-the-scenes Democratic Party figure and Fascell aide who



Labor Secretary Bill Brock.
He was in on the endowment's creation.

last spring, during congressional debate over aid to the Nicaraguan rebels. A Washington-based organization known as Prodemca—its full name is Friends of the Democratic Center—which is involved in a variety of activities in Central America, sponsored ads in *The Washington Post* in support of the Reagan Administration's request for aid to the contras.

The ads became controversial in Congress because Prodemca receives grants for its activities from the endowment, and there was some implication that endowment funds were used for the ads.

A subsequent investigation by the U.S. Information Agency (USIA), which administers the endowment's appropriations, concluded that the grant to Prodemca was properly segregated from other funds and was used for the purposes

now serves as chief counsel to the Foreign Affairs Committee.

According to several accounts, Fascell called in Oliver in 1982 and 1983 to help in the negotiations between the two political parties, business and labor over the endowment's final structure. Oliver has close ties to Manatt as well as to Fascell and served as a liaison between the then-DNC chairman and the other endowment partners, sources said.

He was also active in gathering support for the endowment legislation among House Democrats, but reportedly alienated some of those involved in the negotiations, particularly some Republicans. And at a time when the endowment's sponsors were trying to present it as a serious enterprise, Oliver may have been something of a liability because he was a founder of the American Council of Young Political Leaders, a USIA-financed exchange organization that some critics believe is a frivolous use of government money.

The idea of the endowment goes back to the late 1960s, when, in the wake of the disclosures about clandestine CIA involvement in the political affairs of other countries, Fascell introduced a bill to create an international institute that would conduct foreign political activities overtly rather than in secret.

But the idea got nowhere until 1979, when Agree joined with Brock and Manatt to form the American Political Foundation. The foundation's purpose, according to a participant, was to investigate ways to promote the international activities of the American political parties and "get the United States into the 'democracy business.'"

Three years later, the three engineered a Reagan Administration endorsement of the idea of promoting democracy overseas and then persuaded the Agency for International Development (AID) to finance a \$300,000 study—the cost eventually rose to \$400,000.

Launched in November 1982, the study was known as the Democracy Program, and on its board were Brock, Manatt, Kirkland, Fascell, Samuels, Agree and several others. Weinstein was named project director and headed a staff of 20, including part-time consultants.

The following April, the group issued an interim report, and, in November, when the papers were filed and the legislation enacted, the endowment was born.

The idea seemed simple. "People have argued for years that the United States has something more to sell than its goods and services," Brock said in an interview.

"No theme," the interim report said, "requires more sustained attention in our time than the necessity for strengthening

Spreading the Message

The National Endowment for Democracy, according to its own statement of principles, puts most of its efforts into "situations that offer a realistic prospect for achieving progress toward democracy." At the same time, it has promised not to "neglect those who keep alive the flame of freedom in closed societies."

Especially, perhaps, in a country as populous as China.

Since 1984, with grants of about \$400,000, the endowment has been supporting the publication of a magazine called *The Chinese Intellectual*, aimed initially at the estimated 15,000 Chinese students studying in the West and now distributed to about 3,000 readers in China. The first issue was stopped by Chinese customs for inspection, but the second issue went right through.

The founder of the magazine is Liang Heng, a disenchanted member of the Red Guard who left China in 1981 after he married Judith Shapiro, an American scholar then teaching in China.

The two have written *Son of the Revolution* about Heng's experiences, and have just published *After the Nightmare*, which chronicles the changes that have occurred in China that they noted on their visit there last year.

The Chinese Intellectual, published in New York four times a year, includes scholarly and critical articles, by westerners as well as Chinese, on Chinese politics and history, socialism, democracy and U.S.-Chinese relations, as well as book reviews and poetry. Because American pop music is now the rage in China, the first issue even included an article on American rock and roll history.

"Its purpose is to present a forum for the independent discussion of ideas. . . . Our magazine has an important role to play in China's gradual development toward a more open and democratic society," Heng wrote in a proposal submitted to the endowment as part of the grant process. "The development of a more democratic system in China will be a long and difficult task."

But the fact that Chinese officials have allowed his magazine into the country, he said, "must be seen as a testimony to their willingness to give new ideas a try, and not as evidence that we have compromised our principles."

That may well be true, especially considering this excerpt from an editorial entitled, "Crisis of Belief in China" in the magazine's first issue: "With the death of ideology, knowledge is not to be feared."



the future chances of democratic societies in a world that remains predominantly unfree or partially fettered by repressive governments."

But it clearly was a new idea. In contrast to their foreign counterparts, American political parties had little experience in the international realm, and American business, while active commercially overseas, had never, in any formal sense, undertaken foreign proselytizing.

The Democracy Program report noted that "there has never been a comprehensive structure for a nongovernmental ef-

fort through which the resources of America's pluralistic constituencies . . . could be mobilized effectively."

Of all the institutions involved in the endowment, labor had the only real track record. Its international efforts, run out of offices in Paris as well as Washington by Irving Brown, the veteran head of the AFL-CIO's international department, date back to the postwar period in Europe, when American labor leaders, at the request of their European brethren, became directly involved in the struggle that pitted Western Europe's free trade

unions against those affiliated with the Communist Party.

That labor unions and democracy are related—in part through anti-Communist ideology—has long been a tenet in the labor movement. In 1952, AFL-CIO president George Meany said that “the best safeguard for world peace is free democratic nations, and free democratic nations can come into being through the actions of a trade union.”

There is also self-interest involved in labor's overseas efforts. “When unions can be snuffed out by governments, or when governments create or exploit unfree organizations that call themselves unions, both the definition and the existence of free trade unions are threatened,” Kemble wrote in a 1983 paper that served as background for the Democracy Program.

In the past, U.S. labor groups had conducted international activities through several regional affiliates under the umbrella of the American Institute for Free Labor Development, but these activities were exclusively in the Third World and focused more on promoting economic growth than political development, in large part because the activities were financed by AID, whose mission is economic development.

But lack of experience on the part of the political parties and business did not curb their enthusiasm for the endowment concept. They were aware of the extensive international activities of European political parties, particularly West German ones, and wanted to copy them.

Business needed little persuading in part because Samuels, before he joined the Chamber of Commerce, had written an article on the subject of promoting democracy. His interest in the subject drew the chamber into the effort.

THE CORE GROUPS

Soon after the endowment was created, the four institutes were established to facilitate the participation of the political parties, labor and business in the endowment's mission: the National Republican Institute for International Affairs, the Democratic Institute for International Affairs, the Center for International Private Enterprise, which is affiliated with the chamber, and the Free Trade Union Institute, affiliated with the AFL-CIO.

The notion, according to those involved, was that the endowment would serve as an umbrella for these groups, who were to perform the bulk of the endowment's overseas activities.

The decision to build the endowment around what were called the “core grantees” was not, according to Brock, “incidental. It is a statement of the importance we attach to free labor, business and free

political parties as fundamental to any free society.”

Fascell called the core structure “vital to the concept. . . . These are the fundamental concepts of American political life.”

Gershman, in an interview, said: “There was a very clear rationale for doing it this way. It was determined that if you were going to be engaged in supporting democratic institutions abroad, these were central institutions” to be involved. “They can relate to the parallel groups abroad.”

Officials associated with the institutes contend that they, not the endowment, have the credibility with overseas organizations to make the endowment work. This is particularly true of the AFL-CIO, which has a long history of international work.

But some critics have argued that in



Endowment critic Rep. Hank Brown
Parts of its mission are “silly.”

deciding on this structure, the architects were as concerned with carving out their own roles in the endowment as in trying to determine how to promote democracy.

A 1983 GAO review of the Democracy Program study concluded that “a broader staff composition might have prompted more consideration of how entities other than business, labor and the political parties might participate in the envisioned program. . . . The study's executive board decided that the endowment should be established before most of the research was completed. . . . Much of the staff attention was devoted to matters related to the endowment's legislation. . . . Substantive issues which the American Political Foundation intended the study to examine and other issues raised by U.S. officials overseas were not addressed.”

The endowment did not begin functioning fully until the spring of 1984 and had a rocky beginning for several reasons.

First was the matter of choosing a president. Although Weinstein had directed the Democracy Program that had led up to the endowment's creation, he had reportedly alienated some board members and was passed over for the presidency. He now heads the Center for Democracy, an institute affiliated with Boston University that has offices across the street from the endowment.

Instead, the board chose Gershman, who was then serving as counsel to Jeane J. Kirkpatrick, the U.S. representative to the United Nations.

Gershman also had worked at Freedom House, a New York-based human rights foundation, where he had met John Richardson, chairman of the endowment's board. He also had strong ties to organized labor and had written about the labor movement's role in foreign policy and international affairs. Those ties may have been most significant in his appointment, according to several sources, because the endowment's labor contingent had the controlling voice in the election of the endowment president.

Several sources said that late in 1984, after Congress declined to set aside any funds in the endowment's fiscal 1984 appropriation for the Democratic and Republican institutes—in part because of controversy over whether the parties should be involved at all—AFL-CIO president Kirkland outlined a deal: Labor would use only a portion of its share of the \$18 million appropriation, saving some for the parties; in return, labor would have final say over who was chosen as the endowment's president.

Fascell and labor officials denied such a deal took place, but others involved confirmed it.

Kirkland did not win every battle, however. He fought hard against the concept of separate party institutes, arguing that there should be a single bipartisan political institute, in part because separate institutes might become too ideological and hard for the endowment to control.

But Republican and Democratic officials were adamant about separate institutes, and Kirkland was outvoted.

PARTY INSTITUTES

The parties' participation has been a continuing controversy for the endowment, particularly in Congress.

Each year, some Members have tried to eliminate the parties entirely from the annual appropriation; last year, such an effort failed by a single vote.

After declining to earmark any money for the political institutes during fiscal 1984, the endowment's first year, Congress prohibited the parties from receiving any funds in 1985. In 1986, the parties were under no restrictions, and the

endowment budgeted \$2 million for each party institute program.

"I personally think it's wrong to have our political parties get government money," Rep. Brown said.

Brock acknowledged the concern, saying it stemmed from some fears that the endowment money would be used by the parties for domestic purposes. But he said that concern would be reduced as the party institutes, which have their own boards, develop a track record.

R. Brian Atwood, a former foreign service officer and congressional aide who heads the Democratic institute, said concern about party participation was based on a fear that the U.S. parties would meddle in other countries' political affairs.

Schuette, Atwood's Republican counterpart, said, "I feel much more optimistic this year" about Congress's approval. He said that so far, the two institutes had avoided controversy, although the Republican institute was erroneously accused of giving money to a conservative party candidate in the Costa Rican presidential election earlier this year.

Not everything the party institutes do is controversial. They jointly sponsored and participated in an international delegation to observe the Philippine elections last year. Because it was not a government delegation—a separate delegation represented the United States—the international team provided another perspective on the elections and an independent judgment of the results.

"Our primary area of activity might be broadly described as 'party-building,'" Atwood said. "Assuming . . . that a party or parties within a democratic polity are vital to its survival and should be strengthened to perform their ongoing role, various types of neutral advice and assistance might be offered." But, he added, "We should avoid at all costs any identification with a party's political message."

To avoid possible controversy, the Democratic institute does not finance election-related programs, even those related to voter education or registration efforts, or election monitoring programs. Recently, it has used endowment grants to bring members of the opposition New Korea Democratic Party to Washington to discuss constitutional reform, the transition to democracy and free elections.

It also has established ties with the Social Democratic and Labour Party in Northern Ireland, the only major nonviolent political movement among Catholics there. Earlier this year, the institute brought 12 of the Irish party's leaders to the United States for political training.

So far, Atwood said, the Democratic group has stayed away from projects in

Central America. "If we were to get involved there without going in with a Latin American partner, we would be seen as part of the Reagan Administration effort."

The other endowment institutes, including the labor group, do not share those concerns.

The Republican institute, for example, has begun forging ties with one of Guatemala's conservative parties with the aim of helping to strengthen it. Part of the theory, Schuette said, is that "democracy involves, in addition to constitutional and legal liberties, the existence of political parties, advocacy and new ideas. Democracy can become stagnant. Competition [among parties] is an integral part. The



Rep. Dan Mica, D-Fla.
Zealousness has caused some problems.

democratic system is strengthened by that competition."

His institute is also working on a proposal to finance the establishment of a research center for the conservative parties in Guatemala that in Schuette's words, "have not been able to generate a voice. The Right in Central America that has abandoned the political process needs to be brought into the democratic process. If the right wing believes that these democracies are inevitably socialist, they will stay out of the political process and democracies will not take hold."

This is a message that is clear to moderate political leaders in the region, Scheutte said.

LABOR AND BUSINESS

In the endowment's first two years, the labor institute received 68 per cent of all grant funds: \$11 million in fiscal 1984 and \$13.8 million in 1985.

For the current fiscal year, Congress went in another direction. After a series of controversies involving programs financed by the labor institute, Congress put a cap of 25 per cent of the endowment's total appropriation for any grant recipient. That dropped labor's share down to \$4.3 million, still a larger share than for any other grant recipient.

For next year, endowment officials have been lobbying hard to persuade Congress to eliminate restrictions on its activities. In mid-June, the House Appropriations Subcommittee on Commerce, Justice, State and the Judiciary approved a \$17.5 million appropriation for the endowment with no caps for the individual institutes. In the Senate, the outlook is less clear, although there is a chance that it will not include a cap.

At a recent House Foreign Affairs Committee hearing, however, Rep. Mica said: "To even consider changing the 25 per cent cap would be the death knell for [the endowment]. The boat was definitely sinking" last year, and the 25 per cent cap, as well as other changes, "bailed it out."

Labor officials, who believe they have the most extensive international network and track record, have expressed concern that increased oversight, which would force labor and others to reveal more about their programs, would turn the endowment into a government agency in spirit, if not in fact, and reduce its effectiveness in helping foreign groups.

Critics say that an incident surrounding grants of more than \$500,000 to the Union Nationale Inter-Universitaire, a conservative, anti-Communist student group in France that used the funds to publish pamphlets, books and magazines, reflected the lack of accountability that the four core institutes enjoyed. The student group, which has been very critical of French President François Mitterrand, was, according to several sources, a favorite cause of the AFL-CIO's Irving Brown, and endowment officials knew little of the project's details.

In an interview, Kemble said: "We are trying to support free trade unionists who are resisting oppression, using democratic means that they determine themselves. These are people and organizations who were working before the endowment existed. 'I fear that the endowment will so rigidly define the terms of funding that those who need it most and can use it best will be unwilling to take it. It has not happened yet, but I hope we do not face the future where endowment funding is something the world's bravest men run from because of the dangers it creates for them.'"

Gershman, when asked whether the endowment should be operating in West-

ern democracies such as France, said: "It's a tough question which we have not resolved. Some people on the board feel strongly that the endowment must be involved [in democratic countries], especially where there are strong antidemocratic forces, such as in Portugal and France. But the tendency on our board is . . . [that] to the greatest degree possible, resources should be spent where democracy is weakest or nonexistent."

In contrast to the other institutes, and as a result of its traditional work in post-war Europe, the labor institute's programs include Europe as well as developing countries.

This year and last, it provided assistance to Poland's Solidarity movement by helping to publish information about conditions in Poland, gave organizational help to Portugal's major democratic labor federation and is supporting a large Basque trade union in Spain.

The labor group is also supporting trade union and rural workers' organizations in the Philippines as well as unions in Chile, Haiti, Paraguay and Uruguay. Kemble said the program in the Philippines, to which \$4 million has been channeled so far, may be the most important because it supports the Trade Union Congress, the only counterforce to the Communist insurgency in the country.

The chamber's Center for International Private Enterprise has taken a more cautious approach to its democracy-building projects.

William T. Archey, a former Commerce Department official who earlier this year became the chamber's vice president-international as well as president of the center, said: "I came in with mixed views. I was a little concerned about our over-all objectives. What were we trying to do?"

The center is now focusing on countries "where there's a chance of having some impact" and where there's some form of private enterprise," he said. "Private enterprise and democracy go together."

The link may be indirect. By encouraging development of independent businesses, voluntary trade associations, open markets and incentives for economic growth, the center hopes to make business in the Third World "an important

contributor to pluralistic development," according to a statement in its annual report.

To that end, it has financed projects aimed at educating business executives and students about private enterprise. And earlier this year, it began publishing, in Spanish and English, the *Journal of Economic Growth*, containing articles written by Third World economists.

THE FUTURE

The central question for the endowment's future is whether it will begin to develop a domestic constituency or remain a controversial entity whose existence is always in jeopardy. If it is to accomplish the former, it will have to change the minds of critics such as Rep. Brown.

"The basic mission—I think there's merit to it," Brown said. "But parts of it

Brock said. "People were insecure about whether [the endowment had] a hidden agenda. My sense is that the concerns expressed last year are substantially diminished. What's happened is that we are beginning to build a track record."

Gershman suggested that a reason why the endowment has become so controversial is that most people do not know what it does. "A number of Members of Congress have said they changed their position [in opposition] once they learned about it," he said. He added that the extreme left and extreme right may always oppose it. "There are elements that do not want to see an effort like this succeed."

Although controversies have cast light on the grants to the French unions and similar cases, Gershman would rather call attention to the schools and training program that the endowment is financing

for Afghan rebels, the Cuban human rights centers being established in Europe by exiled Cuban poet Armando Valladas and *The Chinese Intellectual*, a magazine published in New York now making its way into China. (See box, p. 1605.)

"We're coming through the crucible of fire," Fascell said of the endowment.

"They've done some tremendous things," Mica said of the endowment's leaders. But "there seems to be a zeal-ousness that often

causes them to bypass some basic political judgments. I understand and respect the importance of the programs, but it is government money, and if it is being used in a controversial manner, it will attract attention. They live and die at the will of the Congress."

Weinstein, who believes Gershman is correct to be increasing oversight of the activities of the core organizations, said: "I think the endowment has survived the hardest fights it's going to have. I think it will prove itself. I really do think it will last."

A critic who asked not be identified because of past connections with the endowment said: "I think the structural problems will continue to create flurries of alarm. Some of the things they're doing are good. But my hunch is that if they don't cure the structural problems, they will be always in jeopardy." □



R. Brian Atwood, head of the Democratic Institute for International Affairs
The institute's primary area of activity is in "party building" overseas.

are silly. Involving ourselves in the internal politics of another democracy is wrong."

Brown has objected to the presence on the endowment's board of officials who also are connected with the core grantees—business, labor and the two political parties. "It's a tragic mistake," he said. "They have built in a conflict of interest." He has introduced legislation that would prohibit the endowment from giving grants to any organization connected with a board member, but the chances of its passage are not great because most endowment officials and their supporters in Congress argue that what Brown sees as a conflict, they see as expertise and experience.

The endowment's backers say that they expect to win their critics over in time. "I think Washington is awfully good at debating last year's issues,"

Shepard Sherbell/Picture Group