

# NED, CIA, and the Orwellian Democracy Project

Holly Sklar and Chip Berlet

The National Endowment for Democracy (NED) was first funded in fiscal 1984, an appropriate year for an Orwellian agency making the world safe for hypocrisy. The quasi-private NED does publicly what the CIA has long done and continues to do secretly. Despite successive scandals, U.S. meddling in the internal affairs of other nations—including their “democratic” elections—has not only thrived, it has become respectable.

U.S. manipulation of foreign elections was standard operating procedure well before the CIA’s creation. In 1912, for example, the highly-decorated Marine Corps General Smedley Butler wrote his wife Ethel, “Today, Nicaragua has enjoyed a fine ‘free election’ with only one candidate being allowed to run...In order that this happy event might be pulled

political process—from manipulating media and public opinion to working to unseat administration critics in Congress. Constitutional checks and balances are voided as Congress exercises its oversight responsibility largely by overlooking wrongdoing, and the courts defer to Congress and the Executive in “national security” matters.

## Fronts and More Fronts

The covert side of foreign intervention was officially institutionalized in June 1948, when President Truman signed a National Security Directive (NSD 10/2). “The overt foreign activities of the U.S. Government must be supplemented by covert operations,” it read, “[including] any covert activities related to: propaganda, economic warfare, preventative di-

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*We supervised elections in Haiti and wherever we supervised them our candidate always won.* —General Smedley Butler, U. S. Marine Corps, 1935

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off without hitch and to the entire satisfaction of our State Department, we patrolled all the towns to prevent disorders...” In 1935, reporter John Spivak interviewed the then retired Butler, who became a vocal anti-interventionist after being approached to assist a now-forgotten domestic coup attempt against President Franklin D. Roosevelt: “Butler spilled over with anger at the hypocrisy that had marked American interference in the internal affairs of other governments, behind a smokescreen of pious expressions of high-sounding purpose. ‘We supervised elections in Haiti,’ he said wryly, ‘and wherever we supervised them our candidate always won.’”<sup>1</sup> Butler would recognize the old policy of interference behind the new NED smoke screen.

Contemporary covert and overt operatives, working for or with the U.S. presidency, also intervene in the American

rect action, including sabotage, anti-sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberation groups, and support of indigenous anti-communist elements in threatened countries of the free world.”

The Orwellian democracy machine grew quickly in the warm shadow of the Cold War. The CIA provided a home for the “Gehlen network” of former German Nazi spies with experience in the Soviet Union and Eastern Europe. Under the guise of “liberationism,” CIA fronts such as the Crusade for Freedom promoted these emigré fascist leaders and collaborators to the U.S. public as democratic freedom fighters in the war against communism.<sup>2</sup> Some became leaders in the Republican Party’s Ethnic Heritage Groups Council.<sup>3</sup> Others assisted Radio Free Europe and the various propaganda instruments known collectively as the “mighty Wurlitzer” by its proud conductors. The CIA also influenced U.S. and foreign

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1. Jules Archer, *The Plot to Seize the White House* (New York: Hawthorn Books, 1973), pp. 57-58 and p. 207, citing John L. Spivak’s interview with Butler.

2. See: Christopher Simpson, *Blowback* (New York: Weidenfeld and Nicolson, 1988).

3. Russ Bellant, *Old Nazis, the New Right, and the Republican Party* (Boston: South End Press/Political Research Associates, 1991).

labor organizations through such bodies as the International Confederation of Free Trade Unions and AFL-CIO affiliates.

With the help of front groups espousing ant-communism and democracy, the U.S. interfered in elections and destabilized governments in many countries, among them Italy, Greece, Iran, the Philippines, Guatemala, Brazil, Indonesia, Chile, Portugal, Jamaica, and El Salvador. As then National Security Adviser Henry Kissinger said on June 27, 1970, speaking in support of secret efforts to block Salvador Allende's election in Chile, "I don't see why we need to stand by and watch a country go communist due to the irresponsibility of its own people."<sup>4</sup>

In 1967, there was a public outcry when *Ramparts* magazine exposed secret CIA funding of the National Student Association's international activities. Follow-up stories and congressional hearings exposed a network of ostensibly private labor, student, cultural, media and other organizations that were funded by the CIA, using conduit foundations, under its Psychological, Political and Paramilitary Division.

Faced with mounting criticism, President Johnson appointed the three-member Katzenbach Commission which included CIA Director Richard Helms. This commission laid the groundwork for a new funding technique. It recommended that "The government should promptly develop and establish a public-private mechanism to provide public funds



Terry Allen  
NED funded a group affiliated with the ARENA party, despite that party's death squad links. Above, ARENA supporter votes in 1989 Salvadoran elections. Note see-through ballot boxes.

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*I don't see why we need to stand by and watch a country go communist due to the irresponsibility of its own people. —Henry Kissinger*

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openly for overseas activities of organizations which are adjudged deserving, in the national interest, of public support."<sup>5</sup> A bill was introduced in Congress in 1967 to create an "Institute of International Affairs," but it was not approved, and the matter of CIA funding of front groups faded from public scrutiny until Watergate.

The CIA quietly continued covert operations involving front groups and more scandals erupted in the Nixon administration. The congressional Church (Senate) and Pike (House) committees investigated CIA and FBI operations in Watergate's wake and exposed a wide variety of illicit and antidemocratic programs. Domestic operations included CIA propaganda activities and Operation CHAOS, and the FBI's COINTELPRO. Foreign operations ranged from CIA programs to manipulate elections and overthrow governments, to plots to assassinate foreign leaders. Amid calls for placing limitations on the CIA or even abolishing it, George Bush was appointed CIA director, serving from 1976 to 1977.

4. *Newsweek*, September 23, 1974, pp. 51-52; and Seymour Hersh, *The Price of Power* (New York: Summit Books, 1983), p. 265.

5. White House press release, March 29, 1967.

His mandate was to mollify his former colleagues in Congress while actually limiting CIA reform.

#### "Project Democracy"

In the 1980s, with former CIA Director Bush in the vice presidency, the Reagan administration legalized through Executive Order many of the covert activities previously condemned as illegal, immoral and antidemocratic.

The Katzenbach recommendation of a "public-private mechanism" finally bore fruit in the National Endowment for Democracy.

NED was the public arm of the Reagan administration's "Project Democracy," an overt-covert intervention and "public diplomacy" operation coordinated by the National Security Council (NSC). In a speech to the British Parliament on June 8, 1982, President Reagan announced that the U.S. would launch Project Democracy to "foster the infrastructure of democracy, the system of free press, unions, political parties, universities, which allows a people to choose their own way."

According to a secret White House memo setting the agenda for a Cabinet-level planning meeting on Project Democracy, officials decided in August, "We need to ex-

amine how law and Executive Order can be made more liberal to permit covert action on a broader scale, as well as what we can do through substantially increased overt political action."<sup>6</sup>

On January 14, 1983, Reagan signed NSDD 77, a secret National Security Decision Directive instructing the NSC to coordinate interagency efforts for Project Democracy. "Public diplomacy," it stated, "is comprised of those actions of the U.S. Government designed to generate support for our national security objectives."<sup>7</sup>

When legislation was introduced to authorize "Project Democracy" in February 1983, administration officials promised Congress that the CIA would not be involved. A separate bill authorizing funding for NED was introduced in April. The public NED record generally traces its origins to a government-funded feasibility study by the bipartisan American Political Foundation (APF) headed by Allen Weinstein. He served as NED's first acting president until February 1984 and is currently president of the Center for Democracy, an NED grantee.<sup>8</sup>

"A lot of what we do today was done covertly 25 years ago by the CIA," Weinstein told *Washington Post* foreign editor David Ignatius.<sup>9</sup> Calling NED "the sugar daddy of overt operations," Ignatius writes enthusiastically of the "network of overt operatives who during the last ten years have quietly

John Richardson, the current and past (1984-88) chair of the NED board of directors, is an old hand in the CIA's front group network. He was president of the CIA-sponsored Radio Free Europe from 1961 to 1968. From 1963 to 1984, he was variously president and director of Freedom House, a conservative/neoconservative research, publishing, networking, and selective human rights organization. Freedom House is now heavily endowed with NED grants. Richardson later became counselor of the congressionally-funded U.S. Institute of Peace (USIP) which is governed by a presidentially-appointed board of directors dominated by past and present government officials, including Defense and CIA, and members of right-wing organizations such as the Hoover Institution on War, Revolution, and Peace.<sup>10</sup>

### **Bipartisan Support, Partisan Intervention**

The National Endowment for Democracy has already been involved in 77 countries—from Afghanistan to New Zealand, Northern Ireland to South Africa—with most funding going to Eastern Europe and Latin America. NED's major priority for 1991 is the Soviet Union.

As described by a 1991 General Accounting Office (GAO) report, NED

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## *A lot of what we do today was done covertly 25 years ago by the CIA.* —Allen Weinstein, Founding President, NED

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been changing the rules of international politics...doing in public what the CIA used to do in private."

Actually, CIA footprints are all over Project Democracy, from NED to the Iran-Contra operations. The CIA-NED connection is personified by Walter Raymond Jr. who supervised NED under Reagan. A propaganda expert and senior officer in the CIA Directorate of Operations, Raymond was first detailed by the CIA to the NSC in 1982 as Senior Director of Intelligence Programs. He resigned from the CIA in April 1983 in order to become a special assistant to the President as director of International Communications and Public Diplomacy at the NSC. In mid-1987, he became deputy director of the U.S. Information Agency (USIA), where he now heads the Eastern European Initiatives Office.

6. Joel Brinkley, *New York Times*, February 15, 1987, and John Kelly, "National Endowment for Reagan's Democracies," *The National Reporter*, Summer 1986, pp. 23-24.

7. *Ibid.*

8. Diane Weinstein, Allen's spouse, was legal counsel to Vice President Dan Quayle.

9. David Ignatius, "Innocence Abroad: The New World of Spyleless Coups," *Washington Post*, September 22, 1991.

plans and administers a worldwide grants program that is generally aimed at fostering a nongovernmental approach to (1) strengthening pluralism through institutions such as trade unions and business associations, (2) developing political parties and electoral processes, and (3) advancing democratic political institutions through civic education and the media.<sup>11</sup>

NED is a bipartisan growth industry for partisan intervention. NED President Carl Gershman was formerly senior counselor to U.N. Ambassador Jeane Kirkpatrick; past resident scholar, Freedom House; executive director of the cold warrior Social Democrats USA (1974-80); former research director for the AFL-CIO and board member of the CIA-linked International Rescue Committee. NED Vice Chair Charles Manatt, of the Washington law firm Manatt, Phelps, and Phillips, is former chair of the Democratic National Committee and on the board of the Center for Democracy.

10. Sara Diamond and Richard Hatch, "Operation Peace Institute," *Z Magazine*, July-August 1990, pp. 110-12.

11. U.S. General Accounting Office, Report to Congressional Committees, *Promoting Democracy: National Endowment for Democracy's Management of Grants Needs Improvement*, March 1991, p. 8.

NED Treasurer Jay Van Andel is a major funder of the Heritage Foundation and the co-founder and chair of the Amway Corporation, which is tied to the evangelical right.

Although registered as a private nonprofit organization, NED is funded by Congress with tax dollars largely channeled through the U.S. Information Agency (USIA) and the Agency for International Development (AID). From 1984 to 1990, NED received about \$152 million in congressionally approved funds, including \$38.6 million in FY 1990. By law, NED does not carry out grant programs itself, but makes grants to U.S. "private sector" organizations which in turn fund projects by foreign recipients. According to a 1991 GAO report, "The Endowment monitoring procedures have not been effective. Grantee noncompliance with the Endowment's key financial and internal controls has resulted in instances of funds being misused, mismanaged, or not effectively accounted for."<sup>12</sup>

In one controversial NED grant to the University of South Carolina, the university was used essentially as a money laundry. It was allowed to skim ten percent of the NED funds for administrative expenses and simply pass on the remaining money to vaguely described Chilean projects. Some of the funds for these projects were deposited into the personal account of a director of one of three Chilean groups author-

officers as a CIA agent.<sup>14</sup> FTUI executive director Eugenia Kemble is a former assistant to American Federation of Teachers president Albert Shanker. Her brother Penn Kemble, now with Freedom House, was president of PRODEMCA. This "private" bipartisan group supported Reagan's Central America policy and channeled NED grants to the Nicaraguan opposition and the anti-Sandinista newspaper *La Prensa* until 1986.

In addition to providing NED funds to Soviet and European unions and media, FTUI channels NED grants to the AFL-CIO's three established regional organizations. The Latin American program is under the American Institute for Free Labor Development (AIFLD) which was launched in 1962 by Kennedy's Labor Advisory Committee on Foreign Policy. AIFLD's first executive director was Serafino Romualdi, whom former CIA officer Philip Agee called the "principal CIA agent for labor operations in Latin America."<sup>15</sup> William Doherty, Jr., AIFLD executive director since 1965, has also been identified as a CIA agent by Agee and other former CIA officers.

The African-American Labor Center (AALC) was begun in 1964 and first directed by Irving Brown. It supported such "unions" as Holden Roberto's National Front for the Liberation of Angola, which the CIA backed in the 1970s, along with

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## *Destabilization campaigns can culminate in invasions, military coups, or electoral coups.*

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ized to receive the grant money. Beyond that point there is no documentation of how the funds were spent. According to one newspaper account, some faculty members suspected the process was being used for secret foreign policy initiatives or covert operations.<sup>13</sup>

### **NED's Core Four**

Most NED funds are distributed through four core grantee organizations, profiled below. All but the Free Trade Union Institute (FTUI) were specifically created to serve as NED conduits.

FTUI was established in 1977 by the AFL-CIO's Department of International Affairs. It continued the work of its predecessor—the CIA-connected Free Trade Union Committee—which was founded in 1944 to combat leftwing trade unionism in Europe. The late Irving Brown, who served on FTUI's board and was director of the AFL-CIO International Affairs Department until 1986 and then senior adviser to Lane Kirkland for international affairs, was identified by several former CIA

Jonas Savimbi's UNITA. In 1968, Brown transferred to the newly-formed Asian-American Free Labor Institute (AAFLI) which was created to organize Vietnamese labor unions and land reform as part of the multi-faceted U.S. counterinsurgency program.

The Trade Union Congress of the Philippines (TUCP) is a key recipient of FTUI grants, via AAFLI. Following the assassination of opposition leader Benigno Aquino in 1983, funding for the pro-Marcos TUCP jumped. "If people hadn't had assistance then," said Bud Philipps, the AAFLI administrator in the Philippines, "the success of the political left in the [Filipino] trade unions would have been phenomenal. Nationally and internationally it would have been a Waterloo." The money to promote the U.S. policy in the Philippines was spread around CIA-style. "Imagine if you have US \$100,000 to give out to families in US \$500 chunks," said Philipps. "Your stock goes way up, faster than the stock of any of the militant labour groups."<sup>16</sup> *(continued on p. 59)*

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14. See: e.g., Jonathan Kwitny, *Endless Enemies* (New York: Penguin Books, 1984), pp. 339-48; Philip Agee, *Inside the Company: CIA Diary* (New York, Bantam Books), 1975, pp. 69, 624.

15. Philip Agee, *op. cit.*, p. 64; Kwitny, *op. cit.*, pp. 341-43, 346-54.

16. *International Labour Reports*, No. 33, May/June 1989, p. 11.

12. *Ibid.*, p. 3.

13. "Government grants stopped at USC on way to Third World," Charles Pope, Dave Moniz, *The State* (Columbia, S.C.), May 12, 1991, p. 1.