

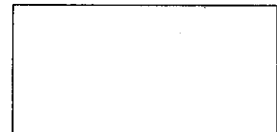
~~SECRET~~

8 February 1971

**SUBJECT: AID Support for CIA Programs in Laos**

1. The GAO investigations of the AID program in Laos at the direction of Senator Edward M. Kennedy, Chairman of the Subcommittee on Refugees and Escapees, has focused attention on AID support of the paramilitary forces and their dependents under the AID Public Health and Refugee Relief programs in Laos. AID has provided medical assistance and refugee relief through the public health and refugee assistance program in Laos to PM forces and their dependents since the CIA PM program began in Laos in 1960. The GAO audit of these programs during the summer of 1970 and Senator Kennedy's recent statement have focused attention on this support.

2. The total budget for the USAID public health and refugee relief programs, which USAID proposed to fund as cost shared programs, is \$19,141,050 for FY 1971. Following is the USAID cost breakdown by agency based on program responsibilities: CIA, \$2,442,700; Department of Defense, \$10,070,050 and AID, \$6,628,300. As of 1 February, CIA assumed full responsibility for providing medical kits to PM forces thus reducing the CIA portion of the cost by \$270,000. The remaining \$2,172,700 represents the cost of medical commodity support to PM dependents at hospitals and dispensaries, thirty percent of USAID medical personnel staff time which is devoted to PM dependents, local currency costs for third country national medical staff, hospital construction costs and medical facilities at Vang Vieng (Site 272, a refugee area southwest of Loug Tieng), and air costs for the delivery of medical commodities and the movement of medical personnel.

~~SECRET~~

~~SECRET~~

3. Since September 1970, we have been discussing with AID which agency should fund the medical and refugee expenses. This discussion includes a division of FY 71 costs and the programming for FY 72. As noted in paragraph 2, CIA has assumed the responsibility for the medical kits. Our respective legal counsels are now trying to reach an agreement as to who should pay for medical support and refugee expenses to FM forces and their dependents.

~~SECRET~~

UNCLASSIFIED

INTERNAL USE ONLY

CONFIDENTIAL

SECRET

### ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

CFE

EXTENSION

NO.

DATE

FILE

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

RECEIVED

FORWARDED

1.

7D26

18 FEB 1971

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.

15.

APPROVED FOR  
RELEASE  DATE:  
22-Oct-2009

SECRET

CONFIDENTIAL

INTERNAL USE ONLY

UNCLASSIFIED

## INTENDED FOR LAOS REFUGEES

## Kennedy Says CIA Got Relief Funds

By JAMES DOYLE  
Star Staff Writer

About half the money Congress appropriates for refugee programs in Laos is diverted to Central Intelligence Agency-directed paramilitary operations in that neutral country, Sen. Edward M. Kennedy, D-Mass, charged yesterday.

Kennedy said a General Accounting Office report, most of it classified secret, has confirmed findings of an independent study team he sent to Laos to investigate the refugee program.

The report apparently details for the first time how Agency for International Development funds are used to support Meo and Yao tribesmen who roam through northern Laos and sometimes cross the borders into North Vietnam and China to conduct clandestine operations.

The army's existence and some of its activities have been public knowledge for some time, and AID Director John A. Hannah confirmed in June that CIA agents used the Laos AID mission as a cover in order to operate freely in that country.

Laos was declared neutral by a 1962 Geneva Convention in which the United States and the Soviet Union were parties.

But the GAO report marks the first disclosure by a government agency that U.S. foreign aid money is sometimes diverted to CIA operations.

A heavily censored version of the report was made public yesterday by Kennedy, chairman of the Senate subcommittee on refugee relief, which had requested the GAO investigation.

## Calls Findings Supported

The GAO is an independent investigative agency responsible to Congress, not the executive branch. The CIA reportedly tried to stop the GAO inquiry.

The censored report gives no details of the joint operation by AID and CIA. But Kennedy, in releasing it, said portions classified "secret" support independent findings of his staff investigators, Dale S. DeHaan and Jerry M. Tinker.

Kennedy estimated that in the past four years more than \$27.4 million in food, drugs and other aid has been channeled from refugee programs to "Laos military and paramilitary units and their dependents."

Kennedy said that in the last fiscal year AID had provided \$17 million for Laos refugee assistance. He estimated that half had gone for the CIA's "paramilitary" programs.

The AID Village Health Program has received about \$10 million since 1964. Kennedy

said half of that was used for medical assistance to military units and their dependents.

"AID is aware of it and tolerates it," Kennedy said. "They are not very happy about it, but they continue it." He said he would seek congressional action to stop it.

The Central Intelligence Agency is funded by Congress through a secret process. Senior members of the Armed Services committees and the Defense Appropriations committees hold secret budget hearings with the agency's top men, and then approve funds which are hidden in the appropriations of other programs and other agencies. It is not known whether records of the meetings are kept.

It has always been presumed that CIA money was hidden in the massive defense budget, since that would be the easiest place to mask funds. Books on the CIA have suggested that Congress has always been generous to the agency.

Although the American aid program throughout the world has often been accused by hostile countries of being a CIA cover, AID directors have stoutly denied it and attempted to keep foreign operations above suspicion.

## 38 Stationed in Laos

The State Department lists 38 AID officials stationed in Laos, an unusually high number for that small country. It has been widely reported that the "rural development section" of the AID mission was almost exclusively a cover operation for intelligence agents there to recruit and train pro-government guerrillas.

AID Director Hannah said last June, "We have had people that have been associated with the CIA and doing things in Laos that were believed to be in the national interest but not routine AID operations."

He said at the time Laos was "the only place in the world where that is true."

Responding to Kennedy's statements, an AID spokesman said "a relatively small percentage of refugees are irregular or paramilitary forces who, because they have been displaced and are needy, are therefore as much refugees as other Lao who have not engaged in fighting."

He said a much larger percentage consists of dependents of those fighting men, who also have been displaced.

But Kennedy took a different view. He said he believes the AID program has been used as the primary source of money for the irregular Lao forces.

The funds are siphoned not just from the refugee pro-

gram, he said, but from public health, agricultural, economic and technical projects, and from the "Food for Peace" program.

The refugee program apparently is actually run by four agencies jointly, The Department of Defense, the Royal Lao government, the CIA and AID.

## Cites Special Interest

The CIA apparently has funded parts of the program from its own money, pointing out its special interest in the program.

One of the few western newsmen stationed in Laos, Tammy Arbuckle of the Washington Star, has detailed the operations of what he has called "the American directed secret army" which he reports operates throughout Southeast Asia.

In Laos the secret army has wiped out Communist headquarters and taken over prison camps and rescued inmates, Arbuckle reports.

Its leader is Gen. Vang Pao and its troops are mostly Meo tribesmen, although some Thais also are included.

The Meos have been active roaming the Plain of Jars and intercepting North Vietnamese men and supplies attempting to use the plain for infiltration south, Arbuckle has reported.

## Directed by Mann

The director of AID in Laos is Charles Mann, who directed the AID mission in Vietnam until a few years ago. His program there came under fire because of inefficiencies in the Port of Saigon and he was transferred.

Besides heading the Laos program, Mann is said to be heading a de facto AID program in Cambodia.

The GAO report is said to have indicated that AID headquarters in Washington appears to have little or no control over the activities in Laos.

Sources on the Senate refugee subcommittee expressed the fear that similar abuses would develop in Cambodia. The State Department is said to have told the committee that there is at present no refugee problem in Cambodia, despite the war and the heavy bombing in recent weeks.

Kennedy said the cost of the entire Laos AID program is less than the cost of two days of bombing sorties when American B-52s are operating at a peak in Laos.

"After they are finished siphoning off money, they spend about as much on the refugees as on two day's bombs," he said.