

Original: FAIM

81339:2

XR-8134747



DEPARTMENT OF STATE

ACTION MEMORANDUM

S/S 11/25

November 25, 1981

UNCLASSIFIED

TO: The Deputy Secretary

THROUGH: M - - Richard T. Kennedy

FROM: EA - John H. Holdridge

NEA - Nicholas A. Veliotis

HA - Stephen E. Palmer, Acting

SUBJECT: The Future of The Asia Foundation (TAF) - -  
Department Position

ISSUE FOR DECISION:

To survive, TAF requires Government funding for general operating expenses. You are asked to decide whether the Department should advocate such funding:

- - through the Department - as at present - but under special authority for a separate, earmarked appropriation for grant to TAF;
- - via a newly created "Joint Commission for The Asia Foundation"; or
- - from USICA, AID or a new "umbrella" agency for TAF and other Government funded organizations.

Your decision will determine the basis for a joint Department, TAF recommendation to be presented to the Congress by December 1. This report will have to be coordinated with OMB, and personal intervention by the Secretary probably will be necessary to obtain OMB acquiescence to it.

ESSENTIAL FACTORS:

TAF's Trustees, EA, HA, NEA, AID and USICA consider TAF an asset warranting continued Government support. It is a vital auxiliary to official foreign policy programs and activities, not a substitute for them. TAF's established reputation, solid expertise and extensive network of active contacts throughout the region are irreplaceable. Its nationally-prominent, civic-spirited Trustees lend distinguished private sector support to U. S. policy objectives in Asia.

Virtually all of TAF's activities broadly support U. S. human rights goals in Asia. Its commitment to strengthening indigenous institutions which promote stable political development, constructive social change, equitable economic

growth and cooperative international relationships is consistent with U. S. policy on human rights.

In Taiwan, TAF has become an essential instrument for conduct of our cultural exchange program and for projects of high political sensitivity. TAF's programs in Pakistan impart consistency and visible continuity to American influence following the Ford Foundation's shutdown there. TAF spearheads follow-on projects the new intensive English program for entering university freshmen which it generated in Sri Lanka.

Elsewhere in Asia, TAF is an important carrier of American ideas on democratic institution-building to politically and socially influential groups not approachable officially. TAF's mid-career training programs for Chinese and Pakistani diplomats and its well-established Congressional fellows program in several countries connect the U.S. to the next generation of policy-shapers. Currently prominent Asians first brought to the U. S. as unknowns by TAF include Tony Tam, Singapore's Minister of Trade and Industry; Mochtar, Indonesia's Foreign Minister; Mahathir bin Mohamad, Prime Minister of Malaysia; and Kamal Hossai, Awami League candidate for President of Bangladesh.

TAF's private, less-than-official nature suits perfectly the Asian proclivity for dealing in delicate matters through ostensibly independent agents, nevertheless of proven reliability. For example, TAF currently has an invitation to help the Islamic Conference organize high-level, scholarly seminars in this country.

TAF's rationale since its inception has been to serve the Government as an instrument of U. S. foreign policy. To discontinue general fund support and require TAF to rely entirely on private resources would officially renounce this rationale and be tantamount to terminating the Foundation.

Even though the Government - - not a family, church, alumni organization or issue-related interest group - - is TAF's sole constituent, it has raised substantial private donations. Trustees' personal donations over the last twelve years total \$1,230,000. An endowment established in 1968 has produced \$2,500,000 and now amounts to \$2,900,000.

TAF is beneficiary of bequests valued at \$2,500,000. Thirty-five corporate donors have given \$2,153,000, and TAF has obtained foundation grants totalling \$2,615,000. Recent examples include \$150,000 from the Hewlett Foundation for family health planning projects in several Asian/Pacific countries; \$100,000

UNCLASSIFIED

from Mobil Corporation to fund U. S. study opportunities for faculty of Siyah Kuala University in north Sumatra; and current negotiations with the Luce Foundation for a \$500,000 grant to promote private regional organizations among ASEAN countries.

With in-kind donations, TAF has to date solicited, shipped and placed 16.6 million books and 2.1 million professional journals in Asia - more than the combined holdings of the Harvard, Yale, Columbia and University of California - Berkeley libraries. Official and private Asian sources have also donated matching funds and in-kind support for TAF programs.

If tangible value alone is considered, TAF's demise would destroy an asset built up over thirty years at a cumulative cost to the Government of \$200 million. Private American and Asian official and private donations to TAF would also be lost. The approximately \$4 million annual saving in U. S. expenditures would conserve no more than two cents on every dollar of a Government investment that the foreign policy agencies strongly believe should be preserved and that the Congress has twice rescued from extinction. Impending drastic reductions in USICA's exchange program make survival of TAF even more essential to effective US relations with Asian countries.

✓ In 1980, The Long sub-committee of the House Appropriations Committee determined that general grant support for TAF could no longer properly be provided from AID funds. Provision of such funding became the responsibility of the Department, as the prime agency favoring continuation of Government support for TAF.

The Department at that time requested an increase in its own budget ceiling equivalent to the reduction in AID's resulting from the transfer. This was not done, and OMB has since then insisted that the Department rank support for TAF among its requests for all requirements. The Department has resolutely maintained that TAF's programs are not a substitute for other essential activities, and that funding of them must not be at the expense of our operating requirements.

The \$4.1 million for TAF support approved by the Senate in the FY 1982 Department Appropriation Bill would be less than one quarter of resources TAF expects from all sources for this Fiscal Year. Despite the recent uncertainty of such support, its availability has been key to TAF's success in private fund raising. Stabilizing this support will release TAF's energies to solicit private funding more extensively and with greater credibility.

UNCLASSIFIED

- 4 -

ANALYSIS OF OPTIONS:

The principal ways to assure continued funding for TAF are:

A.) Separate Appropriation to the Department:

Administration policy advocating public-private sector cooperation, economical management practice, and proven success of an established relationship all commend this option. We would need a clear Congressional mandate for an annual earmarked appropriation for TAF, premised on a definitive understanding with OMB and the Congress that such funding would continue to be additional to Department resources in this and future years. [This could take the form of a specific authorization in the Foreign Affairs Authorization Act providing for annual appropriation of funds to the Secretary of State for grant to TAF for general operating support. Such authorization for FY 1982 is contained in the Senate approved version of the Foreign Affairs Authorization Bill for the current fiscal year. Moreover, appropriation for such a grant has already been approved by the House (\$2.1 million) and unanimously by the Senate (\$4.1 million) in the FY 1982 State, Justice, Commerce Appropriation bill. Determination of amounts for FY 1983 and subsequent fiscal years await the outcome of this policy decision. The Department would be committed to support and defend the appropriation request annually. TAF's Trustees favor this option and USICA and AID agree that this option represents the best arrangement for continued support of TAF.

B.) Set Up A Joint Commission for TAF or Make It A Public Corporation:

This option would transform TAF into an external competitor with the Department for resources within the international affairs section of the budget. OMB would probably oppose this option because of Administration policy against setting up new Government agencies. The joint commission variant of this option, suggested by TAF's Trustees as a fallback to funding through the Department, has been found a recipe for stalemate at the Board for International Broadcasting, which operates under two, layered boards. The public corporation variant of this op-

UNCLASSIFIED

- 5 -

tion is unsuited to TAF, which does not meet the revenue-producing intent of the public corporation statute, and was previously rejected by OMB. While a separate, earmarked appropriation is our clear preference by far, this joint commission option would be better than dissolution of TAF.

Your approval of this option would require a request to the Congress for establishment of a permanent new, independent, special purpose Government agency to operate TAF. Such agency would require its own directorate and its own secretariat. In addition to the funds required for grant support to TAF, the new secretariat would require overhead funding of its own. The overall cost of TAF operations, which has declined for the last several years under practices of determined thrift, would escalate. Addition of another administrative and policy layer into the present relationship of TAF to the Government would retard program approval and execution without perceptible benefit to the attainment of foreign policy objectives.

C.) Fund TAF through appropriation to USICA, AID or an "Umbrella" Agency:

USICA and AID very likely would oppose this option. Although pressure on Department resources would be externalized, our policy interests in TAF would be subject to program priorities of other agencies. Persistent Department intervention would be required to resist distortion of TAF goals and to preserve the integrity of its budget. TAF's effectiveness would suffer. Setting up a new "umbrella" agency would contravene Administration policy, and probably would encounter OMB disapproval on such grounds.

#### CONCLUSIONS:

Over its 30 year history, TAF has received consistent support from foreign affairs agencies of the U.S. Government. Furthermore, TAF enjoys solid backing in Congress, which at its own initiative has provided appropriations in FY 81 and FY 82.

Active personal intervention by the Secretary and senior Department policy officials to insert requests for implementing legislation and concomitant appropriation of funds into the President's FY 1983 budget request to Congress will necessarily eventuate from approval of any of the options presented by

UNCLASSIFIED

this memorandum. TAF's influential trustees, however, are certain to argue its case with OMB (which will oppose), the White House and Congress. We must, nevertheless, recognize that success will in the first instance require Departmental initiative.

RECOMMENDATIONS:

TAF's Trustees have been in close contact with us and have expressed the hope that they may have the opportunity to meet with you before you reach a final decision. We believe that you should, after making your decision, call in the Trustees Special Committee to convey to them personally the Department's position and afford them an opportunity to discuss it.

A.) That you approve Option A, favored by EA, HA and NEA:

Approve *CSG* DEC 01 1981 Disapprove \_\_\_\_\_

B.) Should you disapprove Option A, we recommend that you approve Option B, which would permit continuation of TAF, though under circumstances EA, HA and NEA strongly believe much less acceptable.

Approve: \_\_\_\_\_ Disapprove *✓* DEC 01 1981

Clearance: E - Will *WJ*

EA/RA - William J. Cunningham  
NS - 4207, Ext. 21200  
November 17, 1981 *WJ*

UNCLASSIFIED