

NED targeted for corruption probe

by Scott Thompson

Sources in the U. S. Information Agency have informed *EIR* that an investigation is about to be launched into suspected widespread financial corruption and influence-peddling within the National Endowment for Democracy. The NED is a unit of USIA, created in 1983, whose precursor, the American Political Foundation, was established during the Carter administration at the urging of the Trilateral Commission. The NED disburses millions of dollars approved by Congress to private organizations around the globe, ostensibly to "foster democracy." In reality, the agency has been a hub of illegal "Project Democracy" covert operations at home and abroad, has fostered the spread of organized crime, and was deeply implicated in the Iran-Contra scandal.

Such an investigation of the NED is especially needed given the recent appointment of former U. S. Ambassador to Hungary R. Mark Palmer to the NED board. Palmer was caught red-handed with Deputy Secretary of State Lawrence Eagleburger in a conflict-of-interest scandal in eastern Europe. Further, NED President Carl Gershman and NED Executive Director David Lowe are both tied to Meyer Lansky-linked organized crime circles through their past employment by the Anti-Defamation League of B'nai B'rith (ADL).

According to USIA officials, the investigation will focus on how the NED determines who to fund, and whether the recipients used the money as they had said they would. One area of concern is the disbursement of so-called "block grants" to NED "core institutes" affiliated with the Democratic and Republican parties. The suspicion is that the funds are being siphoned into partisan political operations and payoffs to political "friends."

The probe by the USIA inspector general is an outgrowth of March 1989 confirmation hearings of Eagleburger to become deputy secretary of state. Throughout those hearings, several members of the Senate Foreign Relations Committee and press (including *EIR*) raised conflict-of-interest questions based on Eagleburger's work during the mid-1980s as president of Kissinger Associates. This influence-peddling firm did extensive business in central Europe, and Eagleburger was personally tied to several banks and companies in Yugoslavia that were implicated in drug money-laundering. Since those hearings, questions have come up, again relating to Eagleburger's role as Coordinator of Eastern European

Affairs, through which he administers the Support Eastern European Democracy (SEED) Act funds.

Not only has NED received \$20 million in SEED One funds with Eagleburger's okay, but Palmer's business associates in the Central European Development Corp. have as well. CEDC investors, for example, have gotten loans from the Polish-American Enterprise Fund, which was created with \$240 million in SEED funds. Zbigniew Brzezinski is a PAEF board member, and, like R. Mark Palmer, is also a board member of NED, which ostensibly dispenses other SEED monies to spread "free market democracy." This pork-barrel means Palmer and Brzezinski can hand out NED funds for social projects, while directing monies from the enterprise funds for business cronies.

As a result of complaints about such conflicts, Rep. Paul Kanjorski (D-Pa.) won House approval last June to cut NED funding. Also in 1991, the General Accounting Office, from a more bureaucratic standpoint, prepared a report that decried NED's sloppy management of funds. But certain senators were able to restore the funds in conference.

NED, the ADL, and organized crime

Another concern is the presence of two long-time assets of the crime-infested ADL in the top two NED posts. Carl Gershman was a member of the Young People's Socialist League (YPSL) while studying at Harvard and Yale. His first job from 1965 to 1968 was with the Research Department of the ADL. Gershman next became executive director of the Social Democrats USA (SDUSA) from 1974 to 1980, which includes many ADLers as members. Among them is ADL Fact Finding Department director Irwin Suall, whose assistant, David Lowe, became executive assistant to Gershman at NED in 1990.

Through his associations with this ADL/SDUSA network, Gershman's circle came to include: former CIA head William Casey's lifelong friend Leo Cherne, who as vice-chairman of the President's Foreign Intelligence Advisory Board (PFIAB) protected a number of "moles" within U. S. intelligence—like Albert Wohlstetter—while helping Henry Kissinger launch a "Get LaRouche" task force in 1982; and former "Ms. YPSL" turned "Ms. Iran-Contra," Jeane Kirkpatrick, who made Gershman her senior assistant when she became U. S. ambassador to the U.N. in 1981. It was this same gang that promoted Gershman to be president of NED.

If a serious auditing of the Gershman and Lowe-run NED takes place, one of the crimes likely to surface will be the NED's role in sabotaging economic development in newly liberated central and east Europe. The two are widely suspected of working to sabotage the "Productive Triangle" proposal of jailed statesman Lyndon LaRouche for a Europe-centered engine for worldwide economic recovery. Smoking out the NED-ADL networks involved in that dirty work could be one of the most important contributions the United States could make toward furthering the cause of democracy.

NED corruption cited by GAO report

A year-long investigation by the General Accounting Office resulted in a March 1991 GAO report entitled "Promoting Democracy: National Endowment for Democracy's Management of Grants Needs Improvement." The report was commissioned by Congress and directed by Joseph E. Kelley, the director of Security and International Relations Issues at GAO. It included an audit of 36 recipients of NED funds. The report said in part:

"In 1983, the Congress created the National Endowment for Democracy to plan and administer a grants program. . . . From 1984-90, the endowment received about \$152 million in funding, which it used to support 533 total grants. . . . The Endowment does not have a system to determine whether goals and objectives are being met. . . . Grantee non-compliance with the endowment's key financial and internal controls has resulted in funds being misused, mismanaged, or not effectively accounted for. The endowment's board of directors does not actively monitor the endowment's evaluation and oversight of core and discretionary programs.

"In November 1983, Congress created the National Endowment for Democracy, a private nonprofit organization, to encourage private sector support of democratic institutions in many areas of the world. . . . Four grantees . . . comprise the 'core' category. These sectors played leading roles in establishing the endowment and they receive the majority of endowment funding. These four core grantees are the [AFL-CIO's] Free Trade Union Institute (FTUI), the [U.S. Chamber of Commerce's] Center for International Private Enterprise (CIPE), the National Democratic Institute for International Affairs (NDI), and the National Republican Institute for International Affairs (NRI). . . .

"The Endowment's bylaws require that the Board's membership reflect the same general membership of the initial Board, namely two representatives from each of the core groups. Since the inception of the Endowment, concerns have been raised about potential conflicts of interest that could result because of this requirement. . . . The Endowment has allowed the core institutes to define their own geographical priorities and goals. . . .

"Two [of 16 grantees studied] could not substantiate over \$38,000 in claimed expenditures. In one case . . . the grantee used funds for personal credit card payments, and transferred

funds into a personal checking account, and claimed expenses to the Endowment grant that were actually paid from other contributions. The grantee refused to repay the questioned [\$23,000] funds and stated that the Endowment would have to take legal action to recover the money. . . . Three recipients misused \$28,000 of Endowment funds for personal loans and other unauthorized purposes. . . . We found that a South African project subrecipient had made several unauthorized personal loans of at least \$6,400 to employees and others, some of which have not been repaid. For example, the subrecipient: loaned about \$1,700 to an employee for a down payment on a house, but the employee resigned before repaying about \$800 of the loan; [and,] signed for a rental car for a former workshop participant who was arrested for drug trafficking while using the car and subsequently paid about \$1,500 in car rental fees while the car was impounded."

NED President Carl Gershman's only defense was to cite the revolution under way in Russia and eastern Europe since 1989. "There may be instances, especially in totalitarian countries, where it may not be prudent for a foreign organization to sign an agreement," he said. According to the U.S. Information Agency's inspector general, Gershman used the same reason to explain why few records had been kept until 1989 of who received money and what they did with it.

House cuts NED funds, Senate puts them back

During a House debate on May 15, Rep. Paul Kanjorski (D-Penn.) offered an amendment to cut \$10 million of the proposed \$25 million in NED funding. Kanjorski motivated this in part on the finding of GAO studies of NED in 1986 and 1991. Kanjorski added, "I have a fundamental disagreement with setting up a private organization, controlled by private people, to carry out the foreign policy of the United States . . . when, in some instances, it is in direct contradiction to the foreign policy carried on and organized under the State Department of this government."

NED proponents, led by Rep. Robert Lagomarsino (R-Calif.) and others, defeated Kanjorski's resolution in May in a 189-224 vote. But on June 13, the House cut NED funding. A major change was that the Black Caucus joined the fight against the NED. Rep. Ron Dellums (D-Calif.) stated that NED had violated the 1991 emergency supplemental appropriations bill authorizing spending "\$10 million for victims of apartheid in South Africa."

Rep. William Gray (D-Penn.) accused NED of "ignoring the specific legislative guidelines" for the funds that were to "be used to provide previously banned organizations with office and communications equipment, vehicles, office space, and so on." Instead, NED subcontracted the funds to the same "selected America experts on democracy" in NED's "core institutes" so they could do timeless, academic studies, he charged.

However, in House-Senate conference, the funds were restored at the insistence of certain senators.