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WITHDRAWAL SHEET

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1. transcript	Fielding off the record comment (2 pp <i>partial</i>)	7/22/81	C

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SJF ~~RAK~~

STORY:CLARK
MA:65 FMT:

QUEUE:MULLIN-DPM MSG:
HJ: INI:

OPR:DPM ;07/22,11:24

July 22,1981

To: LH

From: DM

Deputy Secretary of State William Clark, on the record at the Sperling breakfast, indicated that the President has been embarrassed by Begin's actions and is prepared to take tough action against him.

He made a point of distinguishing between Begin and Israel, and said that the sentiment is shared not only in Congress but by Israel's supporters in the U.S.

All in response to questions--the following is virtually verbatim, but check with DM on exact quotes used:

The administration is watching the situation in Lebanon on an hour by hour basis, and has been disappointed and embarrassed by Prime Minister Begin's actions.

The fact that Begin moved so quickly after the mission to the Mideast by Counselor Robert MacFarlane, has placed the administration in a quandry. President Reagan is flexible in his thinking, and can change his positions on any issue according to the circumstances.

While the President is aware of the U.S. government's commitment to Israel, a policy of 32 years of age, it is hoped that if it is decided that Begin did the wrong thing, that it will not penalize his nation.

(MCPF)

On reactions from Congress: The expressions of Senator Percy and others have been identical to those of the President, we are aware that Congress is questioning Begin's actions and words.

President Regan has to play judge on this one, but he has felt no pressure from constituencies around the country. And the indications are that the Jewish community feels the same way that the President does. From what we see and hear, they share the administration's quandry and frustration with Begin.

More F-16 deliveries are scheduled for August, September and October but no decisions have been made on shipping them. The Habib mission continues and has not yet reached the point of being counter-productive. We are seeking a ceasefire, though we note that Begin has refused to consider the term.

We are doing our utmost to keep our historical commitment to Israel, but we also have regional concerns. Habib has made it clear to Begin, that we have other commitments beyond Israel-- Begin has been reminded that Israel simply is not our only friend in the region.

Some members of the administration feel stronger than others about how to respond to Begin. But striking when and the way he did, so soon after the McFarlane visit, is making it very difficult for us to help Israel. Our commitment is not to Begin but to the nation.

I know the President well enough, that he is going to remain flexible in new changing circumstances, on the Begin question in particular.

From what I know of him personally, while he recognizes the

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commitments of prior administrations to Israel, the President is going to keep an open mind on the questions pending.

In response to questions about Reagan's campaign positions: The President's basic instincts and commitments won't change, but he may feel that in action they do not parallel those of Mr. Begin.

The President realizes that his responsibilities are broad, regional. It is analagous to a lawyer who has not reached the bench but has strong feelings. When he reaches the bench he realizes that his responsibilities are to enforce the law-- whatever his feelings.

The President is not linking specific Israel actions and the delay in the F-16s. The decision is part of an ongoing review starting with the June 7 bombing (of the Iraqi reactor)--you don't ship gasoline to a fire.

Inside the Department there has been an active dialogue on how to respond, that has reached the point of outright advocacy in advice to the Secretary and the President. That is healthy. That is what we are paid for.

On other points:

The President's agenda time on foreign affairs has doubled in the last 6 weeks. We are using the NSPG (National Security Planning Group) mechanism. The Secretary, the President and Vice President and the Secretary of Defense and Allen meet regularly.

On a need basis, other cabinet members join in. On Poland for example, Stockman and Regan participated.

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From the beginning the President has stressed that getting our economic house in order is a pillar to a strong foreign policy. So in the sense that economic policy is on our minds, you cannot say that we have no foreign policy.

Poland was high on the agenda in Ottawa. It was the President's intention to take the initiative on the necessity of preventing the collapse of the Polish economy.

The Soviet Union is refusing to bolster that economy. Arranging economic aid for Poland is high on the President's list.

A communique will be released today in Ottawa and here on Namibia, which will show that the contact group is still together. It will call for flexibility in the electoral process, and a ceasefire in the Namibian war.

Since I have been here I have not seen a rupture between Secretary Haig and the President. I have two bosses President Reagan and Al Haig, and if I did see a rupture I would have to go back to the ranch.

The two have been in total step the last six months, but there has been a communications problem. But the confidence the President has in the Secretary has never waivered.

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STORY:FIELDIN
MA:SS FMT:

QOROR:CWF-CWF
HJ:

MSG:
INI:

OPR:CWF :07/22,17:37

TO: MLS, LP, JF, DR, BFP, JG, JB, JWM, GP, DCB, LH, SJF,
PA, PGR, LJJ
FROM: HAX

RE: Background-only ivy with White House Counsel Fred
Fielding, and other matters

Fielding projects an air of great confidence that none of the allegations against William Casey is serious. But Fielding concedes that the White House is worried that political pressures generated by a lengthy Senate investigation and heavy media exposure may make it difficult for Casey to hold on to his post. And, like others in the White House, he seems jittery that new, damaging material may surface as a result of all the intense scrutiny of Casey's past.

Says Fielding, "I've gone through everything in the Casey case--there's just nothing there...If you're going on a factual-basis attack on Bill Casey, I'm not aware of any fact that justifies his dismissal...If people [senators] are going after Casey, I don't think it's because of his financial dealings."

Senate probe. Fielding repeated the White House view that Casey's enemies within the CIA may be at work on Capitol Hill. "We're career men like Bobby Inman--have a constituency [of senators] all their own...They are like their own lobby...Our major concern is that this thing be kept in proportion."

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It is unlikely, says Fielding, that Casey ever would get axed as quickly as did Hugel--barring new charges that the White House is not now aware of. "This President has shown that he's not going to walk away from a tough fight. The [Raymond] Donovan case is a good example...You have a certain loyalty to people who are willing to serve--when they make honest disclosures to you."

Fielding has been reviewing the internal, confidential disclosure statements filed by Casey during the transition. When Casey filed his disclosure statement--it apparently was very lengthy--Fielding sat down with him in Fielding's law office "and we talked through it for hours and reviewed everything." Fielding claims that he was aware of all of the allegations that have been made against Casey, because Casey reported them in his disclosure report. Little attention was paid, however, to the various charges and rulings against Casey prior to 1971, when he was confirmed by the Senate as chairman of the SEC. Fielding worked in the Nixon White House and handled Casey's defense during the 1971 confirmation fight. "We didn't concentrate much attention on the earlier things because we felt the Senate [in '71] had reviewed all that so extensively and so exhaustively."

But Fielding admits to being surprised by the reports of the New York Judge's ruling against Casey in the Multiponics case (in which he was accused of misleading shareholders). Fielding labels the Multiponics case "your

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Voting Rights Act. Larry Speakes acknowledges that there is mounting pressure for the administration to take a stand in support of extension of the Voting Rights Act, although the attorney general's report on the issue is not due until sometime this fall.

Says Speakes, on background, "There's a growing belief that it [not yet taking a position] cost us the [congressional] election in Mississippi...There is a momentum to go ahead with simple extension...There is building pressure to act now...Reagan's view historically has been to favor spreading the act to cover all states, but the political view is that it's not worth the congressional fight."

Speakes believes the administration will move sooner than this fall to support simple extension of the act.

Possible Whisper. In the past few days, one senior Reagan aide after another has come to the view that the President must take stronger action to rein in Begin. According to Speakes, Meese was the original advocate of a tougher stance against Begin. Now Weinberger, Haig and even Allen have joined the "hard liners," says Speakes. That leaves only the President as the last defender of Israel's stepped-up military activity. (Speakes predicts that "cooler heads" like Reagan's will prevail, and that the U.S. will in the end not take harsh action against Begin.)

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STORY:WED1
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

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MSG:

File

OPR:SJF

;07/22,19:25

To: mls jg lt dr jf bfp dr dxb jwm gp dcb lh rak pa pgh

From: sjf

After the Ottawa Summit.

President Reagan's favorite person at the summit was Margaret Thatcher. "When Schmidt was being cantankerous, she would usually come to his (Reagan's) defense," says Deputy Press Secretary Larry Speakes on background.

Schmidt, who was most critical of U.S. economic policy, was Reagan's least favorite person at the table. Reagan also felt very uncomfortable with Suzuki--apparently because of the language barrier. Nor is the President very fond of Trudeau, who "wants to be the darling of the third world." But Mitterand was "a pleasant surprise" to

Reagan. One aide (David Gergen) says Reagan hit it off with Mitterand because "they are much alike--both tough."

Henry Nau of the National Security Council staff says (on "deep background") that U.S. officials did not expect Mitterand to be so cooperative. "In many respects, Mitterand's position was a strong contributing factor to the success of the summit," he says. "We knew ahead of time what his positions were. But there were questions about his personality. There were questions about what he wanted to gain from the summit." He says U.S. officials were pleased to find "a large area of agreement" with Mitterand on East-West policy. Also: "Mitterand did not come on as strong about the U.S. economy as Schmidt."

Reagan enjoyed the summit and his aides view it as a big

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success. "He was real enthusiastic," says Speakes. "He was as bubbly as I've ever seen him." He says Reagan seemed to have "almost total recall" of the conversation when he talked to aides following each meeting.

Members of the U.S. delegation were somewhat critical of the summit facilities, however. Chateau Montabello is a big ugly log building built in the 1920s. Speakes described it as shabby. Noting that you can usually measure the quality of a hotel by the number of towels hanging in the bathroom, he observed: "This was a two-towel hotel."

Overall, administration officials think Reagan emerged victorious from the summit. He deflected criticism of his economic policies more successfully than expected. The communique's reference to "global negotiations" is being portrayed as a compromise, not a concession. By refusing to capitalize these words, U.S. officials felt they were committing themselves to a general concept--not the UN-sponsored plan. Although the statement on East-West trade was not as strong as Reagan sought, officials view the scheduled CONCOM meeting as a step toward limiting East-West trade to conform with U.S. foreign policy goals.

David Gergen takes credit for the corney tone of Reagan's final remarks at the summit--including the line that "a new sun rose at Montabello." Gergen said he thought the speech needed "a little poetry."

The summit also supplied the Reagan administration a full agenda of tasks ahead. The following is a list of things

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that President Reagan has pledged to tackle in the wake of the summit:

* In the Middle East, a ceasefire in Lebanon and continuation of the Camp David peace process. Haig predicted that Habib's mission would achieve "at least a temporary peace" in Lebanon. He indicated that the Europeans have stepped back from their own peace-making efforts, leaving it to the United States to carry the ball. Haig also confirmed that some of the countries at the summit were asked to participate in a peace-keeping force in the Sinai. Sadat comes to visit Reagan in early August; Begin comes in early September. Despite the current crisis in U.S.-Israeli relations, officials rule out any action beyond the suspension of F16 shipments. The administration also is committed to begin pushing soon for congressional approval of the AWACs sale to Saudi Arabia.

* On East-West trade, a meeting of the Coordination Committee of the Consultative Group of NATO (COCOM). This group will meet in the fall--late September or October--to revise the current list of prohibited items of trade with the Soviet Union. Nau says it will be the first high-level CONCOM meeting in 20 or 25 years. Attending will be officials from the "subministerial" level who can make policy decisions. What the United States wants to get from this meetings is a ban on exporting Western managerial know-how with the Soviet Union, according to Nau. "We got into a lot of big projects in the 1970s," says Nau. "The

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Soviets have had a lot of contact with middle-management personnel from the West. We want to look at these exchanges that involve a long of cooperation on know-how and organization." He adds: "It also may be that we're controlling things that we don't need to control."

The U.S. also has pledged to help West Germany find some alternative to dependence upon a proposed natural gas pipeline. "The idea was to get some senior officials together quickly," says Nau.

* On West-West trade, development under GATT of an agreed-upon "catalogue" of impediments to free trade. This would involve the first full ministerial meeting under GATT since the beginning of the Tokyo round. The meeting is expected to be held in the fall of 1982. The subject also will come at an CECD meeting in June, 1982, because that organization is now preparing a study on trade issues. Nau says the GATT meeting will have two objectives: (1) To prepare an agenda of trade issues for the 1980s--"what issues to attack next" and (2) to evaluate "where we stand" on the current multilateral trade agreement that was completed in 1979. He views this meeting as the start of a whole new round. "We are no^w where we were in 1971-72 before we defined the Tokyo round," he says. Just as East-West trade has changed, so has West-West trade. Nau says the new subjects include trade in services and investment requirements now imposed by some countries on importers.

* Arms control. Under pressure from the Europeans, Haig

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has promised to meet with Gromyko in the fall to arrange the start of negotiations (sometime mid-November and mid-December) on a reduction of theater nuclear forces. The Europeans clearly expect this to lead to wider arms control negotiations. Reagan's stated goal is to obtain a true, "verifiable" reduction in arms.

* For the Third World, more private investment stimulated by U.S. government policy. This includes further development of a Caribbean basin plan in conjunction with Mexico, Canada and Venezuela. The Caribbean basin plan is expected to include tax incentives to investors, guarantees against expropriation and trade concessions to give poor states more access to North American markets. Nau says the upcoming meeting in Cancun, Mexico, in October will force the administration to develop more detailed plans for carrying out this idea. No specifics have yet been worked out. On global negotiations, Nau says the communique does not commit the United States to anything more than going to Cancun. But he adds that the U.S. would be willing to get involved in some formalized, long-term North-South dialogue that "escapes the institutional impediments" of the UN program. Plus, the U.S. has a commitment to do whatever possible to convince OPEC countries that they have a responsibility to invest in the underdeveloped countries that are suffering so much as a result of high oil prices.

* On the world economy, frequent consultations with the other countries to keep them abreast of any changes in U.S.

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economic policy that might effect them. Nau says there is no specific meeting or structure planned to accomplish this task. He says it simply marks "a change of direction" in meetings of finance ministers. He says everyone expressed a desire "to consult without creating a new group of seven--a desire not to bureaucratize it." He says each country will simply notify the others whenever it is planning a dramatic shift in economic policy. In retrospect, he suggests that the Reagan could have avoided much of this week's criticism if he had done more consulting with U.S. allies earlier this year while he was preparing his economic program.

* On U.S. economic policy, fast enactment of the Reagan budget and tax cut. According to Treasury Secretary Regan, the Europeans were telling him that they'd like to swallow his medicine as fast as possible. For example, Regan recalled that Thorn's parting words to him were: "Hurry it up, would you." If Reagan's policies do not produce results before the end of the year, the Europeans will be applying even greater pressure on him to alter his course.

* More personal diplomacy. Reagan will meet again with Mitterand on October 18 in Williamsburg, Va. This meeting was arranged during the summit.

* On Poland, more economic aid--plus a decision to pressure the European countries to increase their aid to Poland. The U.S. already has won an agreement from its allies on the actions they will take in the event of a Soviet invasion. Also, the U.S. is already deeply involved in efforts to

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reduce Poland's debt.

* On terrorism, the United States has agreed along with the others to cut off airplane flights to countries that harbor terrorists. The U.S. was surprised when France went along with the decision to cut off all flights to Kabul.

* Another summit next year in France--probably not Paris. According to Nau, Mitterand expressed a desire to limit the participation of aides even further in the next summit. Reagan's apparent success at this summit may give him more confidence at the next one.

Note: Quotes from Speakes and Nau in this memo were provided on background. No attribution please.

(END)

o: mls lt dr bfp jf jg dxb jwm gp dcb lh rak pa pgh

From: sjf

U.S.-Israeli relations and other matters.

Recent events in the Middle East have put a severe strain on U.S.-Israeli relations and presented President Reagan with his most difficult foreign policy challenge to date.

The President feels ``frustrated`` by Begin's actions, Deputy Press Secretary Larry Speakes told us on background. As Reagan recently told his advisers, ``That fellow sure makes it awfully hard for us to help him.``

Yet there's no indication at the White House that Reagan intends to alter U.S. policy toward Israel. White House aides strongly reject the notion that this has created a watershed`` in U.S.-Israeli relations. No other action is planned beyond the suspension of the F16s. Although Reagan's advisers are critical of Begin, the President remains a staunch defender of the Israeli prime minister.

When Haig announced the suspension of the F16 shipments on Monday night, he carefully avoided any criticism of Israel. He said the shipments were being suspended because of the ``escalating cycle of violence`` in the Middle East. He also declined to link it to Habib's efforts to win a ceasefire. ``This decision is not related in any way to the discussions of ambassador Habib,`` he said. (Officials later admitted that Haig sent a note to Begin on Monday morning that threatened the suspension of shipments of F16s unless he agreed to a ceasefire.)

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Nor would Haig say under what circumstances the suspension would be lifted. "I don't want to establish conditions," he said. "I think the situation has escalated to such a degree that the President felt it would have been highly inappropriate to send additional armaments into the area while this level of violence continues until the situation clarifies."

The decision was made during a 20-minute meeting in Reagan's suite at Chateau Montabello. Haig announced that it was unanimous among Reagan's advisers. According to Larry Speakes (on background), Allen was the last to agree to the suspension. Weinberger had been the first to propose the suspension. Haig soon agreed. Once Meese came around, he became a "hard-liner." This convinced Allen.

On Wednesday, several administration officials took it upon themselves to send additional signals of displeasure to Israel. In addition to the statements by Clark and Weinberger, the Washington Post's quote about a "watershed" in U.S.-Israeli came from Ed Meese. Although Speakes denied the "watershed" quote, he told reporters that Weinberger was speaking for the administration. But the President himself did not share their view. Returning from horseback riding Wednesday afternoon, he reminded reporters that Israel also had been the victim of shelling.

By Thursday morning, the White House had changed its tune. White House Chief of Staff James Baker told the Spirling breakfast today: "There is no change in the fundamental

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relationship between the United States and Israel. To the extent that Clark and Weinberger were making value judgements on Begin they were speaking for themselves. To the extent that they were speaking for moderation in the Middle East, they were speaking for the administration."

Baker insisted there has been "no conscious decision to step out and criticize the Begin government." But he also indicated that Begin has not heard the last of this matter in private discussions. "Criticism of a foreign head of state is more appropriately conducted through private diplomatic channels," said Baker.

Asked why the U.S. had not halted other weapons shipments to the Middle East, Baker noted: "The F16s have a symbolic importance or value that the other equipment does not have." He also acknowledged that Begin would have gotten the F16s had he not bombed Beirut.

There are three possible reasons for this sudden change in tone: (1) Reagan told his advisers to stop criticizing Begin, (2) administration officials became satisfied that they had made their point or (3) reaction from the Jewish community frightened them. Baker said the White House has heard from some Jewish groups. "We've heard that there was some unease about a deterioration of relations," he said.

Other items from Baker:

* Abortion. The right-wingers are demanding a "signal" from Reagan that he's still opposed to abortion after the Connor nomination. Baker is ready to oblige. "How that

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signal will be sent as to legislation is still under view," he says. "The President has taken no position yet on the East bill, yet he had said that the problem would be solved by a legislated definition of when life begins."

* A televised speech. The President has inquired whether the networks would be willing to carry a televised speech in support of his tax cut. Three options are under review: (1) A speech on taxes followed in about 10 days by a speech on Social Security; (2) one speech on both, or (3) a speech just on Social Security. Only one network agreed to go along with Reagan's earlier request for television time to speak out on budget reconciliation. The speech on Social Security will come during the August recess.

* Tax cut. The President is counting on 18 conservative Democrats to vote with him on taxes in the House. Referring to the Ways and Means Committee, he says: "They've come so far over (to Reagan's point of view), that people are suggesting that we ought to take that package, declare victory and go home." But he adds that Reagan will continue to insist on his own bill. "If he's going to be denied that third year, the Democrats ought to be responsible in the 1982 elections for denying it to him."

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STORY:REGAN
MA:78 PMT:

QUEBEC:JG-JG
HJ:

MSG:
INI:

OPR:JG :07/23,14:42

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To: MLS LT JF GP SJP LJJ RAK

7/23/81

From: JG

Re: Regan backgrounder

Secretary of the Treasury Donald Regan had the three news magazines in for a backgrounder this noon. Also there: Mark Leland, asst secy for international affairs, and Ann McLaughlin, asst secy for public affairs.

Consultations between the summit governments on economic affairs, decided on at the summit, will be fairly informal. Finance ministers will get together about four times a year in conjunction with other affairs--i.e. IMF annual meeting here in September, OECD ministers meeting in Paris in the spring, G7 summit this October. Other times, if something comes up--for instance, if some country decides it has to go into the market to support its currency--the finance ministers will simply get on the phone.

What new came out of the summit?

Regan repeated the bit about everybody getting to know each other and to understand each other better. (On "deep background": President said he was deeply impressed by Spadolini, as were others, and Reagan wished him well. "Of course, none of us know how long he'll last.")

Thatcher was Reagan's great favorite. She was sort of a mediator or harmonizer at times when the going got a bit heavy. Once in discussion of East-West trade wording for communique, she interceded when the U.S. and others (presumably Germany, but he just smiled at the suggestion) were going at it and worked out the resulting language to everybody's satisfaction. At one point, Leland said he heard Reagan say during the informal give and take, "I love you, Maggie" but neither he nor Regan could remember the occasion.

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Regan felt that at the finance ministers level, he cleared the air Sunday evening by flatly laying out the administration's policy and aims, after having received a barrage of criticism. He said that helped because the ministers heard it from him for the first time. Similarly, Reagan got great impact by laying out his views and policies on the economy at the plenary session Monday afternoon. Reagan spoke from note cards prepared with help of Regan and others ("We all contributed."). Regan went into ecstasy describing the Reagan performance at this point--"impassioned" is too grandiose a word, he said, but Reagan had great force of delivery and seriousness, which made the others say, "my gosh, this man's for real!"

Everyone was acting as though our policies were hurting them, said Regan. But we don't even have them in place yet, except for some deregulation measures. He said he told them what he told Ted Heath this morning (?). "Give a year anyway--a year from September when our policies will be in place."

At plenary sessions around a big round table, Reagan did the talking for the U.S. Regan and Haig (and aides for the others) spoke only to clarify something or add some information. Regan and Haig would talk to President, reminding him of U.S. position etc. "Before each session, we'd gather in his parlor, review what had gone on and anticipate what would come up next." Participants: Haig, Regan, Meese, Deaver and others depending on situation.

There were no light moments at the business sessions that Regan could remember. He said Reagan complained afterwards: "I never got time to tell stories," except at dinner conversations. At one point in the middle of a heated discussion on "East-West trade or something," Reagan brought up some U.S. proposal that had not been mentioned to the others before hand (apparently a no-no) and somebody objected. Reagan said, "Aw, shucks, fellows, maybe I didn't know the rules because this is my first summit. I

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logize." This was cited by Regan as an example of how Reagan won over the crowd. There evidently was a lot of curiosity about Reagan before hand. (on record: "They were looking to see if Ronald Reagan was for real or just a paste figure that didn't have substance. They found he was for real and a live flesh-and-blood person.")

During the go rounds on U.S. interest rates, the Germans asked why the U.S. could't bring down interest rates by pumping in money as had been done in the past. But Regan said he told them that to do that now, Wall Street goes bananas--rates would go through the ceiling. (Before Regan arrived for the backgrounder, Leland said Europeans showed more frustration than anything else about the interest rate situation. Treasury people had the feeling a good bit of the criticism was for home consumption, in being able to say that they had pushed the U.S. even if they got no action.) Going around the table Monday morning, six of the other seven participants criticised U.S. economic policy, Regan noted. Thatcher was the only non-critic.

Leland noted that at parties, all the others tended to crowd around Reagan. During those sessions, said Regan (another of his deep backgrounds), Reagan surprised him by how frequently he would bring up his past, such as, I remember once on the back lot at WarnerBrothers... Leland also said Reagan and Mitterand got along quite well. They talked through interpreters although Mitterand apparently can understand some English. Americans expect Reagan's meeting with Mitterand at Williamsburg (or Yorktown) in October will be quite meaty, for one reason because the U.S. will by then know more about Mitterand's policies. (Leland was at Ottawa and apparently was reflecting things Regan had told him as well as his own observations.)

Separately, Regan said the administration forces will introduce the "Conable-

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ce II" tax bill in the House tomorrow. This will be the White House answer to the Ways and Means Committee bill. Regan said it will not be simply a pick-up of the Senate bill. He described Conable-Zance II as "85% Reagan."

(END)

To: mls lt jg jf dr bfp dxb jwm gp dcb lh rak pa pgh

From: sjf

Subjects: Middle East, summit and the new tax bill.

The following comes from an interview with Craig Fuller,
Cabinet director at the White House.

Fuller, who reflects Ed Meese's thinking, suggests that there will be a change in U.S.-Israeli policy unless Begin agrees to a ceasefire.

"We're still in a waiting period," he says. "I don't see how we can continue shipments of arms without some de-escalation of the fighting. If it continues to escalate, we're going to be hard-pressed to simply watch without some shift in policy. You have to look a little differently at weapons systems in view of how they are using them."

He notes that many Jewish leaders are having "an increasingly difficult time" supporting Begin's actions. "That's how we all feel," he adds. "I hope they realize how much they are hurting the good will toward Israel."

Tax compromise. Conable-Hance II, the compromise bill that is being worked out in negotiations with conservative Democrats today, will be drafted over night at the Treasury Department and introduced tomorrow. Many special interests have been satisfied--independent oil producers, small business, farmers. Quoting another White House official (presumably Meese), Fuller says: "It's not just a Christmas tree--it's more like an entire forest." The compromise was designed both to firm up the 18 conservative

(MORE)

Democrats now committed to the bill and to attract others.

Summit. Fuller, who went to the summit with Reagan, says the President and the White House staff probably spent too much time preparing for it. "The meetings themselves were less painful than the planning sessions," he says.

Reagan was not the only head of state whose inexperience at summitry made him a bit timid at first. "Most of them lacked a familiarity with the process and one another," says Fuller. On the first night, they all agreed that they should cut back on amount of discussion to be held without aides. By the end of the summit, however, they agreed there should be more time without aides at the next summit.

"Our briefings were right on target," Fuller boasted.

"The president was clearly quite comfortable with the discussion."

Overall, Fuller was surprised by the harmony of the meeting. "I thought it might be more strained than it was," he said. "I had no sense that people were taking sides. For example, they were expected to gang up on the Japanese and they didn't."

During the discussion on the communique, according to Fuller, Reagan won all three changes he sought. They were: (1) elimination of language on exchange rates, (2) the addition of high technology to the East-West trade section and (3) softening of the part on global negotiations.

Cabinet ratings: Fuller says Meese was furious about our cabinet-rating story. "He wanted me to find out who you

(MORE)

talked to," Fuller laughed. (Fuller was one of our sources.) "I told him you just have to get used to these things. Stories like that are traditional."

(END)

STORY:TAX
MA:60 FMT:

QUEUE:CWF-CWF
RJ:

MSG:
INI:

OPR:CWF 07/23,16:30

TO: HES, LT, JF, DR, BFP, JG, JH, JWM, GP, DOB, LH, SJP,
PA, PGB, GAS ✓
FROM: RAK
RE: Tax fight

Although the White House intends to introduce the Reagan tax substitute in its final form on Friday in the House, the details of the package still are unsettled. In a meeting with Ways and Means Republicans and the House GOP leadership this afternoon, Reagan agreed to several changes in the tax bill. Most of the changes are aimed at outbidding the Democrats for the votes of boll weevils from -producing states.

The catch is that the costs of the additional tax breaks tentatively agreed to by Reagan this afternoon still have not been figured out by OMB and the Treasury. The White House and the House Republicans are afraid they may have bartered away the President's promise to balance the budget in '84.

After the negotiating session with Reagan this afternoon, Representative Barber Conable explained: "We haven't made any final deal...One of the big unknowns is the cost...The details have to be costed out so that we don't run up a big deficit...In most cases, we have not played leap frog with [the Democrats]...But if we felt we had to match them for political reasons, we have."

Reagan will meet on Capitol Hill tomorrow with the House

(MORE)

Republican conference in an effort to hold all the Republican congressmen in line. The vote on the tax package next week will be very close, of course, and the White House believes it cannot afford any GOP defections.

The Rules Committee is expected to vote on a rule on Monday. The administration, of course, wants the Rules Committee to allow an up or down vote on the administration substitute. The President probably will go on nationwide TV from the Oval Office early next week to make a pitch for his tax package and his proposed Social Security cuts. But the White House may decide not to tackle both of these subjects in one speech. On Wednesday, Reagan goes to Atlanta for a speech to state and local officials that was to focus on federalism, but instead may be another pitch for action on the tax cut. Conable said this afternoon that the White House will not get a tax bill by August 1, because of the obvious need for a conference to work out differences in the House and Senate versions.

(END)

July 24, 1981

FROM: RAK - White House

TO: MLS, LT, JF, BFP, ~~WJE~~ JWM, GP, ~~GP~~ JG, DCB, LH, SJF, RAK, PA, PGH,
LJL

RE: Casey and the Middle East

The White House, at least publicly, ^{is} standing firm behind CIA Director Casey. Twice today, the President restated his public support for Casey.

Reagan said, "We are cooperating fully with the Senate committee and my staff is following the matter closely. As I said earlier today, I have not changed my mind about Bill Casey."

The public stance taken by the White House does not necessarily mean that Casey is not about to resign. In the case of Ernest Lefever, you will recall, the White House was voicing its strong support for him right up to the moment he announced his decision to withdraw from consideration for the State Department post.

At today's briefing, David Gergen repeated the White House contention that Casey is not prepared to resign. Jim Baker talked by telephone today with both Senators Goldwater and Majority Leader Howard Baker. Baker also has received phone calls from a number of other senators, according to Gergen. Gergen said that Goldwater was the only senator to recommend to Jim Baker that Casey step down.

The President has not talked with Casey, or otherwise urged him to stay on, in the last 24 hours.

"Our view is that fairness requires that the current Senate investigation be completed before judgments are reached," Gergen said. Gergen said senators have assured Jim Baker that the Intelligence Committee's investigation will be wrapped up within a matter of days -- probably by the end of next week.

Said Gergen, "We are not engaged in a head count or a lobbying effort...^{we} are trying not to interfere with the process. We believe the process should go forward...^{The} White House has no reason to believe that there was any dishonesty in the reporting" disclosed by Casey to the administration.

The documents requested by the Intelligence Committee will be delivered by Monday, according to Gergen.

Middle East. Reagan sent this wire to Phillip Habib today: "We all applaud your consummate skill and tireless efforts on behalf of peace. You have my deep appreciation and admiration. Well done."

Gergen added, "We're encouraged and hopeful that this development [the ^{cease}fire] will put an end to the cycle of violence and enable us to go forward in dealing with the causes of violence."

Gergen also indicated that no decision on renewing shipments of F-16 fighter planes to Israel is expected soon. "We believe it is premature to talk about that decision today," Gergen said.

Gergen also stressed that the United States has not had direct contacts with the PLO during the Lebanese crisis. He added: "The Saudis have consistently been very constructive in this process," along with the United Nations and "several friendly nations" in the Middle East.

Immigration plan. Gergen said the administration does not expect to announc^e/the immigration plan "for a matter of days." He said consultations still are needed to resolve some issues relating to the immigration plan.

(END FILE - CKM)

STORY:GERGEN
MA:6Z FMT:

QUEUE:CWF-CWF
HJ:

MSG:
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OPR:RAK

:07/24,09:17

TO: MLS, LT, JF, DR, BFP, JG, JH, JWM, GP, DCB, LH, SJF,
PA, PGH

FROM: RAK

RE: Background-only ivu with David Gergen

I happened to be in Gergen's office last night when CBS opened with its report that Senator Goldwater was urging Casey to resign. Gergen paled, to say the least, and immediately picked up the phone and called Jim Baker to tell him to turn it on. He also called Friedersdorf. Gergen claimed that the CBS report was unexpected (even though he insisted that we interrupt the ivu to turn on the TV), and I said that Goldwater had not relayed his sentiments to the White House. I couldn't get any real feel from Gergen as to how serious he regarded Goldwater's call for resignation. But Gergen clearly couldn't wait for me to leave his office. With the President facing one of his most critical challenges next week in the House vote on the tax bill, I don't imagine the White House will tolerate much longer the liability that Casey has become. A weekend is often an ideal time to release bad news.

Israel. Gergen offers little defense for the chorus of conflicting views expressed by White House officials this week regarding Begin's raids into Lebanon. "I wish I could say it is a coordinated good-guy-bad-guy routine (with Reagan playing the good guy), but that's not what's happening." The problem is that most of Reagan's top aides--

(MORE)

se, Weinberger, Clark, Haig and Allen--believe the U.S. should take stronger action against Israel. But the President remains adamant in his defense of Begin.

Gergen referred me to an op-ed piece Reagan wrote for the Washington Post in 1978, in which he outlined his strong support of Israel as America's "strategic ally" in the Middle East.

Says Gergen, "The President's been very consistent over the years in the view that the Israelis are our very staunch and loyal allies...He was very reluctant to the stop the F16s. He has been consistent in trying to avoid any harsh attacks on Begin and has been very sympathetic to Israel's position...He's also concerned that the press is reading what we're doing as a harsh attack on Begin...I think what you're going to see is that Weinberger and Clark will have very little to say on this in the future."

The conflicting positions expressed publically by Weinberger and others are the result of Reagan's refusal to enforce within the White House chain of command his own benign view of Begin. Reagan's sometimes passive style of leadership--his unwillingness to down the law firmly to his own senior advisers--is to blame for the conflicting signals emanating from the administration this week. Gergen predicts, as have others at the White House, that the President's view will prevail in the end, however, and that the White House will not take any harsh action against Begin.

(MORE)

Tax fight. The tax bill that the White House will make public today will include indexing at the end of the three-year, across-the-board tax cut. Gergen said Reagan intends to deliver a TV address from the Oval Office on Monday or Tuesday night.

Gergen also expressed concern that the administration's new tax bill may be so generous that a balanced budget in '84 will be impossible to achieve.

(END)

STORY:GIA
NA:ES FMT:

QUEUE:CFW-CWF
BJ:

MSG:
INI:

OPR:ALC 107/24.16:30

TO: MLS, LT, JF, DR, BFP, JG, JH, JWM, GP, DCB, LH, SJF,
PA, PGH, LJJ

FROM: RAK

RE: Casey's future

Just talked with David Gergen on deep background by phone:

Gergen does not believe Casey will resign before Monday, but he is unable to predict what might happen after that. Gergen says The New York Times tomorrow will publish a 2,000-word piece examining Casey's business dealings, and that the story contains new allegations of impropriety.

The Intelligence Committee now expects to conclude its probe as early as Monday, says Gergen, so the White House is willing to sit tight until then.

This does not mean, of course, that Casey may not decide to throw in the towel before Monday, but Gergen says he thinks Casey is adamant at this time against resigning.

"We're generally puzzled by what is happening on the Hill, because the evidence is not there to support dismissal," says Gergen. "Right now, we're trying to get a better handle on what's happening on the Hill...Goldwater has not gotten along all that well with Casey. There may be something personal there..."

"We are very firmly not going to push him over the side. I would say that unless something new comes to light, the President is going to stand very firm...He's not going to see Casey railroaded."

(MORE)

But Gergen adds, "Unless we see a cavalcade of people from the Hill calling for his resignation, we'll stick with him...But if a lot of those people [in the Senate] would prefer Inman, for whatever reason, that creates political problems and that might force a change even in the absence of new allegations."

Casey met with Jim Baker at the White House this afternoon, but Gergen claimed to know little about the session. He suggested the two simply were reviewing the situation.

Gergen also suggested that if Casey were to resign this weekend, it would cause more harm to the President's efforts to sell the tax bill than it would if Casey sits tight.

(END)

STORY:TAXES
MA:60 FMT:

QUEUE:LWX-LW
HJ:

MSG:
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OPR:LW

;07/24,17:00

TO: MLS, LT, THH, S.J.F. JG

FROM: LW

RE: Revised Reagan tax bill

The Reagan Administration on Friday unveiled yet another revision of its tax reduction plan. The White House hopes to get this plan through the House intact as an alternative to the Democratic-backed House Ways and Means Committee bill. The new bill follows the general theme of the earlier Reagan plans but adopts some of the features added by the Senate and the House Ways and Means Committee. Tax reductions for oil producers are also included as a ploy to win support.

The White House is going along with the more favorable treatment of estates and commodity tax straddles voted by Ways and Means while agreeing to a Senate-backed reduction in lower-end corporate tax rates and a 15-percent tax exemption starting in 1985 for interest from savings. A temporary tax-exempt certificate of deposit to aid S&L's, backed by Senate and House, is also supported, as is more generous IRA provisions adopted by the Ways and Means Committee. On the other hand, the Administration rejected Ways and Means-supported marriage penalty relief that goes beyond the previous Administration proposal. Also rejected were Ways and Means proposals for an overall cut in corporate tax rates, one-year depreciation write-offs and special targeted aid to six depressed industries.

Among the new provisions backed by the Administration:

The holding period for favorable long-term capital gains treatment would be cut from 1 year to six months. That hasn't been generally discussed in recent tax debate.

The estate tax rate would be cut from 70 to 50 percent, as proposed by Ways and Means. That's in addition to the bigger tax credit already supported to exempt estates worth up to \$600,000 from tax.

Indexing of tax brackets to automatically adjust them for changes in the consumer price index--starting in 1985.

Americans working abroad would get a full \$75,000 exemption from U.S. tax, rising gradually to \$95,000 in 1986. That's similar to the Ways and Means version and is more generous than Reagan's initial proposal of a partial exclusion of the first \$75,000 in earnings.

Charitable contributions would be deductible from taxable income even if a taxpayer takes the standard deduction and doesn't itemize deductions. That would phase in by 1986 and be limited to \$100.

Persons age 55 or over will get a one-time tax exemption of \$125,000 on the sale of a house, up from \$100,000 now. Others will be able to defer tax on a gain if they buy a new home within two years, up from 18 months now.

Some of the changes seem obscure: Woodburning stoves would qualify for the first time for energy conservation credits.

The Administration is looking for both Senate and House to vote on a tax bill by next Wednesday, with a conference to

follow that, said Treasury Sec. Regan at a news briefing. He expects a completed bill to be on the president's desk in the first week of August.

Regan said the Administration won't ask the Senate to just adopt the House plan without going to conference to resolve differences between Senate and House bills. And, he said it is "possible" that the White House would lobby to knock out in conference some of the provisions in the new alternative House bill it is now pushing. That would put the White House in the position of lobbying against some of its own new proposals. Regan acknowledged the irony of that. He repeated that such a tactic is "a possibility" though not "a probability."

Regan freely admitted that changes are being made to get a White House bill through the House by targeting extra tax breaks to woo Democratic lawmakers. Included is a reduction in the windfall profit tax on newly discovered oil and other oil tax breaks.

Regan insisted that nothing that has been added violates any of President Reagan's tax principals. He also insisted it was "a clean bill" in comparison with past tax legislation.

Moreover, he insisted that the Reagan Administration has stood firm and it is the Democrats who have compromised and moved closer to the Republican tax plan. What the White House is doing, he said, is simply incorporating measures that were being saved for a second tax bill into a broader

first tax bill. Expanded IRA eligibility, reduction of the marriage penalty and reduction of the 70-percent top tax rate on unearned income are examples, he said.

And a second tax bill could still follow next year, Regan said. He didn't provide any examples, however, of what might be in such a measure.

To sell the new bill, President Reagan is planning a televised speech from the White House on Monday night. NBC and CBS have agreed to carry it live. ABC hasn't yet made a decision. Also to be covered: Social Security problems.

Regan presented a host of projections--based on a Data Resources, Inc., economic model, to show that the new White House-backed bill will produce more new jobs, less unemployment, greater economic growth and higher disposable income for middle-income families than the Ways and Means Committee bill. But there was a big catch. Regan would only compare the 3-year White House tax plan with a 2-year Democratic plan. He insisted that the Democratic plan for a third year of cuts only if triggered by positive economic performance was a "maybe" three-year cut while the Administration's plan was a "certain" three-year cut. Thus, he said, the comparison he makes is valid.

(END)

o: mls lt jg dr jf bfp gp dxb jwm cdbn lh rak pa pgh

From: sjf

President Reagan's tax fight and other matters.

The President still does not have enough votes to pass his tax bill in the House, although momentum seems to be on his side. "It's going to be a tough and close one," Reagan said today.

According to David Gergen: "The margin is less than 10 and closing. There are indications of shifting toward the President." It is so close, Gergen adds, that House Speaker O'Neill has arranged for Representative William Cotto, D-Conn., to be brought to the Capitol to vote on Wednesday--even though he is dying of cancer.

In an effort to close the gap, Reagan was meeting with a total of 43 members of Congress on Tuesday--some individually and some in groups. Some Congress members who already support the President are simply getting their pictures taken with him in the Oval Office. Others could expect a strong sales pitch. Of the 32 who were getting the sales pitch, 30 were Democrats and two Republicans.

Telephone reaction to Reagan's speech, as reported by the White House: 2,473 in favor, 533 opposed. Telegrams: 642 in favor, 67 opposed.

Gergen, at Tuesday's briefing, took strong exception to O'Neill's charge that the President's tax bill favored people with incomes over \$50,000. Says Gergen, "The Speaker is serving up a fair amount of good blarney."

(MORE)

Neumann resignation. The White House announced the resignation Robert Neumann as ambassador to Saudi Arabia. There are rumors that Neumann, who was deeply involved in the transition, disagreed with Haig over strategy on the AWACs sale. His letter of resignation cites ``personal reasons.'' Gergen insists there were no disagreements over policy. He says Neumann was not fired and hints that the resignation had something to do with the health of Neumann's wife. Neumann will continue to work for the State Department in Washington as a full-time consultant. He is being replaced in Saudi Arabia by Richard Murphy, a career foreign service officer who is currently concluding an assignment as ambassador to the Philippines.

Social Security. President Reagan was deliberately playing with words on Monday night when he promised: ``I will not stand by and see those of you who are dependent on Social Security deprived of the benefits you've worked so hard to earn.'' This implies that no current recipient would be deprived of benefits under his proposal, which is not true. Many current recipients will lose benefits by elimination of the minimum benefit.

As originally drafted, the speech said: ``I will not stand by and see those of you who are dependent on Social Security deprived of your benefits.'' It was changed at the last minute in the interest of accuracy. By adding the line ``you've worked so hard to earn,'' White House officials reasoned that Reagan was excluding the people who rely on

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the minimum and have not actually earned it.

Gergen denies reports that the elimination of the minimum benefit will deprive 3 million poor people of their benefits. He argues that only 300,000 people will suffer as a result of the elimination of the minimum benefit. All the rest are double-dippers, children of double dippers, college students or people who are also receiving SSI, according to Gergen.

Vacation. The President's California vacation, which begins on August 6, is somewhat open-ended now. Originally, it was scheduled to end on August 29. Now they're talking about staying until September 2 or 3. And some people think it might even last until Labor Day. The second week of his vacation will be spent in Los Angeles. Otherwise, he will be headquartered at the ranch during most of August, making occasional trips to yet-unannounced places. My research indicates this is the longest presidential vacation on record since Nixon spent 31 days in San Clemente in 1969.

Casey. Nothing new on the Casey affair, except that Meese and Casey met on Monday.

(END)

o: mls lt jg dr jf bfp gp dxb jwm dcb lh rak pg pgh

From: sjf

Lobbying for Reagan's tax cut.

Paul Dietrich, executive director of the Fund for a Conservative Majority and its lobbying arm, Citizens for Reagan, says the White House is orchestrating lobbying by outside groups with amazing precision.

For example: At about 5 p.m. Tuesday, Dietrich received a telephone call from Lee Atwater (a Nofziger lieutenant) instructing him to buy extra radio time in the districts of three Democratic holdouts--Ed Jones and William Bonner of Tennessee and Allan Swift of Washington State. At the same time, Atwater told him to cancel radio advertising in the district of Charles Hatcher of Georgia, who apparently was coming around to the President's bill. "We just keep adding and subtracting whenever they tell us to," he says.

Dietrich says some family-owned radio stations are offering to run their advertising spots without charge, or at reduced rates. These station owners have expressed support for Reagan's tax plan, particularly as it applies to depreciation and estate taxes. (On this same theme, Reagan got a warm greeting yesterday when he called a radio talk show in Tyler, Tex., seeking support for his bill. The talk show host asked what their station could do to help.)

Dietrich's group, which has spent a total of \$102,000 on radio commercials supporting Reagan's tax bill, also is buying newspaper advertising along with other conservative

(MORE)

groups such as the Young Americans for Freedom and the American Conservative Union. He's also activated a telephone bank, using 18 full-time workers to call contributors in key districts (mostly Texas) and instructing them to call their congressmen. His telephone bank has been operating from 9 a.m. until 11 p.m. each day since Friday.

(END)

o: mls lt jg dr jf bfp gp dxb jwm dcb lh rak pa pgh

From: sjf

The following material comes from a backrounder with David Gergen. Our interview was cut short by the House vote on Wednesday afternoon. Next installment Thursday morning.

Peanut subsidies and minimum Social Security benefits were two items involved in the trading with members of Congress for votes on the tax bill, according to Gergen.

Georgia congressmen won concessions from Reagan on peanut subsidies. Gergen was vague on the details of this deal, except to say that he thought the President had agreed to go along with a House version of legislation providing for peanut subsidies.

Mario Biaggi struck a deal involving the minimum Social Security benefits. According to Gergen, Reagan agreed to alter his proposal for elimination of the minimum benefit to assure that "truly needy" people will not suffer.

Gergen credits Reagan's televised speech with turning the tide on the tax bill. He denies reports that the location of defense facilities also was involved the bargaining.

Gergen's troubles. As RAK explains in a separate memo from Wednesday's briefing, Gergen has gotten himself in hot water with the White House press corp for lying about the Neumann resignation. He's very upset about it, and insists that he was victimized by the State Department. He says

Maig and Clark insisted that the Neumann resignation be announced by the White House because he was a presidential

(MORE)

appointee. But he says they refused to give him adequate information about the background of the resignation. (Gergen also was a fool to repeat that silly story they told him about Neumann's wife being sick.) What made Gergen ever angrier: After he tried to salvage his credibility during the briefing on Wednesday, Clark then called the President to complain.

(END)

TOBY:RONNIE
ALICE ZWT:

COBOK:OWF-CWF
EJ:

MSQ:
INI:

OPR:DML :07/88,38:29

TO: MLS, LT, DR, JF, BFP, JG, JH, JWM, GP, DXB, DCB, LH,
SJJ, PA, PSH,

FROM: HAK

RE: Tax victory, Casey, other matters

Reagan summoned reporters to the Oval Office late this afternoon after the House vote on the tax package. He was in an ebullient mood, to say the least. Excerpts of what Reagan said, in a prepared statement:

``A strong bipartisan coalition in the Congress--
Republicans and Democrats together--has virtually assured the first real tax cut in nearly 20 years...I believe these first six months of 1981 will mark the beginning of a new Renaissance in America...We're back on the right road, and we're making progress...''

After reading the statement, the President took more questions than aides Baker and Deaver wanted him to. Reagan was in such an enthusiastic mood that even Deaver couldn't get him to shut up. Deaver tried to lead him out of the Oval Office via the door onto the patio, but Reagan stopped before he got to the door (after CBS's Leslie Stahl grabbed him and hugged him) and fielded several more questions.

Excerpts:

Was he satisfied that the tax bill, with all of its compromises, will still solve the economy's ills? ``Because of the bipartisan nature, there have been changes from the original. [But] the bulk of that program--the theme as we

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wanted it put together--is there." The tax cut will have a psychological effect that we will see in the expectations of the people, the business community," and progress in the economy may be evident by the end of the year. But "we've been decades coming to the point where we are, and you're not going to cure this overnight."

What did he promise to get the votes? "There's been no arm-twisting of any kind...I got some outstanding help from a lot of people, but in particular, a very fine salesman named Secretary Don Regan."

Asked what his next act would be, Reagan mentioned, in this order: "Our relations with other countries...There is the Middle East situation...This, too, is looking better...Our building up of our defenses...Our going ahead in discussing reduction of armaments with the Soviet Union...And there are some social issues...I don't think we close up the desk and go fishing."

Reaction to the Intelligence Committee's clearing of Casey? "I'm not surprised, because we knew that those first wild charges and accusations had no substantiation behind them."

More on Casey. White House aides insist they played a passive role in Casey's comeback. Larry Speakes says Casey defused Senator Goldwater's ire by promising to consult with the senator more, to keep him abreast of developments at CIA, and to involve him more in CIA decisions. "There was a general feeling in the committee that Casey didn't

(MORE)

talk enough with them."

Goldwater, who had opposed Casey's original nomination, had been particularly annoyed that Casey had not consulted the committee more. White House aides believe Goldwater just got carried away in his press conference last week when he called for Casey to resign over the Hugel case. Other senators followed his lead, although Ted Stevens' top aide (a guy who used to be his press secretary) insisted today that Stevens' comments to reporters last Friday were exaggerated in news accounts.

After Jim Baker talked to Goldwater on Friday, according to Speakes, he was confident that the senator would not push hard for Casey to step down. "We were unsure of what was going on on Wednesday, Thursday and Friday, and that's where we were dancing. The snowball was rolling on us. But the Big Three [Baker, Meese and Deaver] had decided by Saturday that there was no problem."

By Friday of last week, some senior White House aides had come to the view that Casey was too big a liability to keep, according to Speakes. But Reagan never shared their view. "The President never wavered. He was always the one who stood behind Casey. He always said, 'If there's nothing more than Hugel and the old business things, we're going to stick by him.'...He feels that it was vastly overblown, that these were old cases and that Casey is an honorable man...And there was the personal thing, too, that Casey had turned around the campaign."

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Reagan also insisted on standing behind Casey because he feared, according to Speakes, that administration critics would go after James Watt and others if the President appeared unwilling to defend his men. "Everyone remembered how things turned out with Haig and Donovan," who also came under heavy fire on Capitol Hill.

Gergen's blunder. David Gergen gave himself a large black eye this week when he told reporters during Tuesday's regular briefing that former ambassador Robert Neumann had resigned for personal reasons, that he had had no policy differences with Haig, and that he was not fired. The truth, of course, contradicted all three of Gergen's assertions. A few reporters were badly burned by accepting at face value Gergen's version of the Neumann resignation. Wednesday's briefing, several reporters went after Gergen with a vengeance for misleading them.

Realizing that his credibility had suffered a significant blow, Gergen responded emotionally. "It is going to be the policy of this office to tell you what we believe to be the truth...I will not be party to coming out here and knowingly tell you an untruth...Nor will I be party to misleading you," Gergen said.

Gergen blated strongly that he had been misled by the State Department about the circumstances surrounding Neumann's departure. The "guidance" he received from the State Department was faulty, so he unwittingly misled reporters, in Gergen's view. It is hard to believe that

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Gergen swallowed the "official" version of Reagan's departure without suspecting there was more to the story.

Speakes told me, off the record, that Gergen was misled not only by the State Department's Bill Clark, but also by Ed Meese. Clark and Meese are old buddies, going back to the days when they served as Reagan's top aides in Sacramento. Meese has on several occasions dished up pure BS to reporters. For example, he has always insisted publicly that there never have been any tensions between the White House and Haig, that the problem is a figment of reporters' imaginations. Meese is not a good source, because he just won't level with you--something Baker and his men (Gergen and Speakes) are very good at.

Speakes complained discreetly that Meese does not always recognize the value of being forthright and honest with reporters. Gergen's difficulties underscore the tensions that have built up between the staffs of Baker and Meese, if not between Baker and Meese themselves. I find that Baker's men are very loyal to him. They seem to view Meese as a separate cog, not someone for whom they also work. Meese, of course, is a stranger to the ways of the Washington press corps. Baker, Gergen and Speakes are not. Their experience with reporters is a distinct advantage in White House power games.

Vacation. Reagan is scheduled to leave for California on August 6, after signing the tax bill and after the departure of Anwar Sadat. He will return to Washington on

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September 3, after making speaking stops in Chicago and Columbus. The first week of the trip will be spent at the ranch, the second week in Los Angeles for social and political events in the evening, the third and fourth weeks back at the ranch. Reagan also is likely to meet with some cabinet members in LA, but there will not be a full cabinet meeting.

According to Spokes, Reagan intends to do very little work while in California. He will receive written national security briefings each day, but no time has been set aside for actual work at the ranch. Material will be relayed to the ranch via secure telecopier, and other materials will be flown out if necessary to keep Reagan informed while he is on the mountaintop soaking up sunshine. One of the Big Three will be with Reagan every day of the California trip.

Possible Whimper. It was not just Republican members of Congress who urged Reagan not to speak out on social security during his televised Oval Office speech. Senior white House advisers also pleaded with Reagan not to make a pitch for his social security cuts. Jim Baker, in particular, has been adamant against the President's reopening that can of worms, even though Reagan himself is itching to explain his position in more detail. Spokes says Reagan finally is coming around to the view that it does him no good to keep reminding Americans that he wants to cut social security benefits.

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Republican and Democratic members of the House Select Committee is important will be very useful to us in any emergencies like this come up. We should not stop visiting with each as often as we should save." Lugar noted that Stansfield Turner had the same problem early in his tenure, but developed "the skill of resources" very soon.

Lugar confirms the White House claim that little was done from there to salvage Casey. "There was no White House orchestration whatsoever." To Lugar's knowledge, Reagan never called Goldwater or any other member of the committee.

Casey quieted the storm by personally calling on members of the committee and "bringing around his legislative liaison" aide. "I think he has caught the spirit of consultation...his personal visitations with subcommittee members were extensive...Casey himself was very forthcoming in his ability to answer questions and the information he provided the committee."

Lugar claims that press reports that were exaggerated to depth of committee opposition to Casey. "Many members of the committee were unmoved by what was appearing in the press. No one wanted to go over old battles that had been exhumed at least three times before" in Casey's earlier confirmation hearings.

Lugar adds, "Admiral Inman is extraordinarily loyal to Casey. He realizes that they make a good team."

has ties to the president, unlike some of his predecessors.

Casey's competence as CIA director was never a major issue within the committee, says Lugar, but senators outside the committee had raised questions about Casey. At 68, Casey is believed by some not to be a sharp intellect.

Goldwater, although he may be somewhat embarrassed by the Casey squabble, is not bitter toward the White House or Casey, but "believes the matter is closed and that it's time to get on with our work," Lugar says.

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From: sjf

The second installment of this week's background session
with David Gergen:

__The one major decision that President Reagan intends to make during his vacation involves weapons--the B-1 bomber and the MX missile. Also while in California, he'll probably launch his campaign for congressional approval of the sale of AWACs to Saudi Arabia.

Reagan will spend nearly a full month in California, arriving on August 6 and leaving shortly before Labor Day. No president has taken a month-long vacation since Nixon spent four weeks in San Clemente in 1969. For this reason, White House officials are reluctant to characterize it as a vacation. Gergen's euphemism: "Rest period." Yet it's not a case of Reagan going on vacation and leaving the government in the hands of his subordinates. Most top White House officials will be taking vacations of their own during the month of August too.

Even though Reagan has declined to designate his ranch near Santa Barbara as the Western White House, Rancho del Cielo will be the center of government during the month of August. Seven temporary buildings have been constructed on the ranch at a cost of \$750,000. Twenty White House staffers will accompany Reagan to California, not including security people. One of the "Big Three" will be there at all times. Those White House people stationed at Santa

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Barbara during August will include a skeleton crew from the staff secretary's office, representatives of the press office and members of the national security staff. Larry Speakes will be there the whole time and Gergen will show up the last week. Reagan will communicate with the White House daily via a secure telephone. A small jet plane will carry papers and people from coast-to-coast every few days.

Back in Washington, the White House will be virtually shut down during August. Meese, Baker and Deaver will be on vacation when they are not out at the ranch. Gergen will take two weeks off before going to Santa Barbara. Others will do the same. The amount of paperwork flowing to the President during this period will also be limited. "We'll keep the paper load down," says Gergen.

The second week of Reagan's vacation will be spent in Los Angeles. Activities there will include meetings with cabinet members plus political and social events. During the rest of the month, his activities at the ranch will be limited to reading the daily national security briefing papers, meeting with aides, signing papers and reading. Most of his reading will be devoted to the weapons issue. But some of his reading will involve decisions he must make when he returns to Washington in early September. These include: Social Security, Voting Rights Act, a law and order package, volunteerism, the Middle East, TNF and preparations for Cancun. Gergen notes it's "a more diffused agenda" than Reagan has faced thus far in his

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presidency. "A lot of things have built up while we've been concentrating on the economy," he says.

Reagan will leave California on September 2 or 3 and take two days coming back across the country, making several stops in the Middle West.

The Casey Affair. Gergen notes the first reaction of White House officials to the Goldwater statement was to put some distance between the President and Casey. "The White House was being cautious," he says. "We weren't sure what we were dealing with." But by last Saturday, he says, "we reached the bottom of the barrel and found nothing there." As a result, he says, "we strengthened our defense--we decided we could not leave him hanging out there." Still, the President himself never got involved in defending Casey. Chief of Staff James Baker carried the ball for the White House by telephoning members of the committee. Gergen blames the "old boy network" of retired CIA officials for stirring up the mess. Now, he says, "it's fundamentally over." No hard feelings are expressed toward Goldwater, although there is some speculation that he was probably drunk during his late-night press conference. "We found that episode puzzling to say the least," says Gergen.

Stockman-Edwards. The Synfuels battle described in today's Washington Post is only the latest skirmish in a running feud between Stockman and Edwards, according to Gergen. The two men also have clashed over proposals to provide government funds to the Three-Mile Island power

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company and the Barnwell, S.C., nuclear reprocessing plant. Edwards won on both Three Mile Island and Synfuels, but lost on Barnwell, according to Gergen. While there is some personal animosity between the two men, the feud reflects a strong feeling among OMB officials that Edwards and his people are incompetent.

Tax Victory. President Reagan is carefully trying to avoid claiming personal credit for yesterday's victory. The reason: Republican congressional leaders were furious that Reagan got all the credit for the budget victory.

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The following material comes from a background session
with James A. Baker III, White House chief of staff:

One unnamed House Democrat who voted for Reagan's tax bill got a hand-written letter from the President promising to veto any bill imposing a windfall profits tax on natural gas. Another, Roy Dyson of Maryland, got a letter saying "thanks for your help on the estate tax."

Baker also confirms that the President cut deals with congressmen on peanut subsidies and the minimum Social Security benefits. But in all of these cases, he insists, the President never give anything valuable away. The letter to Dyson was harmless. The President has always opposed windfall profits tax on natural gas. The President simply assured Mario Biaggi that no truly needy person would be deprived of income by eliminating the minimum Social Security benefit. And he was only "facing up to a fact of life" when he endorsed the House version of peanut subsidies to win over Georgia congressmen.

There were no other deals, he insists. "We didn't promise not to close any bases and we didn't promise to keep refugees out of any state. Plus, we don't call them deals--it's consensus-building."

Treasury Secretary Donald Reagan indicated earlier that administration might try to eliminate some provisions of the compromise House tax bill in conference. But Baker

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denied this too. "Most of what's in there represents a commitment by the President--even the straddle," he says. "Credibility is very important in this town. We are not going into conference and take positions that are inconsistent with positions the President has taken." But he adds that the White House does not control Senator Dole, who may try to eliminate the commodity straddle.

The biggest deal that Reagan made with these congressmen involves the 1982 election. About 20 conservative Democrats-- a group Baker calls the "hard core"--will not be opposed by the President when the stand for re-election. "There is no way he's going to get on Air Force One and get in and campaign in the district of a Phil Gramm or a Kent Hance," says Baker. "But he will sign fund-raising letters to be used by the Republicans in those districts."

Reagan's Vacation. The White House will be virtually shut down while Reagan's in California. "We're moving the whole operation out there," says Baker. Reagan will decide the MX and B-1 bomber questions while in California. He will also make up his mind on the Voting Rights Act and Clean Air Act during that time, if not sooner. Reagan will hold a Cabinet meeting and a National Security Council meeting in Los Angeles during the second week of his vacation. It is "entirely possible--but not certain" that the President will also hold a news conference in Los Angeles.

Deaver will be in Santa Barbara with the President during the first week. Meese will be there the next two weeks.

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Baker, who has rented a house on the Gulf in Texas for most of the month, will not go to California until August 27-28.

The events of the past few weeks have completely exhausted Baker. His eyes are puffy and he looks very tired. He's obviously quite anxious to start vacation. "There's no question, in a job like this you do tend to burn out," he says. His vacation plans are simple. He will sleep late, drink a bloody mary and spend the afternoon fishing. He will do no work, unless necessary. He does not know where Deaver and Meese will go for vacation.

Abortion. Reagan will endorse an antiabortion bill this fall, but it will not be a "high priority initiative." Baker views abortion as the toughest social issue facing Reagan. "The President is very pro-life, very anti-abortion," says Baker. "His commitment is very clear. But he can't get out in front. It's too divisive."

Social Security. No decision has been made about the President's promised Social Security speech. Baker wants to delay it until September, even though the President is itching to get to it sooner. The President will try to talk the Democrats into a bipartisan solution for Social Security. The Democrats' "general statements of cooperation" following the tax fight are being interpreted at the White House as a sign that they might work with the President on Social Security. Yet Baker notes it would not be in the best interests of the Democrats to do so.

Foreign policy. Many foreign policy matters will be

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postponed until September. No decision has been made on the criteria for releasing the F16s to Israel. A foreign policy speech this fall is unlikely--"no better than a 50-50 chance." There will be a meeting in Los Angeles in August to plot strategy for Begin's visit.

Personnel. The President has gotten "zero credit" for a recent improvement in hiring women and minorities for administration jobs. "We got off to a bad start," he concedes. Did Reagan live up to his promise to recruit people for whom public service is a "step down"? "He's got a lot of people getting far less remuneration than they got previously," says Baker, the wealthiest man on the White House staff. "Compared to previous administrations, most of the people in this White House at the senior level have (a) more maturity and (b) have done something else--accomplished something more than just working in a campaign," he says. "This White House is not run by your political operatives."

The Casey Affair. What was the President's reaction to Goldwater's criticism of Casey. "Querulous." No one can understand how Goldwater could call a news conference to deny a story, and then go beyond the story.

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