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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection:** Sara Fritz Papers  
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**Archivist:** jsm  
**FOIA ID:**  
**Date:** 4/2/2018

DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. transcript	Gergen off the record comment (1 pg partial)	4/20/82	C
2. transcript	Meese off the record comment (1 pg partial)	4/20/82	C

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STCOPY:WHU1 QUEUE:SJF-SJF MSG: ;05/04,15:52  
PA:SC FMT: HJ: INI: CPR:SJF

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

From: sjf

The following comes from party chit-chat last night with Jim Baker, Howard Baker, Larry Speakes, David Gergen, Rich Williamson, Craig Fuller and Richard Darman (It probably should be treated as being on background):

\* Chief of Staff James Baker is very upset by constant criticism from the right wing. Williamson says right-wing groups fear contributions will dry up if they attack Reagan directly, so instead they assign their complaints against the President to Baker.

\* White House officials hold out little or no hope that Howard Baker and Bob Michel will succeed in their renewed efforts to forge a budget compromise with Speaker O'Neill.

\* Despite on-the-record denials, White House officials still look for a summit with Brezhnev in October.

\* Cur cabinet government story, say Fuller and Darman, "has done more for cabinet government than anything else." Meese seems determined to prove the story wrong.

Baker. Baker sees himself in a no-win situation. Every time Reagan does something that upsets the right wing, he gets the blame. Right now, they are blaming Baker for Reagan's offer to increase taxes by \$122 billion.

What bugs Baker most are the weekly attacks on him by Evans and Novak. The air crackled last night when Novak approached Baker. Baker asked him, "How come you didn't write anything bad about me today?" Novak replied that he

(MCRE)



actually admires Baker. This was followed by a stiff silence that caused everybody to feel uncomfortable.

Williamson says that the President understands what Baker is going through and provides him with encouragement. But others question how long Baker can hold out against it.

Compromise. Senator Baker tried several times last night to reach Tip O'Neill by telephone to set up another meeting to discuss a possible compromise. Baker seems convinced that O'Neill misjudged the President's willingness to compromise during their meeting last Wednesday. At the end of that meeting, O'Neill said to Baker, "Howard, I think we can talk about this some more."

But White House officials are skeptical that Baker's efforts will produce anything. They think O'Neill made a purely political decision early last week to steer clear of any compromise with Reagan. Up until that point, the Democrats were flexible. Then, suddenly, they became uncompromising.

Brezhnev. According to Speakes, White House officials do not expect Brezhnev to come to New York in June. But the President continues to talk about that invitation in order to keep his options open. Reagan's advisers are extremely afraid of being drawn into a summit under disadvantage. Reagan also prefers to emphasize that he is attending the UN meeting on disarmament and Brezhnev is not.

Speakes says the Washington Post overstated the case when it reported that planning had begun for a summit in

(MORE)



October. But everyone still is thinking that way.

Cabinet government. Fuller and Darman say Meese has made things more difficult for them in recent weeks by trying to re-establish Cabinet government, apparently in response to my story. Suddenly, the White House is scheduling more Cabinet meetings.

(END)

STORY: MESE  
PA:60 EMT:

QUEUE:NRDX-NRD  
HJ:

MSG:

INI:

OPR:RAK

;05/05,17:39

SJF

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

FROM: RAK

RE: Background-only\_ivu\_with\_Ed\_Meese

Falklands. Meese seems to agree with the notion that Britain and Argentina now are more amenable to a negotiated settlement because both sides have suffered casualties, but he would offer no specifics on what Secretary of State Haig might do to seize the opportunity. (Meese confessed that he has been out of town much of the week and is not fully up to speed on events in the White House.) ``For both sides war has gotten a lot grimmer...It has lost its romance,`` he says. ``The importance of resolving it by means other than force is clear to everybody.``

Meese is not worried that the British navy will suffer heavy losses if the war escalates. The British, he says, ``badly miscalculated and underestimated`` Argentina's air power and thus did not provide air cover for the Sheffield destroyer that was lost--a mistake that the Brits won't repeat.

Budget. There is a possibility that Reagan and the Senate Budget Committee will reach some agreement on a budget by Friday. But Meese says it is also possible that the President simply will outline to the Budget Committee new proposals for a budget that he would support. Although the White House is talking to the boll weevils, most of the

(MORE)



President's attention is now focused on the Senate. The strategy seems to be the same as last year--get the best deal possible from the Senate, then work on getting a similar deal in the House.

European summit. The economic summit in Paris is likely to produce more problems for Reagan than will the NATO meeting, says Meese. He cites these potential disagreements:

\* The Falklands. Meese suggests that with the EEC's support for Britain diminishing, the U.S. may go to the summit in June with the added responsibility of defending Margaret Thatcher against hostile European allies.

\* East-West relations. The U.S. still will be seeking European cooperation in trade restrictions against the Soviets. The Siberian gas pipeline still could be a major issue. "We feel that European participation in the pipeline is not a good idea. Whether we will try to exert our leverage to get them to pull out is another matter that hasn't been decided [by Reagan] yet."

U.S. interest rates. As always, the Europeans and Canadians can be counted on to blame their economic problems on Washington.

\* Other likely areas of disagreement with the other industrialized powers include the Law of the Sea Treaty, steps to reduce trade barriers, and the NATO modernization plan.

START. The administration working group has presented to

(MORE)



the President all of its recommendations on strategy for beginning the START talks. Reagan is studying the proposals but has made no decisions, such as how the U.S. will count Soviet warheads, how limits would be verified, etc. Nor has Reagan reached a decision on a starting date for the negotiations or a location, two decisions that will have to be worked out with Moscow, anyway. Meese left the impression that Reagan is taking his time in preparing for the talks, despite rumors that the White House wants to announce a starting date soon to demonstrate the President's commitment to nuclear disarmament. Meese, always the hardliner, also leaves the impression that he is urging Reagan to go slow, regardless of the political pressures here and in Europe.

Brezhnev summit. Meese asserts with a straight face that Reagan still hopes to meet Brezhnev at the UN in June. When pressed, he admits that there is no reason to think Brezhnev will show up in New York. Meese also stresses that Reagan has made no decision about an October summit with Brezhnev in a neutral country. I sense that Meese is not too hot on this proposal, either.

(END)



STORY:MEESE  
MA:00 FMI:

QUEUE:NRDX-NRD  
HJ:

MSG:  
INI:

OPR:EW

;05/06,10:04

TC: MLS, LT, JF, DR, BFP, JG, GP, LH, DXB, DCE, JWM, SJE,  
FA, PGH, SXM

FROM: RAK

RE: Background-only\_ivu\_with\_Ed\_Meese

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(END)

STORY:WEU3  
MA:60 FMT:

QUEUE:SJF-SJF  
HJ:

MSG:  
INI:

OPR:SJF ;05/26,21:47

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

From: sjf

The following items come from an interview with Craig Fuller, assistant to the President for cabinet affairs:

\* Reagan's advisers are encouraged by polls showing that very few people are paying attention to the budget negotiations.

\* Reagan has decided that he can no longer leave the social issues on the back burner.

\* The White House has made a concerted effort to reprimand cabinet officers who speak out in opposition to the President's views.

\* A Big Three shakeup is expected at the end of 1982.

\* Right wing groups attack James Baker because they "are not accustomed to having anything but an adversarial or minority role."

Social Issues. Fuller says the White House has decided to tackle the social issues now because the President felt under pressure to keep his campaign promises. Abortion may remain on the back burner, however. "We may not deal with that one this year," he said.

Fuller says the President supported the voting rights compromise because he does not enjoy being portrayed as a racist. "The President has very strong feelings about how he has been misperceived on black issues," says Fuller.

"There is a strong feeling that we've got to have a clear policy on this one."

(MORE)



Fuller pointed out that the Justice Department wrote two letters to Congress on Thursday outlining Reagan's position on a Senate-passed busing bill and efforts by the Congress to limit the jurisdiction of the Supreme Court. The administration supports the busing provision, but opposes efforts to restrict the court.

White House officials also are trying to think up a good way for the President to mark the final defeat of the Equal Rights Amendment. No decision yet.

Budget. "Our polls show that most people don't even know these discussions are going on," says Fuller. "People do not view him as stubborn. One of the best things Ronald Reagan has going for him is consistency. The public's attitude is formed by important events such as a breakdown in talks or a compromise with the Senate leadership. But negotiations are not following by people outside of Washington."

Reagan has told Fuller that he believes that must provide visible leadership in these negotiations. "To walk away from the table and walk away from the leadership responsibility would be most damaging in terms of the financial markets," says Fuller.

The President has already enlisted some Democratic support for the new budget plan. Hopes for a bipartisan budget are high. "A substantial number of Democrats and Republicans feel there's too much at stake with our economy not showing the signs of a recovery that we had hoped for

(MORE)



not to work on a compromise," he said.

During budget talks with the Democratic leadership, Fuller was one of several White House aides--including Baker--who refused to talk to reporters. "It was useful in negotiations for us to be able to say that all of the stories about this were coming off of the Hill," says Fuller. "I know it seems odd that something like this would give you more leverage in bargaining."

Bickering. There has been an effort to clamp down on leaks--particularly from administration officials who disagree with the President's policies. "We've been tougher on that," he says. "The job often falls to me to call presidential appointees in the departments and tell them, 'we are very disappointed with you on this.'"

He says a leak about new sugar quotas cost the government millions of dollars.

Baker and the Right Wing. "He thinks these attacks are unfair," says Fuller. "But it's a flash of anger. It comes and leaves just as fast."

"What I'd like to say to these people is to go back to the late 1970s. If anybody in the conservative movement could have written out what they hoped might happen in this country and compared it to what we've accomplished, it would be a favorable comparison. The problem is that conservatives are not accustomed to being in power. They are not accustomed to having anything but an adversarial or minority role. But I could make the argument that

(MORE)

conservatives would accomplish far less without Jim Baker in the White House. There are those who are going to argue that this tax increase and the budget compromise were caused by Jim Baker. But he couldn't have operated in a more appropriate manner."

Fuller says Baker learned his lesson last August when he got cut too far in front of the President on defense cuts. "There has been none of that public positioning this time."

Reagan gives Baker "a great deal of support." Even Jim Watt expressed appreciation for Baker's role in the budget talks when the cabinet met last week.

Fuller does not think that the right wing will drive Baker out of the White House. But it's possible that Baker will leave in a Big Three shakeup expected at the end of 1982--"sometime after the election."

(END)



May 7, 1982

FROM: RAK - White House

TO: MLS, LT, JF, BFP, SXM, JWM, GP, DR, JG, DCB, LH, SJF, ~~RAM~~, PA, PGH,  
LJL

RE: Reagan comments

Unemployment. The President had some stiff words for his Democratic opponents in Congress this afternoon when he left the White House to go horseback riding with Bill Clark and Paul Laxalt.

He was asked whether it is not fair for Democrats to blame the administration for today's higher unemployment rate. He answered: "No, they can't blame it on our policy...I can tell them how to get it down...Let the Democrats in the House and Senate join us in adopting the budget that was passed out of the Senate Budget Committee."

When Reagan was asked about Democratic charges that his budget is "cruel" to the poor and elderly, he responded, "The single word for that is demagoguery...There's one way to get this economy back in business, and it's in their [the Democrats'] hands...They're being obstructionist<sup>s</sup>/now."

Social Security. Reagan also responded to those who accuse the administration of proposing steep cuts in Social Security. "They know better and that is pure demagoguery again," said Reagan, noting that Social Security recipients will receive a 7.4 percent increase on July 1. "There has been no proposal to cut Social Security, and the Democrats in Congress who are saying that know better."



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Regarding Social Security, Reagan apparently was referring to the fact that no one has proposed actual cuts, only cuts in the rate of increase in Social Security benefits adjusted for inflation.

(END FILE -- rw)

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

Reagan Gears Up for Europe.

President Reagan will make at least one more major speech on the subject of nuclear disarmament before he goes to Europe next month, according to White House officials.

His speech at Eureka College on Sunday was the beginning of a carefully planned campaign to anticipate the criticism he will encounter in Europe. His two main themes are to call for nuclear arms reduction and lower interest rates.

Details of Reagan's next speech on arms control are sketchy. Bud McFarlane of the National Security Council staff says that the speech probably will just elaborate on the proposal outlined at Eureka. Where this speech will be delivered has not yet been decided, but he might save it for his trip to California shortly before going to Europe.

Reagan plans to make several statements on the subject of interest rates. His remarks will echo Treasury Secretary Donald Regan's statement at the OECD meeting in Paris that the administration expects interest rates to start falling by the end of summer. Reagan has said several times lately that he sees "no reason" for interest rates to be so high with inflation falling. He's holding a series of meetings with business leaders, bankers, money market fund managers and financial consultants this week to "jawbone" on interest rates.

START. No matter what the New York Times says, there is

(MORE)



still some question whether Reagan's new arms reduction program represents a genuine change in the President's thinking on the subject. Some White House officials view this proposal primarily as a tactic for dealing with the nuclear freeze movement. Certainly the White House acted with uncharacteristic speed in announcing the proposal once it got to the President's desk. Sources say Reagan received the proposal from his interagency task force less than two weeks ago. Seldom are issues of this magnitude dealt with so quickly in the Reagan White House. For months, according to aides, Reagan planned to use the Eureka commencement to make a speech on the subject of arms control. But not until late last week did they know that the speech would contain the details of the START proposal. White House officials are hoping that this proposal will be a setback for the anti-nuclear demonstrators awaiting Reagan in Europe.

Like Reagan's "zero option" proposal in the TNF talks, his START proposal calls on the Soviets to dismantle existing weapons in exchange for a promise that the U.S. will not produce new ones. McFarlane says the incentive we are offering the Soviets is our promise to restrain development of the Trident II and cruise missiles--"some restraints they are going to find very appealing."

The issue of verification was not mentioned in the official briefings prior to Reagan's Eureka speech. But McFarlane says the U.S. will seek to improve verification. "When we get to the table," he said, "there is going to

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be a need to go beyond national technical means."

McFarlane was anxious to defend Reagan against critics who say that the administration's proposal should have focused on throw weight. He said there is "no question" that the Soviets would have a "significant" throw weight advantage over the U.S. at the end of Reagan's proposed Phase I. But he insisted that the President did not ignore throw weight in fashioning his proposal. He said Reagan rejected several options because they would not have produced sufficient reductions in throw weight.

Brezhnev. In the crush of news about nuclear arms control, many reporters overlooked one interesting aspect of the speech at Eureka. For the first time, Reagan confirmed that he too is expecting a change of command at the Kremlin. "We are now approaching an extremely important phase in East-West relations as the current Soviet leadership is succeeded by a new generation," he said. He previously has declined to comment on this subject. Reagan also backed down on his challenge to Brezhnev to come to the United Nations in June. "I have already expressed own desire to meet with President Brezhnev in New York next month," he said. "If this cannot be done, I would hope we could arrange a future meeting where positive results can be anticipated."

Reagan and Blacks. Reagan is making a strenuous effort to counter the impression that he is a racist. But so far, his efforts have produced only mixed results.

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On Monday, he spent nearly an hour fielding questions from black students at a parochial school on Chicago's West Side, Providence St. Mel's High School. He also called Sugar Ray Leonard on the telephone.

He went to the black school primarily because he was criticized for unveiling his tuition tax credit proposal at an all-white parochial school in Chicago.

His performance at the school was masterful. Reagan sat on a metal stool in the middle of a bare stage and used a lapel mike--similar to the way Jimmy Carter used to conduct his town meetings. He appeared very comfortable in this setting. His timing was perfect and he used his hands beautifully. It was a professional performance.

Many of Reagan's answers also were perfectly crafted for the audience. His explanation of the budget was simple and easy to understand. His remarks on gun control--"I don't believe that taking guns away from honest people is going to keep criminals from getting them"--drew applause.

Asked why the U.S. supports dictatorships, Reagan got an approving response when he replied, "Let us befriend them and then quietly behind the scenes convince them there is a better way." And he hit his stride at the end when he told the students to "check me out" on his facts. "Don't be the sucker generation," he told them.

But on topics involving race, Reagan ran into trouble. He told a long, involved story about an heroic captain in Vietnam. At the end, he said: "And I just thought that you

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might like to know that that captain was black." The reaction was negative. The audience knew it was being patronized. But he persisted: "I think it exemplifies what so many of us dream today that what lingering separations there are what lingering divisions between our people--and sure, there are rednecks and bigots and there are people that are prejudiced on all sides and for every reason, religion and everything else--but I think there was an example of what real America can be."

Even worse was his explanation of why he tried to restore tax exemptions to schools accused of discrimination. He said he was told that the Internal Revenue was harassing these schools. "I didn't know there were any court cases pending," he said. "I was under the impression that the problem of segregated schools had been settled. All I wanted was that these tax collectors stop threatening schools that were obeying the law."

Reagan further compounded his problems with blacks when he was asked in a meeting with Midwest editors about Martin Luther King's birthday. Making King's birthday a national holiday, he said, would only open the door to demands for more ethnic holidays. "We could have an awful lot of holidays if we move down that road."

To prove that he is not racist, Reagan often tells a story of how he befriended a black player on his college football team. At his reunion in Eureka on Sunday, reporters interviewed a black man who played on the same

(MCRE)



tear with Reagan. He remembers no such incident. He said that Reagan avoided black people like everyone else. "He was like most whites of that time," says Malonzo Smith, 71, a Baptist minister. "He didn't want to be shunned--shut off by his peers. There's some of that up to this day. If you're too friendly toward blacks your ostracized."

Eureka College. Reagan obviously enjoyed his trip to Eureka. The school is in an extremely rural setting, causing Reagan to note--as he often does--that "there is a real difference between the real world and what's on the other side of the Potomac." Most of the people at Eureka seemed unaffected by having the President of the United States in their midst. The new graduates kissed and hugged the Reagans as if they were old friends. Reagan's former classmates called him "Dutch." In this setting, Reagan dropped his own guard. He confessed that he was a C student and added, "Even now, I wonder what I might have accomplished if I'd studied harder." He also told a very embarrassing story about himself--how he had an opportunity to run for a touchdown in a big game, but didn't do it because he was too tired and his team was one point ahead.

Last year, Reagan declined an opportunity to make a newsworthy speech at the Notre Dame commencement. At the time he said he thought that commencement speeches should be geared to the students, not to the television audience. But he clearly wanted to make an historic speech at Eureka, obviously to enhance the prestige of his alma mater. He

(MORE)

recalled that Winston Churchill coined the term "iron curtain" in a speech at a small college in Missouri.

Reagan\_talks. Reagan spent a lot of time talking off the cuff in Illinois. As usual, his remarks included many "facts" his aides could not substantiate. Among them:

\* Studies show that it would cost 7.7 million dollars if the Boy Scouts of America were run by the government.

\* The Supreme Court decision banning school prayer has prompted many districts to outlaw Santa Claus in their schools.

(END)



STORY:DUBERST  
MA:60 FMT:

QUEUE:NRD-NRD  
HJ:

MSG:  
INI:

OPR:BW ;05/11,16:26

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

FROM: RAK

RE: Background-only ivu with Ken Duberstein

Boll weevils. Duberstein is confident that Reagan again will win the support of most boll weevils in the House budget battle. The Democratic plan put forth by Budget Committee Chairman Jones is unsatisfactory to the boll weevils in many major respects. To the boll weevils, the Jones budget does not cut deep enough into domestic spending (They want to cut Social Security.); cuts too deep into defense spending (The Jones version would pare 71 percent of the Reagan defense hike over Carter's last budget.); and raises taxes too much (including jeopardizing the third year of the tax cut, which most of the boll weevils voted for). "The boll weevils are very, very disappointed in Jones," says Duberstein. "Last year we let the boll weevils play out their hand with Jim Jones first, and that's what they wanted to do this year, too." Duberstein also claims that Democratic liberals are not satisfied with the Jones budget. The House Democratic leadership is "not buying as much as they thought they were in political chips....Jones tried [ineffectively] to be everything to everybody."

Now that the boll weevils have seen the Democratic plan and rejected it, the White House is moving quickly to

(MORE)



corral them into the President's corner. Reagan called Representative Phil Gramm today and praised the alternative budget that the boll weevils have been drawing up. Key elements of the boll weevil alternative could be incorporated in the "bipartisan" budget plan that Reagan will try to push through the House, he told Gramm. A delegation of boll weevils will be invited to the Oval Office soon. The "bipartisan" plan for the House probably will be "fairly close" to the budget approved by the Senate Budget Committee.

Gypsy moths. Duberstein is not willing, however, to predict that Reagan will prevail over the House Democratic bill. He is especially concerned that the White House will have trouble holding the moderate Republicans in line.

Social Security. Duberstein concedes that Reagan is very vulnerable now that the Republicans alone are espousing Social Security cutbacks. To combat his image as the man who wants to cut Social Security, Reagan will continue to remind the public that Social Security recipients will get a 7.4 percent hike on July 1. He also will stress the need for action to keep the system solvent in the short term, and blame the Democrats for creating the problem and then refusing to do anything about it. Duberstein claims that the Social Security issue may come back to haunt the Democrats because "there is some decent polling evidence" that workers who pay into the system are growing more resentful about higher taxes and the increased danger of

(MORE)



insolvency.

Tip O'Neil and Robert Byrd. The President accused his opponents on Capitol Hill of being demagogues, says Duberstein, because of attacks last week by O'Neil and Byrd. Duberstein complains that the recent Democratic attacks on Reagan have been ``beyond the bounds'' of decency. O'Neil's comment that Reagan is trying to ``rape senior citizens,'' says Duberstein, ``turned my stomach.'' Byrd made similar comments on the Senate floor last week, prompting some Republican senators to vow they would be willing to go to West Virginia to campaign for Byrd's Republican opponent this fall. The partisan rhetoric will only get hotter in the days ahead.

(END)

[1982]

STORY:NOTES  
MA:60 FMT:

QUEUE:NRDX-NRD  
HJ:

MSG:  
INI:

OPR:BW ;05/12,15:30

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

FROM: RAK

RE: White House notes

Brazil. The Falklands crisis was a principal topic of discussion between Reagan and Brazilian President Figueiredo at the White House today but Assistant Secretary of State Thomas Enders, who held a background-only briefing afterward, declined to disclose any details. He dodged a question about whether Reagan asked Figueiredo to use his influence with Argentina in an effort to ease the crisis.

Figueiredo expressed his support for UN Resolution 502 and and for the mediation efforts of UN Secretary General Perez de Cuellar. Reagan and the Brazilian leader agreed that the Falklands dispute should be resolved in a way that leaves neither side "victor or defeated" and that takes into account the legitimate claims of both parties. (Enders diplomatically referred to the islands simultaneously as the Malvinas and the Falklands.)

On bilateral matters, Figueiredo complained about the recent tightening of U.S. import quotas on sugar. Reagan, in response, said that the sugar price-support system was adopted by Congress without administration backing, and that while the new quotas restrict U.S. imports, they also boost the price of imported sugar.

Social Security. Now that Bob Michel has repudiated the

(MORE)



Social Security cuts supported by Reagan in the Senate, the White House asserts that Reagan may support one budget in the Senate, another budget in the House (one without Social Security cuts) and yet a third budget in a joint conference committee. At today's regular briefing, Larry Speakes said Reagan supports the SS cuts contained in the Senate Budget Committee plan, but he doesn't necessarily believe the House should adopt those cuts. In short, the President is trying to have it both ways.

(END)



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

From: sjf

The following items come from a lunch with James Baker,  
White House chief of staff.

\* White House strategists hope that GOP members of the Senate Budget Committee will soon recongize the political benefit in abandoning their proposal to cut 40 billion dollars out of Social Security.

\* Twenty boll weevils are committed to vote for the President's budget proposal. At least 5 gypsy moths will vote against it--including Representatives Green of New York, Tauke and Leach of Iowa and Clinger of Pennsylvania.

\* ICA Director Wick is a ``loose cannon`` who is constantly making ``end runs`` to ask the President for more money for his agency.

\* Expect a top-level shakeup at White House after the election. Baker refuses to speculate on details.

\* Neither the President nor his aides have taken any action as a result of recent stories about Smith, Donovan or Wick, but they are investigating alleged improper conduct by VA Director Nimmo.

Personnel. Nobody except Energy Secretary Edwards--not even David Stockman--is expected to leave the administration prior to the November election. Edwards has not yet tendered his resignation, but Baker thinks he will take the job in South Carolina.

(MORE)



Baker declines to talk about his own plans or his expectations for Deaver, Meese and Clark. He says he once tried to get Deaver to become press secretary. But he also denies rumors of an impending shakeup in the press office. Meese is suffering from a bad back, but will return to work on Monday wearing a "girdle" and a brace. He may have to undergo disc surgery. Baker now seems lukewarm on Clark, whom he originally praised. Perhaps Baker sees Clark as competition.

Baker dismisses Smith's investments as not illegal. Yet he notes that Smith must be getting an enormous income from his blind trust if he has that much money to invest out of his pocket. (Baker's holdings also are in a blind trust.)

Originally, Baker thought the Donovan problem was not reflecting poorly on the President. Now he thinks that it is causing problems for Reagan. But the White House will not touch the Donovan matter until the special prosecutor is finished.

Wick come to the White House about every two months with another supplemental budget request, according to Baker. On one occasion, Wick arranged for himself or one of his aides to attend the President's daily national security briefing. He then astonished Bill Clark by making a pitch for his budget request in the midst of the national security briefing.

Nirno apparently has violated the President's ban on decorating and use of official vehicles, according to

(MORE)

Baker. An investigation is underway.

No action will be taken against the new man at NIH who spoke out in favor of abortion. Baker said he made it clear he was speaking for himself and pledged to carry our administration policy.

Budget Strategy. Reagan would like to abandon the 40 billion dollar Social Security cut for obvious political reasons. Baker says it was forced on him by Republicans on the Senate Budget Committee, many of whom were originally demanding a freeze on Social Security cost of living increases. Thus he's hoping these people will see the error of their ways in a political year. But Reagan cannot back off the idea unless the Senate GOP leadership does.

The White House has high hopes of winning this battle. They hope to engineer a negative vote in the House on Jones's budget.

(END)



STORY:MCFARLA  
MA:60 FMT:

QUEUE:NRDX-NRD  
HJ:

MSG:  
INI:

OPR:EW ;05/13,18:38

TO: MLS, LT, JF, DR, BFP, JG, GP, LH, DXB, DCF, JWM, SJF,  
PA, PGH, SXM  
FROM: RAK

RE: Separate background-only ivus with Robert McFarlane.  
number-two man on the NSC staff. and David Gergen

START. The President will propose to the Soviets that ballistic missiles (as compared to warheads) be reduced to one-half the current number of U.S. missiles. In his Eureka speech, Reagan said only that he would seek "significant" reductions in the number of missiles. (He also has proposed that warheads on both sides be reduced by one-third--to about 5,000.)

McFarlane refused to be pinned down on how big of a reduction Reagan will propose in throw weight, but he hinted that one-half of current U.S. throw weight might be a reasonable target.

Interim. Gergen and McFarlane stress that the President is unwavering in his opposition to SALT II--even though the U.S. is honoring SALT on a de facto basis. McFarlane does not think the calls for revival of SALT II will create major problems for the administration vis a vis Moscow or the European allies, but he concedes that SALT II as an interim treaty is "an appealing concept." The drawback, says McFarlane, is that delaying START to ratify a "fatally flawed" SALT II would waste time that should be spent trying to achieve actual reductions.

(MORE)

Nevertheless, Reagan will propose that, during the time the START talks are in progress, both the U.S. and the Soviet Union observe the terms of SALT I and SALT II. These "collateral restraints" may include some other minor conditions but McFarlane does not expect the interim terms to go beyond SALT in any significant way. Of course, the U.S. would only honor SALT I and II as long as the Soviets exercise the same restraint.

Soviet response. The White House has received no response from Brezhnev to the President's personal letter outlining his START proposal. McFarlane says the Soviets have not yet had time to formulate a "considered response" to the U.S. plan. He also discounts the Kremlin's public criticism of the Reagan plan. The early Soviet response "has been without benefit of thorough analysis," says McFarlane. He notes that the Soviets have not rejected the concept of deep reductions.

Among the European allies, the response to Reagan's proposal "has been an expression of broad support and enthusiasm," says McFarlane. The Chinese "have offered no comment."

(McFarlane also asserts that George Bush's mission to Peking "was a very constructive visit, a useful confirmation by the Vice President of just how the President views our relationship...The Chinese welcomed that." Reagan has asked Bush for a detailed briefing as soon as he returns to Washington.)

(MORE)



TNF. The TNF talks will go on concurrently with the START negotiations, but McFarlane does not foresee the time when the two talks will be merged in an omnibus agreement. "The two [sets of talks] must be consistent...but neither presents an impediment to progress in the other."

Budget. Reagan will continue to stress his support for the 40 billion in Social Security savings contained in the Senate budget and at the same time try to sidestep the issue of Social Security cuts in the House. "We have to hold our coalition in the Senate and get our budget through the Senate and at the same time try not to antagonize our friends in the House," says Gergen. The White House strategy is to avoid making any deals with the boll weevils or others in the House until the Senate has passed its version of the budget. Reagan opposes making SS an off-budget item, but he will try not to take a position on this, to avoid making matters more difficult for House Republicans.

Michel. Gergen concedes that Representative Bob Michel's sudden opposition to SS cuts was due in part to poor handling of things by the White House. Michel was motivated in part by resentment over Reagan making a quick budget deal with Senator Domenici without consulting the House Republican leadership. Michel also was unhappy that Reagan approached the boll weevils in a way that made it appear the President was going around the House GOP leaders.

Veto. Gergen predicts that Reagan will veto the

(MORE)



supplemental appropriations bill that includes money for home mortgage subsidies to bail out the housing industry. There are pending in Congress, says Gergen, five or six other measures costing 30 billion dollars to bail out various industries--lending institutions, etc. "They're lined up like a train" behind the mortgage-subsidy bill. Reagan "has to demonstrate he won't allow bailouts. If you start going down that track, there's not end to it."

Jawboning. Reagan made virtually no progress, says Gergen, in his talks this week with bankers and other money men. The White House received no pledges to lower interest rates and no one expects financial leaders to do so voluntarily.

Falklands. McFarlane was pessimistic about the UN negotiations but said Reagan has given his full support to Perez de Cuellar and is keeping in close touch with London and Buenos Aires. "There are still important areas of disagreement...[although] some differences have been narrowed." He dodged a question about new military actions by Britain and/or Argentina, saying only that "both sides have a very sober understanding of the stakes."

Britain has not yet asked the U.S. for any aid that would "depart from existing agreements," says McFarlane, but he stressed that Reagan has promised to be "sympathetic" to any British request for materiel support.

Departures. Gergen expects Energy Secretary Edwards to be gone soon after July 1. "He's got an attractive offer" in South Carolina. Raymond Donovan is not expected to depart

(MORE)



while the investigation into his past is in progress but Gergen wonders aloud whether anybody will want Donovan around after the investigation is concluded, regardless of the outcome. (Remember Richard Allen's fate.) But Gergen also says that the Donovan probe "is not a big issue around here." Attorney General Smith is in no danger of losing his job because of his controversial tax shelter. Reagan's personal reaction to Smith was a mild one. He "did not say [the tax shelter] was dumb at all," says Gergen. "Smith is to go on TV this weekend, with the blessing of the President, to defend his investment. Nor is Charles Wick in any trouble with the White House, but Gergen concedes wryly that Wick's habits "make good copy."

Abortion. The NIH official who said publicly that he personally believes women should have the right of choice regarding abortion will not lose his job. In fact, Gergen says, the administration--including the President if necessary--will defend the official's right to his personal views. "We're taking a lot of heat from the right, but he's a distinguished guy," says Gergen.

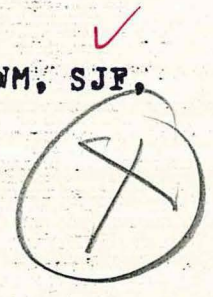
(END)



TO: MLS, LT, JG, DR, BFP, JG, GP, LH, DXB, DCB, JWM, SJF,  
PA, PGH, SXM

FROM: RAK

RE: Background-only ivu with Jim Baker



Baker's future. Baker is edgy about reports that he wants to leave the administration--even though he has encouraged such speculation in the past. I sense that Baker perceives William Clark as a threat, or at least Baker is growing wary of the published speculation that Clark might become chief of staff someday.

Baker is so eager to put to rest rumors of his departure that asked that his comments about his future plans be on the record, instead of on background--his customary way of talking to reporters. He now disavows ever suggesting that he might want to leave the White House after only two years or that he might like to be attorney general.

Says Baker: "I'm going to do what the President wants me to do. If he wants me to do this job for the rest of this term and right into the second [term], that's what I'll do. I have no time limit [on leaving]. I'll serve at his pleasure....This is a fascinating job in which you're part of history." Baker scoffs at rumors that he wants to return to Texas to make money, pointing out that he already has made a lot of money as a lawyer for a "blue-ribbon" Houston firm (and is heir to a family fortune, too). Would he ever seek political office again? "I have absolutely no

(MORE)



political ambitions. I can look you in the eye and tell you I've done that before, too."

New Right critics. Attacks on Baker from conservatives have tapered off a bit in the past few weeks. He does not seem as defensive about the right wingers as he once was. They have good "economic reasons" to attack him, he says. It keeps up their lists of subscribers and contributors.

"I've gotten use to it....[But] some of the stuff they charge me with is patently ridiculous--that I isolate the President and I'm not conservative....Go look at some of my ads when I ran for attorney general of Texas. I'm very conservative on the issues."

Baker vs Meese. Baker was charitable to Meese, passing up the opportunity to criticize him. If Baker has more influence than Meese, he says, it's only because "I do happen to have reporting to me more constituent elements of the White House." He gets along well with the President, says Baker, because he tells Reagan what he thinks and Reagan respects his views because "I have been out there in the other world [like Reagan]. I was never a political staff aide like these other three" (Meese, Deaver and Clark). Mrs. Reagan also respects Baker's views because "she believes I'm loyal to her husband and that's the test with her. She doesn't believe I'm over here scheming for George Bush."

Baker's role. He does show more enthusiasm for his job today than he did six months ago. Approaching elections may

(MORE)



be one reason for this. Baker compares his job to a political campaign. The only difference--and the part of his job that he likes least--is seeing that the bureaucracy acts on decisions made in the White House. "I wasn't hired because I've been with Ronald Reagan for 15 years. I was hired because they wanted to get a talent they thought I had, talent in national politics...This is not a lot different from a campaign. There are a heck of a lot of similarities--thinking of the news flow, a daily schedule, being ready to respond to fast-breaking events...You're engaged in a political contest every time you have a vote on the Hill."

Approval rating. Baker is not especially concerned about Reagan's decline in the polls. Reagan's approval rating now is lower than Carter's was at this point in his Presidency because Reagan is plagued by "much tougher economic problems." Reagan's declining popularity "is still a function of the economy, the pocketbook. There's not a damn thing wrong that for or five points off interest rates won't cure." Baker expects interest rates to come down a couple of points once a budget is enacted but he questions whether "the recovery will be strong enough and long enough to help us in November."

Gender gap. The White House is planning a number of things to try to shore up Reagan's support among women, but Baker refused to specify what is being considered. He believes Reagan's START proposals will ease fears among women that

(MORE)



Reagan will get the country into war. "We're sensitive to it. We're planning some things." He is fairly optimistic that the White House can chip away at the gender gap. It hurts Republican candidates most, says Baker, in districts that are composed of large numbers of minorities.

(END)

May 19, 1982

✓  
FROM: SJF - White House

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

The following items come from an on-the-record dinner with Ed Meese:

o If interest rates do not come down following the enactment of a 1983 budget, the President will be forced to take 'other measures.'

o The administration expects participants in the upcoming economic summit to agree to tighter restrictions on credit to the Soviet-bloc nations.

o The administration's view of 'linkage' has been modified. 'It also has to be looked at in terms of whatever our best interests are at a certain time,' said Meese.

o Speaking personally, Meese thinks that the Social Security trust fund and other trust funds should be removed from the general federal budget. He also thinks Social Security recipients should not get the full 7.8 percent that they are entitled <sup>to</sup> in cost-of-living increases this year, because the current inflation level is less.

Economy. This was the first time that any White House official has suggested that the President's economic program might not succeed or that the administration might be forced to change course. Meese seemed to be hinting at credit controls in an effort to frighten Wall Street.

'If there is not some reasonable response (dropping interest rates) when the budget is passed, then obviously



we'll have to look to other measures," he said. He refused to be pinned down on specifics. "We'll be looking at everything that might be done at that point. But obviously if the measures you are using don't work, you've got to try something else."

Up until now, the President has left no doubt that he believes interest rates will fall after a new budget is enacted. He has argued against any change in course, or quick-fix measures on grounds that he must restore confidence in government among leaders of the financial community.

Meese said he is still holding out hope that interest rates will fall to 14 or 12 percent after the enactment of a 1983 budget. He says he expects the inflation rate for the remainder of the year to be between 3 and 5 percent, and historically that would set interest rates somewhere between 8 and 10 percent. The President has learned one thing from talking to bankers about interest rates: They seem to be as confused as we are.

Asked about a Baltimore Sun story that the deficit might be less than expected, Meese replied: "I haven't found anyone who gives any credence to that."

Summit. Meese says the administration expects "some cooperation" among other nations at the summit for a limitation on future credit to Soviet bloc nations. He seemed less certain that they would go along with

restrictions on trade. 'Every time we have gone to one of these summits,' he said, 'we've improved our position in terms of cooperation.'

Meese denied any suggestion that Reagan's offer to negotiate arms reduction with the Soviets might undermine efforts to convince the other nations to impose tougher trade and credit restrictions on the Soviet bloc. 'The fact that we're doing these things may enhance our position in terms of getting them (the Europeans) to cooperate,' he said.

He said Reagan never proposed any preconditions on talks with the Soviet Union, such as a requirement that they should get out of Afghanistan. 'The key has been what is best in terms of our best interests,' he said. 'The reason we're doing it now is because we are ready now. He (the President) feels it is an appropriate time.'

Meese confirmed that Haig and Gromyko will probably meet in June in New York to discuss the opening of START negotiations. He does not foresee any change in the nuclear-arm-freeze movement as a result of Reagan's latest proposal. 'I think it's going to continue,' he said.

Social Security. Meese confirmed that the White House was ~~been~~ caught by surprise over the latest flap about the proposed 40-billion-dollar increase in Social Security. 'I don't think they anticipated that it would be a political lemon again,' he said. 'It was regarded as a given--



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something everybody knew we had to do.''

(END)

STORY:FIELDIN  
MA:60 FMT:

QUEUE:NRDX-NRD  
HJ:

MSG:

INI:

OPR: W

;05/20,09:53

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

FROM: RAK

RE: background-only ivu with White House counsel Fred  
Fielding

Gifts. Fielding admits that the White House was "sand bagged" by at least two strangers whom Reagan accepted gifts from last year--the guy in Reno who sent the President a \$500 silver belt buckle, and the manufacturer in Mechanicsburg, Pa., who sent Mrs. Reagan a \$450 cameo. Both contributors used the thank-you letters they received from the Reagans to promote the sale of belt buckles and cameos. (It is interesting to note that the White House estimates the value of the silver belt buckle, with an American eagle on it, at \$500--but the retail price is \$1,250.)

Fielding, who reviews all gifts received by the Reagans, is supposed to weed out contributors who might take advantage of their gifts to make a buck. He says the White House rejects "hundreds of requests each month" for Reagan's endorsement of a product, membership in an organization or participation at an event where someone stands to make money. In the case of abuse by a gift contributor after the fact, Fielding writes a "stern" letter warning the contributor to stop using the President's name or implying that he endorses the product. Letters to the cameo manufacturer and the belt-buckle

(MORE)



salesman are being sent this week, says Fielding. In the past, Fielding has written such letters to a jellybean company that used Reagan's mug on a jellybean container and to a car dealer who used in advertising a photo of himself shaking Reagan's hand.

The Reagans have returned many gifts, Fielding claims, because the contributors appeared to be motivated by a desire to profit from the gifts in some way, or because the gifts were just too extravagant. But Fielding refused to offer any examples of gifts that were returned. (Reagan has made it a rule not to accept horses as gifts--except for the one he received from Mexican President Lopez Portillo when Reagan was President-elect. The reason Reagan doesn't accept horses is that he is offered so many. "We could reinstitute the cavalry" with the number of horses Reagan has been offered, says Fielding.)

Why does Reagan accept any gifts from strangers? The law does not prohibit the President from accepting gifts that are not offered by foreign governments. But he must disclose any gift over \$100. Fielding says Reagan picks and chooses what gifts he will keep--if he happens to like the gift, he keeps it. That was the case with a \$1,900 Waterford crystal wine cooler sent to him by the American-Irish Historical Society, and explains why Reagan accepted more than one belt buckle and a number of pairs of cowboy boots.

The boots. Among the prizes Reagan received last year were

(MORE)



two pairs of boots valued at \$300 from the American Footwear Industry Association. The footwear manufacturers also were lobbying last year for stricter limits on shoe imports. Fielding advised Reagan that he could accept the boots because of the circumstances in which the gift was made. The boots were presented to Reagan by two senators with a representative of the shoe lobby. "To think the President would have his head turned for two pairs of cowboy boots is relatively absurd. It was a ceremonial thing," says Fielding. [He agreed to put this quote on the record.] For the record, Reagan decided against imposing stricter import quotas on shoes.

The rules. Fielding concedes that White House rules on gifts are applied more strictly to staff aides than to the President. (He would have advised a staff member not to accept the shoe lobby's boots, for example.) In general, White House aides are told not to accept gifts valued at more than \$35 from strangers. They can accept any gift from a relative or close friend. By law, White House aides must disclose gifts totaling \$100 or more from a single source in a calendar year. In determining whether an aide should accept a particular gift, Fielding tries to determine whether there is any potential conflict of interest with the donor. "We really are dealing only with appearances. There are very few people who are going to get their heads turned by a \$50 gift," says Fielding.

RR's history. If you subtract the gifts that the Reagans

(MORE)



received from friends, says Fielding, the \$31,000 total shrinks considerably. The Reagans have exercised admirable ``discipline and restraint`` in refusing many gifts, especially ``when you consider where they're coming from,`` says Fielding, referring to Reagan's history of accepting expensive items from his wealthy California benefactors. For example, when Reagan became governor he and Nancy regarded the governor's mansion in Sacramento as too shabby for habitation. As a result, the kitchen cabinet crowd bought a swanky new house and furnished it for the Reagans to live in until a new governor's mansion could be built. The same attitude prevailed when Nancy raised over 1 million dollars from private donors to refurbish the White House.

William French Smith. Fielding would only discuss Smith on deep background--meaning his comments aren't supposed to be attributed to the White House. Fielding is conducting an informal probe into Smith's acceptance of a one-shot \$50,000 in director's fees from Earle Jorgensen's company. While dismissing Smith's controversial tax shelters as not a cause for concern--and dismissing Reagan's \$31,000 in gifts as nothing out of the ordinary--Fielding shake his head in disgust at Smith's director's fee. The sum was just too large to not raise serious questions, says Fielding. ``I have come to no conclusions,`` he says, but he left the impression that the investigation by the Office of Government Ethics could spell serious trouble for Smith.

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STORY:WHU2  
MA:60 FMT:

QUEUE:SJF-SJF  
HJ:

MSG:  
INI:

OPR:SJF ;05/20,14:21

To: mls lt jf bfp sxm jwm igp dr jg dcb lh rak pa pgh

From: sjf

The following items come from a background interview with

David Gergen:

\* The rhetorical theme of Reagan's European trip will be "unity" among Western allies. (Ugh) In France, he will stress unity in economic matters. In London, unity of Western values. In Germany, unity in defense.

\* On bickering: "People devour each other around here," he says. "It's incredible. Some of us very much resent all this internicine warfare."

\* After the election, there will be a top-level "reorganization" at the White House. "You'll see some new faces," says Gergen. No names mentioned, but Gergen says that Jim Baker is no longer talking about leaving.

\* President Reagan will try to narrow the "gender gap" in his public support, but cannot eliminate it.

Gender gap. "It is unlikely that he will ever see total equality in the polls on women, but I think it is possible to narrow the gap, which is unnaturally large," says Gergen. He hopes the Eureka speech will have this effect.

"Reagan tends to be a more masculine personality and draws men to him--not women," says Gergen, who recently discussed the matter at length with Seymour Martin Lipset of Stanford University (whom he suggests we contact.)

Historically, says Gergen, women have been more sensitive to the war and peace issue. He says the gap in public



opinion over the Vietnam war was not between young and old, but between men and women. "It's not something that suddenly sprang up with Reagan," says Gergen.

Gergen says he hopes the White House will start to address this issue "more frontally." But he cautions that their efforts to appeal to women will not be as "forthright" as their appeals to black voters. "We're not going to schedule five women's events--just a steady consistent effort," he says.

Gergen hopes to generate publicity for the 50 states and the Justice Department projects, both of which are currently under review. The Justice Department is expected to issue a quarterly report soon. He also mentioned the possibility of inviting women's groups to the White House.

William Clark. Gergen had a funny reaction when I asked him to respond to those (Larry Speakes and Jim Baker) who say that Bill Clark had been a disappointment as national security adviser. "I'm not anxious to salute that one," Gergen said. Under prodding, he said Clark has done a good job on producing special projects. But Clark has not gotten involved enough in the substance of foreign policy. He's also not a team player. "He likes to run his own game."

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Baker. Baker recently changed his thinking about his future. A few months ago, says Gergen, Baker was prepared

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to leave after the election. Now, he's decided to ``stay on as long a necessary.``

Rundown on Europe. The following is a brief rundown of what Gergen expects to happen in Europe:

\* France. ``A general spirit of harmony.`` The communique from the summit will be brief, stressing cooperation to keep inflation down, fight unemployment and stimulate growth. East-West issues will be ``muted.`` An additional topic: ``Non-intervention in monetary markets.``

\* London. The speech to Parliament will stress how the two nations share similar values. It will be a ``visionary`` speech. There will be very little mention of the Falklands. There is a disagreement among White House aides over the tone of the speech--``how hard line it should be.``

\* Germany. A repeat of the Eureka speech--emphasizing arms control and a commitment to Western defenses while playing down the antiCommunist stuff.

\* Rome. A brief stop. Gergen claims that Reagan and the Pope have ``struck up a long-distance relationship`` over the past year. The stop also may improve Reagan's standing in ethnic neighborhoods.

(END)





Meese contends that he was only stating the obvious. But as an experienced politician, he must have known that everyone was going to read his remarks as a signal.

(END)



STORY:SECURITY QUEUE:SJF-SJF MSG: OPR:SJF ;05/21,15:40  
MA:60 FMT: HJ: INI:

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

From: sjf

The following comes from a background briefing by Tom Reed,  
author of the new national security strategy:

\_\_President Reagan today signed an 8-page directive  
outlining a new national security strategy that promises a  
more confrontational approach to the Soviet Union.

The directive, developed from a one-quarter-inch thick  
report authored by Reed, contains these specific items that  
are new:

\* Reagan has authorized the Defense Department to come up  
with a new deployment strategy for MX by December 1. He  
selected the ``dense pac`` option as the ``most  
promising.`` But he asked Congress to approve deployment in  
hardened silos as a temporary measure.

\* Security assistance to other countries will be beefed  
up. ``We do not mean the splashy cases of AWACS,`` says  
Reed. ``We mean \$100,000 for trucks.`` A bigger portion of  
the defense dollar will be spent on assistance next year,  
says Reed, because it is ``the most cost effective  
investment we can make.`` Congress will be asked to modify  
the Clark amendment to ``let the President run his own  
foreign policy.``

\* The current concept of one and one-half or two and one-  
half wars will be replaced by a concept of global  
deployment with more money spent on mobility and host  
nation support. New alliances are envisioned.

(MORE)



Reed said the National Security Council staff is preparing four additional reports--one each on political strategy, economic strategy, diplomatic strategy and information strategy. Most of Reed's report is classified top secret, although some parts may be made public.

The summary statement of Reed's report repeats a lot of what you've already heard from Reagan about Soviet superiority. But it goes on to say--in Reed's words--that "the Soviets are not 10 feet tall and they have their vulnerabilities."

It notes the Brezhnev era is ending and "a watershed time is upon us in the Soviet Union." It does not speculate on the character of Soviet leadership after Brezhnev.

It predicts that the East-West balance will be altered by the end of the decade and sets as a goal the "dissolution or shrinkage of the Soviet empire." But it does not threaten aggression against the Soviet Union. It says that the objective of U.S. strategy is to convince the Soviet Union to spend more on people and less on defense--"to look to the people more and us less."

Footnote: Reed described the Falklands crisis as "a disaster beyond compare" because it pits one of our allies with a nation we would like to be one of our allies and "there will be a loss of life."

(END)



TC: MLS, LT, JF, DR, BFP, JG, GP, LH, DXE, DCE, JWM, S<sup>✓</sup>JF,  
PA, PGE, SXM

FROM: RAK

RE: Background-only\_ivu\_with\_Ed\_Meese

Falklands. Meese confirms that the U.S. is supplying anti-aircraft missiles and other military "equipment" to Britain. The administration within the next week probably will need to increase the quantity of equipment it is providing. Meese refused to be very specific, but he said that some of the equipment the British are receiving from the U.S. is new to the British arsenal. This equipment is available to the British through NATO but apparently is not equipment that the Brits normally employ. "We've been able to fulfill all of their requests [for assistance]," he says.

Meese cautions against anticipating a British victory within the next few days. He points out that Secretary of State Haig's optimistic projections earlier this week were made before the Argentines launched their massive air raids against the British fleet.

Describing himself as an "armchair general," Meese says he does not expect the Brits to establish another beachhead near Stanley, as has been speculated. He thinks the British should move their troops to Stanley by land with cover from helicopter gunships. "Unless the seas are awfully calm, it makes more sense to move by land. A beach assault is the

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most vulnerable situation you can have."

What happens after the British have achieved a military victory? Meese offers this worst-case scenario: The Argentines suffer such an "ignominious" defeat that they refuse to give up. Instead, they turn to Cuba for assistance, and Cuba then becomes a "conduit" for Soviet Mig fighter jets to Argentina, which then mounts another assault on the British-fortified Falklands. Meese notes that the Soviets moved a number of Migs into Cuba earlier this year (the ones in crates on the docks, which the administration still refuses to confirm the presence of).

But a likelier scenario once the fighting stops, says Meese, is for Britain to offer to negotiate sovereignty over the Falklands. The President is urging Margaret Thatcher "not to beat them [the Argentines] too badly." Meese believes Britain recognizes the need for restraint and will not do anything rash such as attacking military installations in Argentina.

START. Meese's hardline views toward the Soviets are very apparent but he simply doesn't have much influence to enforce those views. He obviously opposes the recommendation by the NSC that the U.S. and the Soviets abide by the terms of SALT I and II on an interim basis while the START negotiations go forward. In Meese's view, the U.S. is observing the terms of SALT on a very selective basis. "We are continuing our same basic posture.... We don't feel constrained to observe SALT if future

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developments on our part would conflict with SALT. We probably wouldn't feel constrained not to make a strategic decision simply because it conflicts with SALT."

(END)

STORY:REGAN  
MA:60 FMT:

QUEUE:SJF-SJF  
EJ:

MSG:  
INI:

OPR:SJF ;05/26,19:27

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

From: sjf

The following comes from a pre-summit briefing for the magazines by Treasury Secretary Donald Regan. Except where noted, the material is on-the-record.

Overall assessment. (On background.) This summit could be more combative and less predictable than the last one.

``There may more a little more give and take. It could get a little bit acerbic.`` Three reasons were cited:

\* The summit participants know each other better than they did in Ottawa, when four of them--Reagan, Mitterand, Suzuki and Spadolini--were brand new.

\* The EEC last week overrode Britain's objections to a farm price settlement. ``Britain has just had a great rebuff. This is going to make it pretty awkward.``

\* The Falklands crisis could alter the proceedings. ``If there is a major battle, you can imagine the effect this would have on Mrs. Thatcher.``

Interest Rates. Regan expects a ``spirited dialogue`` on this subject. He summed up Europe's complaint this way:

``They think we have a tight monetary policy and a loose fiscal policy.`` Here is how the U.S. will respond:

\* You cannot prove there is a link between high deficits and high interest rates. Regan cites numerous times when deficits were high and interest rates were low.

\* The Reagan administration is trying to reduce the deficits, but Democrats in Congress are resisting.

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\* Inflation in the U.S., which was No. 1 on the Europeans' complaint list last year in Ottawa, is dropping.

\* Not all of the countries represented at the summit can make the claim that their deficits are as low as 3 percent of the Gross National Product.

\* ``Getting interest rates down in the U.S. is not a panacea.``

\* And finally, Regan adds: ``People who live in glass houses should not take a bath--or something like that. We're not telling Mitterand that we think nationalization is for the birds. We're not telling Margaret Thatcher that inflation is up in her county.``

East-West Credit. Regan indicated the U.S. has already abandoned hope of making any progress on this issue in the formal meetings. But he says it will be discussed ``in private among heads of state.``

``Our emphasis will be on limiting long-term credits,`` he said. ``Let's face it, we don't come with clean hands. We're still trying to negotiate with them (the Soviets) for the sale of grain. True, that's cash and carry. But it's not entirely different.``

He said the Buckley mission was ``making some headway`` until the French discovered they have an existing agreement with the Soviets that will not increase interest rates or the down payment required for borrowing money.

As for credit to the Soviet bloc, Regan said, ``there are many who want to differentiate between countries.`` Right

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now, he said, Hungary is eligible for loans through the IMF. Romania's debt is due to be rescheduled. And as for Poland, "From a defacto point of view, they are in default right now. They are not getting any new loans, so the consequences of defacto default are there."

Regan personally sees merit in the argument that the West ought to offer the Polish people massive amounts of money in an effort to lure them into the Western sphere.

Pipeline. The new government of Norway has expressed a willingness to share its gas resources with Europe. U.S. officials hope to convince the Europeans to rely on Norway instead of building a second pipeline with the Russians. Regan indicated it's too late to halt the first pipeline.

Foreign Investment. The U.S. will call on all the summit participants to negotiate a set of rules for controlling foreign investment just as they control foreign trade under GATT. "We know we won't settle it here, but you have to start somewhere," said Regan.

Intervention in foreign exchange markets. On this subject, Regan said, the other countries are accusing the United States of adopting a policy of "benign neglect."

"How could you ever intervene to make a strong dollar weak, or a weak dollar strong?" asked Regan. In fact, he said, the Reagan administration has intervened in the market four times--when the President was shot, when marshal law was imposed in Poland, when Sadat was shot and when the French nationalized several industries.

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In response to criticism, the United States will propose a massive study of intervention.

Mitterand's idea. In a paper already distributed to the summit participants, Mitterand is proposing that the U.S. and the European nations join together in a cooperative research and development effort with the objective of beefing up certain infant industries that show great trade potential. This proposal is based on a Japanese model.

Regan did not dismiss this idea out of hand, as expected. He said there might be room for cooperation in such fields as genetics and nuclear power.

Trade. "We're going to come down strong on too much protectionism," said Regan, who promptly conceded that the U.S. has resorted to protectionism to save the sugar and auto industries. "But we think we have done a lot less protecting than they do."

Japanese markets. Regan says there will be "great disappointment" among the summit participants if Japan fails to produce a list of import items eligible for lower trade restrictions.

Personnel. The President will be accompanied in the summit sessions by Regan and Haig, plus one notetaker-- either Clark or Baker. (Meese is cut out.) Regan's spokeswoman, Ann McLaughlin, says that Regan will do most of the briefing of reporters at the summit and Haig will take this responsibility at the NATO meeting. She adds off the record that Haig seems willing to take a back seat at

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the summit as long as Jim Baker does so too.

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