

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Fritz, Sara: Papers
Folder Title: White House Notes – July 1982
(1/2)
Box: 3

To see more digitized collections visit:

<https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:

<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

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

FROM: RAK

RE: Background-only_ivu_with_David_Gergen

Shultz. Gergen believes it is inevitable that NSC adviser Clark and Defense Secretary Weinberger will play a larger role in shaping foreign-policy decisions in the weeks ahead. Clark's power has steadily increased in recent months and he now advocates positions on issues more regularly.

This shift in control from the State Department to the White House will be only temporary, in Gergen's view, because Shultz will assert his views firmly once he settles into the new job. Shultz "will be very firm in his advice. He won't shilly-shally or be inhibited simply because his views differ from other people around here." Gergen pointedly notes, however, that if Reagan rejects Shultz's advice in making a decision, Shultz will--unlike Haig--dutifully carry out the President's order. Shultz "is quite diplomatic, not given to flamboyant statements." And Gergen believes Shultz, Clark and Weinberger will see eye to eye more often than was the case with Haig, particularly on Mideast policy, where all three men want a tougher line with Israel than did Haig.

Shultz's imprint also will be felt on the administration's overall economic policy. [Whisper?] Shultz is chairman of

(MORE)

the group of outside economists who sometimes had more influence with Reagan than did Regan, Stockman and Weidenbaum. The President has great respect for Shultz's economic views, says Gergen, even though he is more a traditional Republican economist than a supply-sider. Shultz will side with those who are putting pressure on Reagan to do more to cut the deficit.

While Gergen stresses that there will be no sudden shifts in U.S. foreign policy, he agrees that there will be a conservative tilt, at least in the short term, brought on by the new national-security team. The shift toward the right will not become apparent through reversals of policies already in place but rather through new decisions that Reagan will have to make in the weeks ahead.

Gergen cites the administration's China policy as an area in which Reagan may take a more conservative stance because of Haig's departure. "I think you will see [more of] an appreciation of Taiwan." Gergen insists there will be no "basic change" in U.S. policy toward China but he suggests that Reagan's rhetoric may become more pro-Taiwan. When I asked how it would be possible for Reagan to change his rhetoric without having Peking perceive a change in U.S. policy, Gergen shrugged off the question. The President seems to think he can have it both ways--declare his support for Taiwan and at the same time maintain closer ties to Peking. In Haig's view, such an approach would be sheer folly. But Gergen says that Haig's view on China was

(MORE)

not always the President's view. "Some people [among conservatives in the White House] were fearful that Haig was going to seek some change to undercut the Taiwan Relations Act." Such a change will not occur now, says Gergen.

Reagan clearly demonstrated during the 1980 campaign that he can wreak havoc from his ambivalence on the China issue: He can't give up his longstanding support for Taiwan but he also wants very much to enlist the support of China as a check on the Soviets. This is an issue to watch.

START. The administration has no official or unofficial timetable for trying to achieve progress in the START negotiations. No progress is expected for the rest of this year as both sides posture for public consumption. Reagan does, however, want to avoid trying to ratify an agreement in an election year (1984). Gergen says Reagan wants an agreement that could be ratified in 1983. Otherwise, the White House might be inclined to delay any agreement until after the presidential election in November 1984.

Interest rates. There is little the White House can do if interest rates do not come down in the weeks ahead, says Gergen. Reagan would never go along with credit controls or wage-price controls. Treasury Secretary Regan is telling the President that interest rates will fall a few points by the end of the year. The latest in-house prediction is that the recovery will start slow and gradually pick up steam toward the end of the year. "We're not going to see

(MORE)

whomping big numbers for awhile, but they're over the horizon if we don't panic."

Reagan has decided that administration criticism of the Federal Reserve Board has been counterproductive because it has only heightened uncertainty on Wall Street. Thus, no more trying to blame interest rates on Paul Volcker.

Donovan. Although Gergen and Jim Baker were the senior White House aides who most actively promoted Donovan's resignation, Gergen now defends the Labor Secretary's reputation and says he does not expect him to depart anytime soon. But he adds, "Donovan's going to give it his best shot now and if he finds in six months that he can't be effective, I think he'll move on." This is only wishful thinking on Gergen's part. Donovan has given no hint that he would be willing to resign in a few months.

(END)

TO: MLS, LT, JF, DR, BPF, JG, GP, LH, DXB, DCB, JWM, S.F.,
PA, PGH, SYM, JLS

FROM: RAK

RE: Background-only_ivu_with_Larry_Speakes

Foreign affairs. Speakes rejects the notion that NSC adviser Clark will become another Brzezinski directing foreign policy from the White House now that Haig is gone. Nevertheless, Clark's influence is increasing, says Speakes. He just doesn't think Clark will take positions on too many issues, that he is more of a manager than an ideologue. "Clark's job will remain more one of making sure all views get to the President."

But Speakes notes that former Air Force Secretary Tom Reed, who has joined the NSC staff full time as a special assistant to the President, also is exerting growing influence on foreign policy. "Tom is the hidden ace down there" (at the NSC) and is "an extreme hardliner" when it comes to dealing with Moscow. Reed is also a Californian and longtime associate of Clark, Defense Secretary Weinberger and the President. All of this points to an even more conservative stance toward the Soviets in the future.

Economic policy changes. "The public posture and the private posture is 'stick by the plan,'" says Speakes. While OMB Director Stockman and Treasury Secretary Regan are studying possible options to bring down interest rates if they don't come down on their own in the next few

(MORE)

months, the President still believes any shift in economic policy would undermine his program, which he believes will cure the economy sooner or later.

Donovan. After a decent interval, the administration will propose changes in the special-prosecutor provisions of the Ethics in Government Act. "In the President's mind, it's a guilty-until-proven-innocent statute," says Speakes. "The slightest complaint sparks a special prosecutor." The administration most likely will seek to tighten the requirements that trigger a special prosecutor. The White House view of the special prosecutor's findings: "The report wasn't great but it wasn't bad."

I also talked briefly with Mike Deaver about the Donovan affair. He explains, on background, Reagan's reasons for keeping Donovan: "The President is a very loyal guy. He remembers when very few people were behind him and he looked out there and there was Ray Donovan" supporting him in New Jersey. Donovan's early and intense support for Reagan explains why he got the job of Labor Secretary in the first place. In Reagan's view, that's the only credential a Labor Secretary needs.

(END)

ST⁰RY:SIMS QUEUE:NRD-NRD MSG:
MA:60 FMT: HJ: INI: OPR:RAK ;07/01,18:15

TO: MLS, LT, JG, DR, BFP, JG, GP, LH, DXB, DCB, JWM, SJF,
PA, PGH, SXM
FROM: RAK
RE: Background-only ivu with Bob Sims

Sims is a special assistant to the President and a senior member of the NSC staff.

Turn to the right? Will administration foreign policy become more conservative without Haig? Perhaps it will over the long term, says Sims, but there will be no sudden shifts. "The view that suddenly the right-wing guys are going to take over is overdrawn."

Shultz. Sims asserts that Shultz, in the long run, will better represent the moderate views of the State Department than did Haig, because Shultz is a team player and more capable of getting things done in Reagan's collegial White House. The hard-liners outside the administration are very unhappy with Shultz's appointment. "To the conservatives he represents the Eastern establishment Republican who is a commercial entrepreneur."

Shultz probably will not be given carte blanche to name whomever he choses to State Department posts, but "he will get people he's comfortable with."

China policy. Sims repeats the view that Reagan does not plan to sacrifice America's relationship with either China or Taiwan. How this balancing act will be accomplished, Sims does not know. Reagan must decide soon whether Taiwan

(MORE)

will be allowed to continue production of American-engineered F5E fighter aircraft, a "cheap" attack plane.

This may be the first test of the administration's post-Haig China policy.

Middle East. While NSC adviser Clark may differ with the administration's Middle East policy as formulated by Haig, Clark is not trying to change it. Clark is leaving the day-to-day management of the Mideast crisis to special ambassador Habib and the State Department professionals.

START. Sims believes the Soviets will be slow to negotiate seriously, in the hope that American public opinion will turn against the administration's arms-control policy.

"The question is, 'Can they [the Soviets] wait us out?'"

Ivu request. Sims has recommended that Clark do the interview with us, and he thinks Clark will agree, but he does not know when Clark will make up his mind. He is in California the rest of this week and next.

(END)

July ³~~A~~, 1982

FROM: RAK - at home
TO: MLS, LT, DR, GP, BFP, SJF, PA
RE: Reagan's Western art

Mike De^Aever gave to the President our list of questions concerning his interest in Western art. Reagan wrote out his answers in long hand at the ranch today (Saturday).

De^Aever's secretary relayed the responses to me:

1. How long has the President been interested in Western art?

Reagan: "I can't exactly say how long. But it goes back quite a ways and was started by exposure to Remington and Russell[?]."

2. Does your interest in horses and riding play a part?

Reagan: "Very definitely."

3. Could you give us some background on the Remington sculpture of the rattlesnake that was moved from the State Department to the Oval Office to accompany the Remington sculpture known as "The Broncbuster[?]"

Reagan: "The rattlesnake was loaned to the State Department and Clem Conger[?] (White House curator) brought it over to the White House with 'The Broncbuster.' 'The Broncbuster' was given to the White House during the Ford administration."

4. Do you own any Western paintings?

Reagan: "Yes, including works of modern-day Western artists, and most of them are at the ranch."

5. How did you ^{CHOOSE} choice the painting, "Pueblo at Taos" for

your study in the private quarters at the White House?

Reagan: "I liked it, and also it seems exactly right for the place where it is hanging."

6. Do you ever like to paint, as President Eisenhower did?

Reagan: "No, I'm a doodler only."

7. Would you like to see increased loans and gifts of Western art to the White House?

Reagan: "Yes. The rattlesnake, of course, is on loan. I must say there are a great many Western masterpieces in the White House on loan--probably enough for a good balance. [u]

8. Do you have any anecdotes about your interest in western art?

Reagan: "A number of years ago when abstract art was at its height, I was convinced that one day people would rediscover western art, which at that time was largely ignored. I went so far as to predict frequently and to anyone who would listen that the day was near at hand. Well, I turned out to be right. But when the day dawned, I realized I'd never put my money where my mouth was. I hadn't bought one good piece of western art when they were in little demand and low priced."

(END MEMO - AR)

STORY:WHO
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;07/07,18:47

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

From: sjf

Personnel Shakeup Soon

White House personnel chief E. Pendelton James, who will step down on June ²⁴ 30, says the Reagan administration is bracing for "one of the largest mid-term personnel turnovers" in history.

He notes that one Cabinet officer and at least 16 original top White House staffers (including himself) already have departed. Since the average tenure of a Cabinet officer is between 20 and 22 months, he expects a mass exodus to begin sometime this fall.

James named six Cabinet members he expects to leave within the next year. Do not attribute this list to James or even an administration official. It includes: Donovan, Edwards, Stockman, Pierce, Lewis and Baldrige. Lewis and Baldrige might be candidates for other posts.

Both Lewis and Baldrige would be qualified to take over Stockman's job, said James. If Jim Baker decides to step down, he said, the two logical candidates would be Lewis and Clark--Drew Lewis or William Clark.

James expects a bigger-than-normal turnover, he says, because most of the Cabinet members came from "successful, high esteem careers" in private industry and many are anxious to get back to their previous line of work. (In other words, they want to earn more money.)

A number of administration officials will be offered the

(MORE)

option of moving to a different job, says James. As in the case of George Shultz, many vacancies will be filled by people who were passed over in January, 1981.

James was more reluctant to predict departures from the White House staff. He thinks Meese will stick around despite recent stories of his fall from glory. Although Deaver still insists he's leaving, James thinks the President might prevail upon him to stay.

Who's up, who's down. The following assessment is my own, based on conversations with White House staffers in the past few months:

Cabinet Members

__Most influential: Donald Regan.

Least influential: James Edwards.

White House Staff

__Most influential: James Baker.

Declining influence: Ed Meese.

__Rising influence: William Clark.

Most disgruntled: Elizabeth Dole.

Cut out: Domestic Policy chief Ed Harper.

Moving up: Baker aides Richard Darman and Margaret Tutwiler, Cabinet affairs director Craig Fuller, Soon-to-be personnel chief Helene Von Damm and Federalism honcho Rich Williamson, Clark Deputy Robert C. McFarlane.

(END)

July 8, 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 a background interview with Ed Meese:

- o Brezhnev's warning about U.S. troops in Lebanon is viewed by the U.S. as 'bluster.'
- o Meese seems extremely uncertain that U.S. troops will actually be sent to Lebanon.
- o The criteria for lifting the ban on pipeline parts is less firm today than it was two weeks ago.

Lebanon. Brezhnev's warning was 'fairly typical' of the Soviet Union, according to Meese. 'I think what they realize is they've been pretty well eclipsed in this whole thing, and this is just bluster.'

Chances of obtaining a cease-fire in Lebanon are only slightly better than 50-50, says Meese. Thus he sees even less than a 50-50 chance that U.S. troops will actually wind up in Lebanon. 'I don't know whether we'll have to put people in there or not,' he says. 'I think it was a matter of showing our good faith--that we would make almost any effort to get this thing moving along. We can't allow them to stay in there, but we don't want the Israelis to rout them out--house by house.'

In deciding to offer U.S. troops, according to Meese, administration officials weighed the risk to American lives against the need to make a 'gesture' of good faith. He said, 'Humanitarian concerns' were uppermost in President

Reagan's mind when he agreed to the move.

Meese acknowledges that the U.S. mistakenly thought it had a commitment from Begin not to enter Beirut. In retrospect: 'We do not necessarily feel that in Begin's mind it was a commitment, though I think it was pretty generally taken as a commitment here.'

Poland. What must the Polish do to cause President Reagan to lift the ban on pipeline parts? Two weeks ago, Meese listed three specific criteria for lifting the ban. Now he says: 'We have never made specific ultimata (a word which he says is the plural of ultimatum). We haven't made up a formal quid pro quo.'

Blair House. Meese denies that the White House is thinking to renovate Blair House as a first step toward a new renovation of the White House. This scenario was suggested in a memo earlier today by RAB.

Reagan's Pension. Meese says that President Reagan is not violating the Constitution by accepting a pension from the state of California while he is in office. He says the prohibition in the Constitution against outside 'emoluments' was never intended to cover 'a vested right.' He notes that the President's pension 'cannot be raised or lowered to influence him in any way.'

(END FILE - JNM)

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

From: sjf

* The following items come from a background interview with Robert Sims of the NSC staff:

* President Reagan will reciprocate in some manner if the Polish ease martial law on July 22, but chances are slim that the pipeline sanctions will be lifted so soon.

* Reagan will announce his decision on the Law of the Sea Treaty before Saturday. Sims indicated that Reagan will not sign the treaty.

* Asked whether Bill Clark is a ``traffic cop or a real foreign policy adviser,`` Sims replied: ``Traffic cop.`` He says he prefers the term ``consensus seeker.``

Poland. ``The issue of reciprocating for movement (in Poland) is still very much alive,`` said Sims. ``If there were movement--and I don't know precisely what it would take--we would want to reciprocate. But there are ways to reciprocate other than lifting the pipeline sanctions. I'm skeptical that they will do enough to make us lift the pipeline sanctions. But they might do enough for us to take a couple of reciprocal actions that would set the stage for lifting the sanctions.``

He could not say what reciprocal steps could be taken short of lifting the sanctions. Pressed on what kind of movement Reagan is looking for in Poland, Sims repeated all the usual items plus one new one--``asuccessful visit of the Pope.`` He also mentioned the U.S. would like Polish

(MORE)

leaders to set a meeting to begin rescheduling their debt.

Officially, there are three things Reagan wants from Poland: (1) an end to martial law, (2) freeing of prisoners and (3) a renewed dialogue with Solidarity. But another NSC staffer told me a week ago that they would be satisfied simply by efforts to reschedule the debt.

Sims was quick to knock down several so-called "misconceptions" about Reagan's sanctions on the pipeline parts. One, he said, is the theory that Reagan now intends to lift the sanctions because the Europeans balked and because the OECD raised interest rates on export credits to the Eastern bloc. He said the President "is not seeking an excuse" to lift the sanctions. "The other misconception is that he extended the sanctions because he thinks economic warfare is the way to go," said Sims. "Both of those views are incorrect."

Law of the Sea. Sims says the Law of the Sea decision will be announced in California--probably Saturday--but there will be a briefing on it on Friday at the State Department. He said the decision would be consistent with Reagan's long-held views on the subject. He cited this decision in response to a suggestion by me that Reagan's method of making foreign policy decisions promotes inconsistency.

How the NSC Operates. Clark briefs President Reagan on foreign developments every morning at 9:30 a.m. Clark gets his own briefing from aides--McFarlane, Poindexter and Reed--at a meeting around 7 a.m. There are three types of

(MORE)

information the President receives from Clark: (1) an updated summary of events around the globe, (2) briefing material on a particular pending issue or (3) "talking points" to be used when the President is meeting with a foreign leader that day. Obviously, he does not get all three types of material every day.

Sometimes, Clark is accompanied by an expert on a specific topic. More often he is accompanied by McFarlane. There have been reports that the President sometimes sees slide shows depicting certain world problems. Sims could not confirm these reports.

Some "routine" decisions are made when the President meets with Clark, but no major decisions are made until Reagan has heard the decision thrashed out at a National Security Council meetings. Under Clark, said Sims, the council is meeting "more frequently, with more substantive issues before and more decisions made."

The National Security Council staff numbers 100, but only one-third of them are foreign policy experts. The rest is support staff. Perhaps as many as 10 people have been fired or reassigned since Clark took over, but Sims went out of his way to confuse the numbers. Among the new people are Clark's two top guys--McFarlane and Reed.

The NSC staff is organized into three clusters. (Sims showed me the organization chart, but refused to let me have a copy of it--even that is somehow sensitive.) Don Gregg, an Asian expert, heads the planning and intelligence

(MORE)

section. But Gregg is going to "a higher level job" as national security adviser for George Bush. (This does not sound like a higher level job to me.) He will be replaced by Gaston Sigur. Reed originally headed the defense group, but he has been freed for special projects and the job has been given to Richard Bovary, a retired Air Force officer. Norman Bailey, an East-West trade expert, heads the policy group. Clark's initially appointed Claire Both Luce and William F. Buckley as consultants to the National Security Council, but Sims says they do no consultanting.

The option papers that Reagan uses in National Security Council meetings are similar to the ones prepared by the domestic policy staff. For example, the paper on pipeline sanctions listed three major options: (1) to continue the ban and extend it to goods made by foreign subsidiaries of U.S. companies, (2) to simply extend it and (3) to lift it. Option No. 2 had a sub-option: To extend the ban and exempt the Japanese.

Sims was quick to added that Clark seldom advises President which option to select. Instead, Clark makes certain that all sides are aired at the National Security Council meeting. But he said that Clark has "insight" into Reagan's thinking. Often, Clark is able to predict what the President will decide on an issue. "He reflects the President's views. They have such rapport."

Clark interview. Sims seems optimistic that Clark will agree to an interview. Sims is trying to arrange it for

(MORE)

early next week so that we can use it in our foreign policy package.

(END)

SJF-RAK

STORY:CASTRO
MA:65 FMT:

QUEUE:MULLIN-DPM MSG:
HJ: INI:

OPR:DPM ;07/09,15:32

July 9 1082

To: LH

From: DM

WAT, DNX and I had lunch with Dean Fischer, who blames Judge Clark for engineering Haig's demise, and called him: "The most ambitious man in Washington," who within months will be, "the acting President."

Dean says that Haig fully expected to stay on in an operational capacity at least to see the Lebanese crisis through. "From the beginning it has been entirely Haig's show," he said.

Last Monday evening Secretary designate Shultz who has known Haig for years, called the General and told him that his services would no longer be required.

Later on the same evening Reagan called and it was a warm conversation according to Fischer, in which the President thanked Al for his services and wished him well.

Why did Shultz make the call? "Ask Judge Clark," Fischer said. Dean believes that Clark was never converted to Haig's side, that he represented the White House throughout his period at State and that he is the "most ambitious man in Washington."

At the moment Clark is running foreign policy, in Dean's view. Habib is reporting to Stoessel who reports to Clark. And Dean believes that in a few months Clark will be virtually "acting President." There is a good deal of bitterness in Fischer at

(MORE)

the continuing ``stomping on the grave,`` that the White House is engaging in after the fact of Haig's demise.

The Secretary felt that the end was inevitable, ``from January 21 1981,`` and it was a constant accumulation of policy disputes that did it in the end. ``On almost every issue the Secretary had to bring the President from the ideological fringes to the center,`` Fischer says. He feels Haig won all the battles except the grain embargo, the Soviet pipeline and the neutron bomb.

Fischer complained about the way that Clark adroitly used the media. He was well known at State for his accessibility, and now Dean is implying that Clark was out to get the Secretary.

This came on top of the constant sniping from the White House. Fischer complained that the press failed to check out the accuracy of the deliberately insidious anti-Haig leaks.

For example, he denies that Haig ever complained about his treatment on the European trip. Dean says that Haig never raised the questions of seating on the airplane or the protocol issue.

Haig was counting on intimate contacts with a small group of reporters to protect him in the infighting with the White House. He refused to respond in kind, and ordered his staff not to lower themselves to fighting back.

Haig is now in Houston in the hospital for his annual checkup (not to have the holes in his back plugged as has been suggested) and will be returning to Washington.

He owns a house in Maryland out Massachusetts Avenue and hasn't decided yet whether to return to private industry or to go the lecture and book circuit. Politics are definitely out for the

(MORE)

near term.

So far Shultz is just starting to settle in. He has requested Fischer's assistant Raymond Seitz to become his top aide, or executive assistant and has asked one of Haig's secretaries to stay on, but beyond that nobody knows what will happen.

Eagleburger has also agreed to stay on but it is unclear for how long. No other appointments have been made. Bemoaning the brutality of Washington politics which Fischer believes cost a honorable and competent Secretary of State his job, Dean says, "I hope that Shultz is a strong man or they will run right over him."

Fischer said he has not yet talked with Schultz and, thus, hasn't made any decision on whether to stay on--or, probably more precisely, whether he'll be asked to.

(END)

STORY:WHU2
MA:60 FMT:

QUEUE:SJFX-SJF
HJ:

MSG:
INI:

OPR:SJF ;07/12,17:13

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

From: sjf

The following comes from two separate sessions--one on the record and the other on background--with Rich Williamson, assistant to the President for intergovernmental affairs.

* A compromise Federalism package, providing for a 38 billion dollar program swap between the states and the federal government, will be unveiled on Tuesday.

* The President has assured his staff that he's going to run for re-election. "Ronald Reagan will seek re-election. We are all under guidance to work on that assumption."

* The November election outcome will depend on the state of the economy on Labor Day.

Federalism. Here's how the "swap" breaks down: The federal government picks up 18.4 billion dollars in medicaid payments now paid by the states and establishes a trust fund using 11.6 billion dollars in federal excise taxes and 8 to 9 billion dollars in general revenues. The states assume 8.1 billion dollars in AFDC payments and categorical grants totaling 30 to 31 billion dollars. (See attached chart.)

Food stamps and windfall profits tax are no longer part of the mix. The categorical programs involved in the swap include job training (2.8 billion dollars), water and sewer grants (125 million dollars plus 275 million dollars in loans), community development (3.4 billion dollars), waste

(MORE)

water treatment (2.4 billion) and revenue sharing (4.5 billion). Figures are for fiscal year 1983.

The biggest unresolved issue: Whether to continue the present system of using AFDC payments to determine food stamp eligibility. Since people get more food stamps in states where AFDC payments are low, this discourages states from raising AFDC payments. But by unlinking the two, thus moving toward a national standard on food stamps, the federal government would have to pay out an estimated additional 3.8 billion dollars.

Williamson acknowledges that the plan cannot be passed this year. He says it will get a good reception in the Senate, but not in the House. It will be reintroduced in the next Congress. Education groups are expected to lobby hard against it.

Urban Policy--On background. Williamson complains that everyone on the White House domestic policy staff became "a Pontius Pilate" after the leak of the controversial report on urban policy. Ed Harper declared that "nobody in my office read that report," even though Harper's people were deeply involved in drafting an urban policy. This is a report that was supposed to have been submitted to Congress in February. Williamson views it as another measure of how bad Reagan's domestic policy staff has gotten under Meese.

He acknowledged that the urban policy leak created "a great wariness toward President Reagan" among governors and mayors, especially coming on top of so many budget

(MORE)

cuts. But he adds: ``The budget cuts last year would have happened whether or not Ronald Reagan was President.``

In 1980, federal funds now make up about 17 percent of the average city budget. This compares to 2 percent in 1970. Although the President thinks some federal programs for cities were unproductive, he has continued to fund others such as UDAG and revenue sharing.

Politics. On background. Williamson predicts that the GOP will pick up seats in the Senate, and lost fewer than normal in the House. ``I am confident that we will do better than the historic average,`` he said. But he adds that the Republicans are going to take a beating in the gubernatorial contests. He predicts that Reagan's popularity will climb into the 50 percent range by fall.

(END)

TRUST
FUND

* 1.1 B

8 B
gen Revenue

11.6 B
Fed Excise

18.4 B
state share
Medicare

CATEGORICAL GRANTS
230 B

8.1 B
AFDC

Handwritten notes in a box, possibly including "18.75" and "1000000".

VEDG
21 B

Handwritten notes in a box, possibly including "11.0" and "1000000".

Handwritten notes, possibly including "1300 B" and "CATERPILLAR".

15021

4 1/2

+ 38 B

NY:GERGEN
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:

INI:

OPR:SJF

;07/15,09:59

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

From: sjf

The following items come from a background interview with

David Gergen:

* Emphasis on the Palentinians was inserted into Shultz' confirmation statement at the White House.

* The White House is threatening dire consequences if the Israelis enter Beirut. "It would be an unfortunate turn of events in Israeli-American relations. People on the Hill would blow a gasket."

* Gergen predicts the President will go for a short-term extension of the U.S.-Soviet grain deal. The Cabinet will discuss it Thursday.

Middle East. Gergen acknowledges that this is not the first time the Reagan administration has threatened to get tough on Israel. "He's (Reagan has) stopped short of pulling out all the stops."

Habib has not given up yet in trying to arrange a ceasefire. Syrian and Saudi ambassadors scheduled to come to the White House later this week have postponed their arrival until next week. Apparently they will be stopping off at a meeting of Arab nations.

Gergen admits some White House officials wish Reagan had never offered to send troops. "The President doesn't see it that way, however. For better or worse, we bought some time. My guess is he would do it again knowing what he knows today." Clark was not entirely responsible for the

(MORE)

recommendation. "Haig's fingerprints are on that troop proposal too."

Grain. The President has little choice but to extend the grain agreement. Without it, Gergen says, the Soviets could buy whatever they please. But everyone at the White House argues that there is no inconsistency between selling grain and embargoing pipeline parts. The Soviets can buy grain elsewhere, but they cannot get the grain elsewhere. The pipeline earns them money; grain purchases cost them money.

NSC Staff. Herewith is Gergen's assessment of the top people on the National Security Council staff:

* Bud McFarlane: A "shadow" NSC chief. "Clark looks to him for advice. Extremely guarded, reserved, taciturn, deliberate. Experienced. Conservative. He knows the Hill, the State Department and the issues." McFarlane helped draft the 1980 GOP platform, particularly the plank on arms control. Arms control has been his specialty at the White House too." He previously worked for Brent Scowcroft. He acted as a broker between State and Defense to work up Reagan's arms control position as outlined in the Eureka speech.

* Tom Reed: "An unknown quantity. We don't see much of him around here." A Californian who supported Ford in 1976. "He's whispered as a possible successor to Clark if Clark becomes chief of staff. But a lot of us don't think it will happen—that Reed will replace Clark." Reed's infamous policy review was "a valuable exercise," but the

(MORE)

results were inadequate. "It was very general in nature. A number of people thought it had many weaknesses. It restated the obvious. Plus he didn't balance anything off against the cost."

* John Poindexter: Joined the NSC staff under Allen and moved up when Nance left. Poindexter is McFarlane's alter ego. "They are almost interchangeable." Both work long hours. "A quiet operator--reserved."

Gergen says the NSC staff is expanding its domain, taking over space, international economics and other matters.

(END)

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

RE: Background-only ivu with Larry Speakes

Iran-Iraq war. The CIA is advising Reagan privately that the Iranians "are going to go right through to Baghdad and lay seige to Baghdad." The Iranian objective is not to conquer territory but to "get a new guy" installed as Iraq's leader. "The whole fear is the religious business," says Speakes. "If [the Iranians] get the Shiites in there, you'd have two countries dominated by radicals." That prospect, of course, is what is worrying the Saudis. The administration is trying to reassure Saudi Arabia but Speakes does not believe the U.S. has promised any additional military aid, although that is a possibility for the future.

Economic warfare with Moscow. At a cabinet meeting this afternoon, Reagan did not make a formal decision on a new grain deal. The subject will be taken up on Friday at a meeting of the National Security Council. Speakes predicts Reagan will approve a one-year extension of the current grain agreement. "The President's got his mind pretty well made up on this thing. He would just like to get a little something from the Soviets" in exchange for extending the deal. Reagan probably will finalize his decision at the Friday meeting but Speakes does not believe the decision

(MORE)

will be announced publicly. To be as low key as possible about the decision, the administration will just extend the agreement without a formal announcement.

Speakes confirms that the White House has softened its position on the Soviet gas pipeline. Reagan would lift the sanctions against Moscow "if we could see any sign of improvement" in Poland. There are new rumors, Speakes claims, that political prisoners may be released. Speakes has been directed to put out the word that the three conditions spelled out earlier by Reagan for lifting the sanctions--lifting of martial law, release of prisoners and dialogue with Solidarity and the Church--"is not an all-inclusive thing, that all three don't have to be met." Earlier, the White House insisted that all three provisions would have to be met before Reagan would lift the sanctions. Reagan has mentioned in recent days how impressed he was when Nixon was able to increase Jewish emigration from the Soviet Union by quiet diplomacy and secret messages to Brezhnev. He is not aware, though, of any private communication between Reagan and Brezhnev on the Polish situation. Speakes also notes that Caterpillar Tractor Inc., which stood to make a lot of money on the pipeline, is in House Minority Leader Bob Michel's district.

Attitudes toward Israel. Re American public opinion:

"There's still strong support for Israel but at the same time opposition to the invasion. Israel's tactics are

(MORE)

perceived as much too severe." Television network news, with its poignant stories of civilian deaths and devastation, is having a strong impact on American attitudes, says Speakes.

In Congress, attitudes have changed considerably, says Speakes. He illustrates his point by saying that in a meeting with Reagan earlier this week, Senate Foreign Relations Committee Chairman Percy told Reagan, "We're sick and tired of these Israelis leading us around and dictating our policy. This has got to stop...They must be told that if they go into Beirut it will do irreparable harm to their relations with the U.S." Percy was particularly incensed over Israel's use of American-made cluster bombs. In the same meeting, Representative Jack Kemp spoke up in support of the Israeli invasion, but his views were in a minority, says Speakes.

Have Reagan's views toward Israel changed? "The President has been pretty well convinced that the initial invasion was justified, but I don't think he will ever be sold on the push to Beirut." Reagan believes that "without a strong Israeli presence in the Middle East we [the U.S.] would have to invest American troops and equipment to protect our interests."

PLO. Is the U.S. moving toward direct relations with the PLO? Speakes does not believe any change is imminent. The administration will continue to have the "virtually direct" contact with the PLO that has gone on during the

(MORE)

current negotiations by Phillip Habib.

NSC staff. Speakes offers the following descriptions of NSC aides:

* Judge Clark: Speakes describes Clark's influence by noting that "the President was more personally involved on this Lebanon thing than he has been on any foreign issue."

* Fud McFarlane: "Cautious, detail-oriented, a Marine, known as a Haig man. Clark relies on him a lot but he's not a great thinker on foreign policy."

* Tom Reed: "A hardliner, rough, gruff, as anti-Soviet as any one down there (on the NSC staff); a rising star, close to Clark; his influence is rising."

* John Poindexter: "A hardline version of McFarlane, very cautious but very opinionated."

* Richard Pipes: "The most philosophical member of the staff and takes the hardest line with the Soviets." (Note how often Speakes uses the term hardline in describing these guys.)

* Henry Nau: "Young, thoughtful, not high up on the totem pole."

* Roger Fontaine: "Extremely young and inexperienced, not much perspective."

(END)

STORY:CLARK
MA:63 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;07/14,21:53

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

From: sjf

The following comes from a background interview with William Clark, the President's national security adviser:

Clark used the interview to explain in excruciating detail his side of several reported clashes with Al Haig. He refused to deal with concepts, and demanded examples to back up all our questions. Then he picked apart our examples. Even some of our examples were too general for him. When I mentioned "the pipeline decision," he replied: "Are you referring to the sanctions of December 29?"

It appears he granted us an interview simply to set the record straight about his encounters with Haig. At one point he said: "This is important that it comes out close to what we feel that the facts are."

Reagan's Foreign Policy. The Reagan administration has avoided a Mayaguez or a Bay of Pigs. "This is some evidence that his policy in foreign affairs is working," says Clark. He then knocked on wood.

Decisions are not made in a rush. Even the decision to offer U.S. troops to Lebanon was the result of careful study. "Ronald Reagan didn't in a phone call say 'Get those guys in there tonight.' It was terribly well thought out." He says Reagan made his decision on the basis of a 17-page memo from the Bush's working group with a cover memo prepared by Bud McFarlane.

State vs. White House. Clark claims to have ended all

(MORE)

rivalry between the White House and the State Department. Prior to his arrival at the White House, there were accusations that cables were delayed up to three days between State and the White House. "The area of communications hasn't been a problem." He and Haig agreed last January that the NSC would be strictly "coordinators and communicators." He adds: "We simply do not make policy out of here."

But he admits officials at State might become disgruntled when the President decides against their recommendation. State is supposed to make recommendations. The President must decide between recommendations. "That isn't rivalry," says Clark. "It may be sour grapes. If there is someone on the fifth floor (at State) who's year's work is rejected, there will be disappointment. But I don't call that rivalry."

Clark's Role. Reagan never makes a decision based solely on Clark's advice. "I'm not in a role of leading anyone anywhere. If the system works, he bases his decisions on a synthesis of a lot of views and no one person. There simply isn't a Sherman Adams opportunity around here where someone goes in with a note and says, 'Mr. President, you've got to do this.' This way we spread the knowledge, we spread the risk." He said the system is based on the system he devised for Reagan's California cabinet, which was patterned on Lyndon Johnson's White House."

Does Clark make policy recommendations? "When the

(MORE)

President leans over and says 'Bill what would you do?' I will give a recommendation. Short of that, no. I give none. Not any more than I would before a jury as a judge. I just feel that it is beyond my province to tilt among the varying views.'" Here, he says, he's referring to issues that "have peaked out, that must be decided following an interagency workup.'" He says he runs NSC meetings like his courtroom, and that includes setting time limits on each speaker. If he took a position at these meetings, he says, it would spark "rivalries and back-channels."

The President sometimes seeks Clark's views without expressly asking. "He can do it in a glance or an expression.'" When was the last time Clark offered a recommendation? Just today at their 9:30 a.m. meeting, he says, the President accepted Clark's advice to accept all nine unanimous recommendations made by the working group on the Iran-Iraq situation.

Not even with a vacancy at State does Clark admit to a greater role. He says he has dealt with Stoessel and Eagleburger precisely as he did with Haig.

Clark has delivered only one public speech--"after consulting with Cap and Al.'" Why? "The President was not available to announce his own strategy paper. He asked me to announce that and I did.'" (Judging from Clark's speech, Reagan decided there was nothing to announce.)

Ambassadors. Although Clark claims to have "a self-imposed rule" against dealing directly with ambassadors,

(MORE)

be admitted to breaking it numerous times. "I got to know 40 of them on a first name basis while at State. It was very difficult to not answer their calls when I came over here. My explanation of course was that "it simply won't work if we have two State Departments"."

(Off the record, Clark says he had two direct lines removed from his telephone when he arrived--on going to the Israeli embassy and the other to the Soviet embassy.)

Now, for some of the exceptions to his rule: At Haig's request, he talked to British ambassador Henderson several times during the Falklands crisis "to reassure him of our position--that we were in step with State." He also saw the Argentine ambassador once, but "only after talking to Enders and, of course, always reporting back." Another exception: During the early stages of the Lebanon crisis, he spoke to the Israeli and Saudi ambassadors after "touching base" with Veliotis at State. (It should be noted that if these ambassadors themselves had not sensed a rivalry between State and the White House, they might not have asked for a meeting with Clark.)

Clark and Saudi Ambassador. "Let's be candid with each other," said Clark. "When did you first hear about that?" Answer: After Haig resigned. Clark then summarized what happened in great detail. Here's his story:

The ambassador's wife sought an opportunity to meet with Mrs. Reagan to present a letter signed by the wives of five Arab ambassadors. Clark cleared it with Veliotis at State,

(MORE)

who advised him to attend the meeting. During the 20-minute meeting in the Reagan's residence, the ambassador's wife asked if her husband could come over the next day. Clark cleared that with Veliotis too. The ambassador visited with Clark for 10 minutes, pleading "please stop the bloodshed." The ambassador made an unscheduled stop at the White House two days later following Reagan's meeting with Begin. He assured Clark that his wife was not going to participate in a protest outside the White House. The subject of an Israeli pullback came up. A day later, Habib got word from Saudi Arabia that Clark had discussed a possible pullback with the Saudi ambassador. Veliotis told Habib to disregard it. "So that's all there was to it."

Pipeline. Clark got very defensive when this subject was mentioned. "To call that institutional rivalry would be stretching the hell out of the concept," said Clark. He insisted that the State Department never recommended lifting the sanctions and the President never even hinted that he might do so. He then repeated the whole history of the pipeline sanctions. His answer was so detailed that I got the impression that he'd recently spent time re-reading the history himself.

He began his tale back in December. He noted that the President was on the West Coast at the time the issue first arose. Vice President Bush chaired the White House group that dealt with the subject. State was represented by Stoessel, not Haig. The group recommended unanimously

(MORE)

"that we do what we can forthwith" to respond to martial law in Poland. One option was sanctions on pipeline technology. The State Department put forth that recommendation. The question of foreign subsidiaries was deferred. Then Haig met with Groyenko and predicted afterwards that there would be "a thaw" in Poland before summer. But no thaw occurred. Buckley was sent to consult the allies prior to Versailles. Baldrige wanted to roll back the sanctions; Weinberger wanted to extend them. But it was decided to put the issue on hold until the President returned from Europe. "At no time was it suggested by Buckley, Haig or anyone else that what we do would be conditioned on what we received (at Versailles)--conditioned in the strictest sense," says Clark. "(We decided) We'd look at atmospherics and decide when we got home."

But the President never gave any impression he might lift the sanctions. "His hints--and they were stronger than hints--were strong enough to tell anyone in that room, including Al, what he would do if there were not very strong points out of Versailles and or reconciliation in Poland." He denied that the meeting three weeks ago was scheduled intentionally on a day when Haig would be out of town. "Unless it's for the convenience of the President we aren't going to reschedule meetings," says Clark.

At the meeting, State recommended against extending the sanctions to cover foreign subsidiaries. But State did not recommend lifting the sanctions. It was not "a hotly

(MORE)

fought" decision. "The President pretty well did what he said he was going to do." The announcement was held off four hours to allow State to notify the allies.

Clark sees only one problem in handling of this issue. He says State and ICA were slow to properly explain the President's rationale to "the media world." (It should be noted that NSC staffers who briefed reporters in the White House press room also were unable to explain it. When asked how this decision squared with lifting the grain embargo, an NSC staffer standing at podium simply shrugged.)

Lebanon. At first, Clark referred to this as an "invasion," and then quickly corrected himself. He settled on "combat action or defensive action." Clark brought this subject up to show that Haig almost always got his way. "Starting on day one, the only recommendation that the President did not accept in that whole chain of events was Al's recommendation at 6 o'clock one morning to me that he leave the trip at Bonn and go to the Middle East. There is still some question whether he phoned Begin or Begin phoned him. It doesn't make any difference--it did then, however."

When Clark told the President about Haig's desire to go to the Middle East, Reagan asked: What could he accomplish? Clark then suggested that a working group headed by Bush back at the White House look into it. Reagan deferred his decision until the working group made a recommendation.

"Al was pretty adamant that he go there, but the President

(MORE)

decided against it." One fact that shaped the President's decision: Habib threatened to resign if Haig showed up.

Shultz. Clark's relationship with Shultz will be "not different than that with Haig." That is: Direct access 24 hours a day and direct phone lines between their offices. Clark has the same arrangement with Weinberger and Casey. Clark and Haig often talked 10 times a day.

"He's pretty well in step with the President's views."

The statement Shultz made during his confirmation hearings was drafted at State, sent over to the White House. Clark, McFarlane and Reagan read it before Shultz went to the Hill. Clark rejects the view that Shultz' statement put increased emphasis on solving the problems of the Palastinians.

(END)

July 16, 1982

FROM: SJF - White House

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

RE: Shultz's swearing-in

George Shultz was sworn in as Secretary of State in a Rose Garden ceremony that emphasized affability and teamwork.

'George, welcome to the team,' Reagan declared during brief remarks under a hot sun. The President's emphasis on teamwork was interpreted by all as a backhanded reference to Shultz's temper^Amental predecessor, Al Haig.

The President described Shultz as a man who had served three previous Presidents, had been successful in the private sector and won a reputation for academic achievements as well. 'Those who know him testified that he is a man of character and common sense--affable, yet decisive--a man who inspires confidence and leaves no doubt that he is capable of that task confronting him.' Reagan added that Shultz during his testimony before the Senate Foreign Relations Committee had 'sent a strong signal to friend and foe alike.'

The President also dealt with criticism that both Shultz and Defense Secretary Caspar Weinberger have come to the administration from the same corporation, Bechtel.

'Looking for the best,' the President said, 'sometimes one finds the paths of talented men cross. I admit we may be dipping from the same well to find quality people.' Then the President quickly turned it into a joke by noting

that both Shultz and Treasury Secretary Donald Regan are former Marines.

In his remarks, Shultz made what was interpreted as a reference to the Middle East situation when he said: "I think it's essential that we take that coin that has 'problems' as its label on one side and turn it over and see that on the other side is the word opportunities. I certainly want to approach this task fully conscious of the problems, but ever more conscious of the opportunities."

Shultz continued on the President's theme by noting that he was "with friends" in the Reagan cabinet. "I feel the warmth of this gathering--it's a family affair," he said. "It gives me a certain sense of both humility, but also a sense of support."

He noted that he had told the Senate Foreign Relations Committee that he would "muster every ounce of energy, intelligence and dedication that I could and pour all of it into performance on this job." He repeated that pledge to the President.

About 100 guests, most of them present or former government officials, were invited to attend the ceremony. Ice tea and doughnuts were served and a military quartet played chamber music.

(END FILE - JNM)

STORY:BAKER
MA:60 FMT:

QUEUE:NRD-NRD
HJ:

MSG:
INI:

OPR:RAK ;07/20,11:45

TO: MLS, LT, ^{JF}~~SE~~, BFP, DR, JG, GP, LH, DXB, DCB, JWM, SJF,
PA, PGH, SXM, DLB

FROM: RAK

RE: Background-only ivu with Jim Baker

Middle East. The President's decision to suspend new shipments of cluster bombs to Israel is strictly a temporary measure. He may well decide later to resume the deliveries. "It's something the President will have to decide when the time is ripe," says Baker. Reagan's decision was based on the White House view that "it wouldn't be appropriate to send over another shipment" while Congress is considering whether Israel violated U.S. arms-export laws by using the weapons in Lebanon.

Baker makes it clear that the White House is leaving it up to Congress to determine whether Israel violated the terms of arms-supply agreements with the U.S. The administration has been let off the hook by simply notifying Congress that Israel may have used the bombs in violation of American law. The administration took the same position after Israel attacked the Iraqi nuclear power plant with U.S.-supplied aircraft.

Is special envoy Habib making any progress? "It's sorta dead in the water. He can't get anybody to take the PLO," says Baker. Is American support for Israel declining? "Public opinion is still probably in favor of the Israeli position...But it's deteriorating."

(MORE)

Kissinger to the Mideast? It's "just not in the cards" for Reagan to ask Henry Kissinger to engage in new Mideast shuttle diplomacy. Secretary of State Shultz called in Kissinger and a number of other experts to hear their views on the Lebanese crisis, but that is the extent of Kissinger's participation. Baker notes, incidentally, that Habib is a very good negotiator whom Al Haig never wanted appointed special ambassador, because he feared Habib would limit Haig's opportunities for glory. Haig "spent some of his 18 months looking for shuttle opportunities," Baker says wryly.

Interest rates. Baker confirms that he and Ed Meese--but not the President--have talked with Federal Reserve Board Chairman Volcker in an effort to ease the Fed's grip on the money supply. He left us with the impression that the Fed's decision to lower the discount rate was prompted by White House pressure. (Baker may be taking more credit than he deserves. Volcker has never been very responsive to pressure in the past.) Baker's message to Volcker: "If he's in the upper level of the money supply [targets], it wouldn't break our hearts...Or if they went a little bit beyond it (the target ceiling), it wouldn't break a heart." In the past the White House has always stressed that the President is satisfied with the Fed's target range. This is the first time anyone has suggested the range may be too low. The White House is really feeling the heat, as the campaign season approaches, to lower interest

(MORE)

rates and get the recovery moving.

Grain deal. Baker insists that Reagan has not made a final decision on whether to extend the current grain agreement with Moscow, but he has left his top aides with the strong impression that he will opt for a one-year extension. When will Reagan make up his mind? Baker notes that the current agreement does not expire until September 30, so the President doesn't have to decide for two more months. Perhaps he will wait to decide until after reporters stop asking him about it, suggests Baker. This confirms the view that Reagan already has made up his mind but is hedging in order to minimize the political impact here and in Europe of a decision to continue grain sales.

Pipeline. The White House expects some change in the situation in Poland in the next few days. But Baker says he does not know whether the developments will be significant. He hints Reagan may be willing to lift sanctions against the gas pipeline if Moscow complied with only one of his three demands--the lifting of martial law, the release of political prisoners and the resumption of a dialogue with Solidarity and the Catholic Church. He blames Haig for the resentment in European capitals generated by Reagan's efforts to block the pipeline. The Europeans "feel misled" because "State sent an implied signal" during the June economic summit that Reagan would go along with the pipeline in exchange for limits on credit to Moscow. The signal was ill-founded because Reagan never intended to

(MORE)

reverse his opposition to the pipeline, and Haig should have known that if he didn't.

Brezhnev summit. Baker threw cold water on the prospect of a Reagan-Brezhnev summit this October. He has reservations about the idea and offers this rationale: The political benefits to be accrued from such a meeting are very different in an off-year election than they are in a presidential-election year. "If it were a presidential election I'd be red hot for a summit," says Baker. But a summit this year could hurt Republican congressional candidates because "it would turn off the President's core constituency"--the hardline conservatives who oppose all links with the Russians. Republican congressional candidates must rely on those conservatives getting out to vote. A summit, says Baker, is "not an opportunity [for political gain] unless it's a successful summit. An unsuccessful summit is a political liability. You have to go into it knowing it will be successful or it's a political minus."

Balanced budget amendment. Baker believes the amendment will be adopted, that even middle-of-the-road Democrats who oppose it will fall in line because of the political pressures. "When you see Claiborne Pell and Bob Byrd get into something with John East and Jesse Helms, you get movement." Surprisingly, Baker voices some concern about the merits of the amendment. "The only thing that disturbs me is that it puts too many specifics in the Constitution

(MORE)

that I would like personally."

Bohemian Club. Baker sees no political pitfalls in Meese, Shultz, Cap Weinberger and other administration officials trotting off to California for the annual Bohemian bash. He notes that there is "instant communication" to allow these men to keep in touch with the White House while they are romping in the woods. One can only wonder what kind of special equipment--and at what cost to taxpayers--will be installed at the Bohemian retreat for the benefit of administration bigwigs. (Baker told SJF that he himself has participated in the annual event twice, but that he never was invited to join.)

(END)

STORY:SHITE
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:

INI:

OPR:SJF

;07/20,18:38

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

From: sjf

The following comes from two separate background briefings
at the White House on Tuesday:

The ambassadors of Saudi Arabia and Syria brought President Reagan some encouraging ``new ideas`` for settling the mess in Lebanon, according to Nick Veliotes.

Although he refused to be specific, Veliotes said the discussion between Reagan and the ambassadors ``adds a new element of possible movement in the future in the right direction.``

Asked about reports that Iraq and Algeria might be willing to accept the PLO, he replied that it is a ``possibility.``

The so-called ``new ideas`` will be relayed to Habib. He added: ``You have a real problem of opening up too many channels.``

He indicated that the ``new ideas`` were directed at ending the fighting in Lebanon. But he added that there is no way to deal with the Lebanon problem without also dealing with ``the core issue--the Palestinian problem.``

The meeting lasted nearly a half-hour longer than scheduled. Veleotis seemed sensitive to criticism that Reagan himself is aloof from the Middle East negotiations.

``The fact that the President spent so much time on it today is another indication of his commitment.``

Nuclear Test Ban. Bud McFarlane, also on background,

(MORE)

confirmed the New York Times story that the President has decided against resuming negotiations on a comprehensive nuclear test ban treaty.

But McFarlane tried unsuccessfully to put a different spin on the story. He said the U.S. still is seeking better verification procedures under the existing treaty. He sought to portray this as a necessary first step toward negotiating a comprehensive treaty.

(END)

STORY: BREAKFA
MA: 60 FMT:

QUEUE: SJF-SJF
HJ:

MSG:
INI:

OPR: SJF ;07/22,11:48

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

From: sjf

The following comes from David Gergen at the Sperling
Breakfast.

Economic Review. Gergen admitted that the figures coming out next week do not represent a true forecast of future developments in the economy. He says these figures are based on a "consensus" between the administration and Congress, not on economic analysis. Thus, they will be "less precise" than the usual forecast.

Asked what figures the President himself is relying upon, Gergen replied: "The President is relying on the notion that his program will work. There are no separate numbers that I am aware of." (Although it does seem that Reagan is ignoring the numbers, Gergen's statement is not exactly true. Gergen told me on background Wednesday that Reagan's economic advisers are using the DRI estimates.)

Recovery. Gergen refused to describe the new GNP figures as evidence of a recovery underway. He said we are now in a "transition zone." He noted that most of the indicators are not showing any signs of recovery. "There are still some signs that are negative."

Polls. Wirthlin and Teeter are telling Reagan that his job performance rating is on the rise. He cited three reasons: (1) people are finally beginning to see slack in inflation, (2) Reagan is getting through with the idea that he is preserving Social Security and (3) his proposals for

(MORE)

nuclear arms reduction are winning over many people.

Polls show 6 out of 10 people are willing to wait another year for any beneficial impact from the President's economic program, according to Gergen.

(END)

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

FROM: RAK

RE: Background-only ivn with Ed Meese

Meese. The steady barrage of stories reporting Meese's fall from power has left him defensive and tight lipped, his morale sagging. Never known for being open with reporters, he is growing ever less candid. He parrots the official line with a straight face, and the result is that he rarely volunteers anything new or even acknowledges weaknesses or missteps by the White House. He also seems to have less time for reporters than he has in the past. My guess is that Meese is growing ever more dissatisfied with the job, even as he denies that his position of influence has changed one bit.

Pipeline. Meese is a hardliner who will be the last to advocate lifting economic sanctions against Moscow. He says the easing of political restrictions announced by the Polish regime this week is "fairly indefinite" and that if the steps prove to be more significant than they now appear, "then we will have to review our sanctions." Reagan's decision on grain shipments to Moscow are "completely separate" from the pipeline and other economic sanctions and will not be influenced by events in Poland, says Meese. A decision to extend the grain agreement may be announced this week.

(MORE)

PLC. "I see no change in our policy" regarding the PLC in the foreseeable future, regardless of signs of movement by Arafat to recognize Israel. Meese concedes, though, that "what we see [by the PLO] portends a favorable trend."

The President still is willing to commit U.S. troops to help evacuate PLO guerrillas, but it is apparent that few, if anyone, in the White House still support sending in the Marines.

Recession. Meese cautiously avoids saying the recession is over. "The indicators are still very sluggish." When will the recession end? "If you're smart, you announce the end retroactively, after it's already clear that it's over." In its mid-year economic review, the administration has lowered its projections of economic growth in the third and fourth quarter, but Meese would provide no specifics.

Tax bill. There is some concern at the White House that Reagan will have to get more out in front of the tax increase to win passage in the House. The public still tends to regard the tax hike as Bob Dole's tax bill, but that may change when the House takes up the measure. (Meese, incidentally, quarrels with published assertions that the tax bill is the largest peacetime tax increase in history. Surely the Democrats' phased hikes in Social Security taxes adopted under Jimmy Carter were higher, he says.)

Bohemian Club. Meese almost bristles at any mention of the Bohemian Grove. Stories about men running around in the

(MORE)

nude are exaggerated, he says. Meese certainly didn't want to discuss who from the administration was going or what the members do there. It's just a summer camp, he says.

Meese also says there will be no need for Secret Service protection "inside the grove," and he doesn't know what kind of arrangements will have to be made to keep Baker, Clark, Shultz, Weinberger, et al., in touch with the White House. Meese says he still receives Secret Service protection. (The special protection was started several months ago because of the alleged threats by Libyan terrorists.) But Meese says he has no idea how many agents are assigned to protect him and doesn't remember whether he actually was accompanied by seven SS men for his speech to the prosecutors' convention in Boston. "I have nothing to do with it," he says.

(END)

TC: MLS, LT, JF, BFP, DR, JG, GP, LH, DXB, DCE, JWM, SJF,
PA, PGH SXM, DLB

FROM: RAK

RE: Background-only ivu with Bob Sims, special assistant
to Bill Clark

Franco-American relations. In response to President Mitterrand's decision to supply gas pipeline parts to the Soviets in defiance of Reagan's sanctions, Sims bluntly detailed a long list of U.S. grievances against the French, complaining that they acted, as always, "in their contrary French way."

Mitterrand's action "wasn't a surprise but on the other hand it wasn't done after any consultation with us or after any prior notification...It does put some stress on our relationship...They [the French] really haven't done a lot to make us pleased with them lately...They have been very independent and that is what we've come to expect from the French...They haven't declared war on Germany or England but I can't think of much else that they've done for us lately."

The administrations beefs with the Mitterrand government:

- 1) "Their arms sales policy is something we're not happy with." France has been supplying helicopters to Nicaragua and other arms to Latin America.
- 2) Mitterrand "said some unkind things publicly about the Versailles summit" and led the European effort to thwart Reagan's request for

(MORE)

tighter economic credits to Moscow. 3) In the Middle East the French "have been hot and cold," one minute volunteering French troops as a peacekeeping force and the next minute insisting that the UN supply the peacekeeping troops. Sims seems to think the French have been meddlesome in their dealings with the PLO.

The French complain that the U.S. sanctions will cost many French workers their jobs but, says Sims, "we can match people here who are out of work for every French worker out of work. They want Americans to sacrifice but they don't want to sacrifice."

Atlantic alliance. Sims readily agrees that Reagan's pipeline decision is placing strains on NATO unity but the President believes that is the price that must be paid for exerting U.S. leadership to keep the Soviets in check. "I see [Reagan's pipeline sanctions] as divisive but I also see them as a policy that eventually will be successful ... We may be headed through some tough times with the Europeans. But we certainly went through a time when America was not leading the allies. Now we may be headed back toward a period of American leadership again."

Does allied disagreement over the pipeline not threaten to compromise European support for the NATO modernization program? No, says Sims, the Europeans have demonstrated a willingness to spend more on defense and, besides, the pipeline fight and the NATO modernization program are "compartmented" in European eyes--unrelated to each other.

(MORE)

The pipeline. Sims acknowledges that the pipeline will be built despite Reagan's sanctions and that the most the U.S. can do is delay its completion by one to three years. While some hardline voices in the administration (mostly on the NSC staff and probably Meese) are urging Reagan to continue trade sanctions against Moscow regardless of what happens in Poland, the President sees the pipeline sanctions as strictly related to progress in Poland. "Even if the sanctions don't affect a change in Poland, the President believes [the Soviets] should at least take the heat for the sanctions and not get a free ride in Poland."

Sims is confident that Reagan will not back off opposition to the pipeline unless there is substantial change in Poland. He raises the possibility, though, of some "reciprocal" U.S. action in response to the easing of martial law. This might take the form of rescheduling the Polish debt but would not result in a retreat on the pipeline.

Grain deal. Sims hints that the White House also may invoke this week's relaxation of restrictions in Poland as a justification for extending the grain agreement and increasing the minimum tonnage of grain the Soviets would purchase under the deal. This explains why, all of sudden, White House aides are saying that the grain decision may be announced this week. Jim Baker told us on Monday that Reagan might not announce his decision for two more months. Increasing the minimum grain purchase (now 8 million

(MORE)

tons/year) would sound good to American farmers in an election year but the action would have no practical impact on grain sales because the Soviets ``are going to have to buy the maximum, not the minimum.''

How can Reagan justify selling wheat to Moscow while insisting on other trade sanctions? Grain sales are different, says Sims, because they direct Russian hard currency to the West, while the pipeline would direct hard currency to the Russians from the West.

Reagan's go-it-alone strategy. The President's expansion of the pipeline sanctions to licensees of American companies was prompted by the failure of the Europeans to agree to stricter credits, forcing Reagan to conclude that the U.S. must take stronger measures. ``The Soviet economy is not collapsing but it is in decline. The President feels we should not help them make the communist system work...He feels we shouldn't do them any favors. You can bet they wouldn't do us any favors.''

Reagan's sanctions are based on the White House view that in order to build the pipeline, the Soviets will ``as a matter of national pride'' launch an all-out effort to complete the project. Such an all-out effort, in Reagan's view, will force the Russians to ``take some of their assets away from national defense.''. In turn, the Reagan logic concludes, the Russians will be more willing to compromise on arms reductions since they won't be able to spend as much on defense.

(MORE)

Will there be other economic sanctions imposed in the future if new opportunities present themselves? Sims thinks not. He believes that in future cases Secretary of State Shultz will persuade the President that trade is not an effective weapon against the Russians. (It sounds to me like Shultz will have to be awfully persuasive.)

Legal quagmire. The Commerce Department is conducting a legal review to determine what, if anything, the U.S. can do to prevent the French, German and British firms from transferring American technology to Russia for the pipeline. Sims does not know whether the administration can effectively prevent the foreign subsidiaries of American firms from doing business with Moscow.

(END)

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

FROM: RAK

RE: Background-only ivus with Lionel H. Olmer. Commerce
Under Secretary for International Trade. and Roger
Robinson. NSC specialist on the Soviet gas pipeline

Olmer, who is overseeing the Reagan administration's legal analysis on the pipeline, says the U.S. has "an extraordinary variety of entirely legal methods" to force European companies to comply with Reagan's sanctions. Among the actions the administration could take:

- * Place the European companies, such as the French firm licensed by General Electric, on a "denied list" under the Export Administration Act. This would prevent the companies from receiving U.S. exports of any kind. Olmer says this would be a severe blow to the French firm, which is very dependent on GE for its business and very dependent on American-made parts. He also says the French firm has an 18-month backlog of orders for rotors and will not be able to supply rotors for the pipeline anytime soon, anyway. "I think what we're seeing is a bit of posturing by the French and the Soviets."

- * Seize property owned by the European companies in the United States.

- * Freeze assets held by the European firms in U.S. banks.

- * Fine the European companies and issue "letters of

(MORE)

censure"--a mild punishment.

Olmer declines to speculate whether Reagan ever would take such drastic measures as freezing bank assets, but he stresses that these options are available.

Robinson asserts that the U.S. sanctions will force the Soviets to "cannibalize" their natural gas distribution system to meet the delivery schedules to Western Europe. Gas now used to fuel Soviet industry, including defense production, and to supply Eastern Europe will be diverted to new customers outside the Soviet bloc. Altering the current distribution system will take time and cause further delays in the pipeline's construction, says Robinson. Further delays will, in turn, drive up the cost of the project.

The President is very serious about taking action to prevent the Europeans from circumventing his sanctions, according to Robinson. "We didn't take this action to be patently ignored," he declares.

Robinson also claims that the sanctions already are responsible for the easing of political restrictions in Poland that was announced this week.

(END)