

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 – 07/01/1981-
07/17/1981**
Box: 1

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 dr bfp jf jf dxb jwm gp dcb lh rak tjf pa pgh

From: sjf

The following comes from a Sperling breakfast with David Gergen, White House Communications Director:

Gergen volunteered an analysis of recent House budget votes that suggests Republicans will have a "philosophical majority" in Congress after the 1982 election.

He began with an analysis by Richard Scammon showing that 38 Democratic congressional districts have grown in population by at least 35 percent over the past decade. This makes them "pregnant" districts in the redistricting process. Thirty-five other districts lost at least 10 percent, making them "losers" in reapportionment.

Democrats in 33 of the pregnant districts voted with President Reagan on the original Gramm-Latta vote, according to Gergen. Five voted against it. Among those representing loser districts, two voted for Gramm-Latta compared to 33 against it.

"When new districts are carved out in 1982, some of the growth is going to occur in areas that are very supportive of the President," Gergen noted.

From another perspective, he noted that Florida and Texas will gain the most new seats in reapportionment. Florida will add 4, Texas 3. "Those two states also happen to be where the President has found strong support among Democrats," he says.

Twenty-four Democrats voted with the President on all

(MORE)

three budget votes in the House--the first Gramm-Latta vote, the procedural vote and the Gramm-Latta II. Ten other Democrats went with the President on at least two of these votes. Of the 34 people in this category, 9 were from Texas and 6 from Florida.

"There are the harbingers of change here--significant change in American politics," said Gergen. "There are the makings of a philosophical majority here."

Gergen's discussion of this subject was obviously designed to step up pressure on the conservative Democrats to stay with Reagan on future votes--particularly tax cuts. The analysis suggests the GOP will be itching to run strong candidates of its own in those districts in 1982. The figures were assembled by Michael Baroddy, who's job at the White House is to do research for public affairs people.

Gergen says he expects the conservative Democrats to be under heavy pressure from the Democratic leadership to "come home" on the tax vote. "We're sure running out of cuff links," he jokes.

On other subjects:

* Gergen and Nofziger are co-chairing a group that meets once or twice a week to improve "outreach." This is interesting for two reasons: One, it's hard to imagine Gergen and Nofziger working together on anything. (Nofziger views Gergen as an alien force in the Reagan crowd. Gergen's takeover of the press operation was viewed as a defeat for Nofziger.) Second, it implies dissatisfaction

(MORE)

with Elizabeth Dole and Richard Williamson.

* A woman for the Supreme Court does not seem to be a strong possibility. Gergen again noted the President promised only that a woman would be "one of the first" appointees. "The people who were involved in that campaign statement did it with some care," he advised. Although Gergen continues to deny that there is a "short list" of potential nominees, he adds: "There has been at least one conversation with the president, batting back and forth some names." Also: "The president gains politically when he chooses someone of distinction."

* The President may make a foreign policy speech soon, but nothing that would give the "grand design." (Jim Baker told CNN in an interview this morning that they are resisting the idea of a major foreign policy address because it would limit the President's flexibility in the future.)

* Tony Dolan has the inside track as chief speechwriter.

(END)

STORY:MAX-
MA:60 FMT:

QUEUE:JWM-JWM
HJ:

MSG:
INI:

OPR:JWM ;07/02,10:25

MLS, DR, GP, DCB, DXB, SJF

FROM: JWM

Re: Max Friedersdorf, Lyn Nofziger, Pete Roussel
Friedersdorf at Sperling breakfast on record:

Winning: Friedersdorf admitted that the recent victories in Congress makes his job "a very pleasureable time to be in Congress relations at the White House." But he said there will be bad days as well as good days, pointing particularly to the narrow victories in the House on the budget fight last week. He paid particular homage to Rep. Bob Michel, the GOP leader, and called him the unsung hero of Reagan's legislative triumphs. (Perhaps we might want to do a Profiler on Michel down the road.) On members of Congress generally, he says party loyalty doesn't mean as much as it did in Sam Rayburn or even John McCormack's days--members are "younger, more aggressive, more independent."

Coalition: He doesn't regard the coalition with the Southerners as solid at all. He expects to lose them on some of the controversial issues ahead, but concedes there is great pressure on the Boll Weevils because Reagan is popular in their conservative districts. Friedersdorf declined to be drawn into any discussion on RR's horse trading last week, particularly on any deals cut for price supports of sugar. He would only say the White House promised to be "sympathetic" when the farm rill rolls around. (Sympathy, in this case, will be millions for a program Reagan and Stockman initially opposed.)

Friedersdorf acknowledges that "no victory is ever final in Congress. There's always another vote." On the budget, he expects another fight on the conference report and perhaps on individual appropriations bills (he mentioned education as an example.) He also anticipates procedural battles with the Democratic controlled House.

Taxes: The congressional lobbyist says his people are starting from ground zero, taking nothing for granted in seeking votes for Reagan. He says the White House hasn't decided whether to pass the Senate bill first to put additional heat on the House.

He thinks the White House has an excellent chance to pick off Democrats outside the Boll Weevil organizations, even among Northern liberals. "I think a politician will have to think long and hard about voting against a tax cut. I haven't heard anyone say he's not paying enough taxes today."

FEC: Friedersdorf, who served as chairman of the elections commission, is not for abolishing the FEC but does think it is overhauling to end bureaucratic and enforcement problems. He says the reporting and disclosure aspects of

(MORE)

the law are the best "because the press and the public should have access to those records." He hopes Congress will revise the law by dealing with "the overly complicated and very technical provisions of enforcement and compliance."

AWACS: Friedersdorf insists the WH can still win on the AWACS fight despite the letter of opposition in both chambers. He thinks minds will be changed when the final package is put together.

Reagan: Why Reagan having such luck, particularly with Democrats? He says the "basic reason is that RR's a non-confrontational President" who has good personal relationships even with his opponents. He also says RR has a "phenomenal tolerance" for congressional activities--meaning the telephoning, the stoking at breakfast and lunch sessions, the passing of cuff links. However, he thinks too much is made of the influence of cuff links or tie clasps in getting a vote.

Blacks: He says his office does maintain contact with the black caucus, naming specifically Fauntroy, Mitchell and Chisholm.

Nofziger: From a brief conversation on background with the political strongman:

He has written a letter to Newsweek on a Periscope of last Monday (indicating he was unhappy and wanted out). He says he's never seen so many errors in one paragraph, although I think he could be very much behind the report in a sense.

Nofziger says he has said all along that he wants to leave after one year. That means he'll be gone next January 21 and he said he means it. He says he wants to do some things besides politics, making some money in the East before probably retiring in California. No indication of what that other interest is but I'd bet it would have something to do with working for a wealthy member of RR's Kitchen Cabinet. They love him and his partisan, even ruthless manner. It would still be hard to imagine a congressional campaign without Nofziger dropping some bombs someplace.

Nofziger insists there is no unhappiness with RR, the Big Three, the press operation operating without him, Richard Richards at the RNC.

Roussel: Pete Roussel, a protege of George Bush who has worked for Bush, Rumsfeld, Cheney, and Jim Baker, is joining the WH press operation on a 60-day basis at least initially.

Baker thinks he's a great talent and can free Larry Speakes to do more with the press office. (He is probably overstating the man's ability.) At any rate, Roussel will
(MORE)

be worth cultivating on the likelihood he'll be around after the 60-day period.

He admits an interest in running for Congress in Houston if the legislature, as expected, carves out a new seat in that growing metropolitan area. He has good Republican connections, has paid his dues with the local party folks and has some name ID which would be beneficial in a free for all for an open seat.

(END)

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

From: sjf

Another foreign policy gaffe.

Top White House officials tried on Thursday to retract Wednesday's suggestion that President Reagan had decided to allow the shipment of six F16s to Israel on July 17.

The statement on Wednesday by Larry Speakes apparently triggered a strong reaction around the world. Menachem Begin publicly praised Reagan for the decision. And no doubt it angered the Arabs--not to mention a few members of Congress who are still reviewing the matter.

The incident points up how weak the White House is on foreign policy matters. It's also a black eye for Speakes and the newly reorganized press office under David Gergen.

The story here has nothing to do with whether the Israelis get their planes. White House officials have said privately from the start that the suspension would be lifted once the flap caused by the Israeli bombing of Iraq blows over. In fact, shipments of other major pieces of weaponry to Israel resumed on Wednesday.

Here's what happened:

When the suspension of the shipment of four F16s was announced last June 10, officials said there were no other major items in the pipeline until July 1. Since then, the administration supposedly has been reviewing whether the Israelis violated their arms purchase agreement with the United States by bombing the Iraqi nuclear reactor. (In

(MORE)

truth, aides have admitted from the start that no such review was being conducted.)

In response to a question on Wednesday (July 1), Speakes said for the first time that the suspension of F16 shipments to Israel applied only to four planes scheduled to be shipped last June 12. He said it did not cover six other planes scheduled to be shipped on July 17. Jim Baker meanwhile told some reporters on background that the entire suspension would be lifted soon.

This prompted news stories saying the six planes would soon be on their way, even though the President has not yet decided formally whether the Israelis violated their arms purchase agreement with the United States. Some reporters wrote that all 10 planes would be shipped soon.

By late Wednesday afternoon, White House officials were denying the implications of Larry's earlier statement. On Thursday morning, Speakes sheepishly read this statement to reporters: "The suspensions of arms sales announced June 10 applies to four F16s that were scheduled to be shipped on June 12. The review on whether there was a violation of the arms sales agreement continues and no decisions have been made. The review is expected to be completed prior to any decision necessary on future shipments of F16s." As Speakes read it, Gergen look on with the demeanor of a domineering school master forcing a naughty student to admit his mistakes.

Gergen, who then conducted Thursday's briefing, declared

(MOPE)

SECRET. W100

that the issue of whether the Israelis violated the arms agreement would be decided before the six planes are scheduled to be shipped on July 17. He referred all further questions on this subject to the State Department. At one point he added, "I'd really like to be more forthcoming."

Ironically, this happens at a time when Gergen is trying to get the White House press operation more deeply involved in matters of foreign policy.

(END)

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

The following Cabinet ratings come from Larry Speakes on
background:

Reagan, 10. "The highest."

Weinberger, 8. "He's doing what the President wants done. He hasn't screwed up too much." (Reagan apparently remarked recently to aides that Weinberger was doing exactly what he's supposed to do at Defense.)

Kirkpatrick, 7. "A favorite of the President."

Lewis, 7. "Very effective on the PATCO settlement."

Baldrige, 6 or 7. His stock has risen since he began riding horses with the President.

Watt, 6 or 7. "He's effective as far as carrying out what the President wants."

Block, 6. "Good with his constituents, but not quite 'in the club' with the President. He also tends to pop off in Cabinet meetings."

Stockman, 6. "A high rating. But he'll try to hoodwink you now and then with his figures."

Donovan, 5. "In pretty good standing with the President. Did a good job in the Cabinet meeting on Davis-Facon."

Edwards, 2. "...because he keeps getting into trouble."

Faig, no score. "I disqualify Faig completely because of the problems we are having with him."

Pierce, no score. "A hard call. I haven't heard much from him. The invisible man."

(MORE)

Well, no score. "I wouldn't rate him. He blends into the wall."

Speakes describes the Reagan-Stockman team as a "shrewd combination." "Stockman is the lightning rod," he says.

"Reagan is the smooth guy."

(END)

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

From: sjf

From a backounder with Larry Speakes:

Haig is back in the dog house; Meese and Baker have begun to argue over press relations. These are the best items from an unusually fruitful background session with Larry Speakes, deputy press secretary.

Haig. Speakes says the news story criticizing Jeane Kirkpatrick put Haig back in the "dog house." "It's a continuing problem despite the best efforts of everyone around here," he says. "We thought we had the problem with Haig worked out, but it's coming unraveled again."

He says everyone at the White House suspects that Fischer and Burt acted on the explicit instructions of Haig. His analysis of the problem: "It seemed that the Kirkpatrick thing was ego. I don't understand it. He can be the star anytime he wants to be. Other people's accomplishments don't detract. I always thought he was a cool, calm and purposeful guy in the Nixon White House." He says Haig's problems stems from an inability to follow the motto on Reagan's desk: "There's no limit to what a man can do or where he can go if he doesn't mind who gets the credit."

Haig and the F16s. Speakes also blames Haig for this week's confusion over shipment of F16s to Israel. (Note: Speakes is anything but a disinterested observer on this one. But his explanation is plausible.) Speakes says the problem arose because Haig on Wednesday refused to let

(MORE)

anyone say that the review of the Israeli bombing raid could be completed prior to the next scheduled shipment of F16s on July 17. Haig did not want to promise a date on which the review would be completed. He hoped the shipments could be resumed without any report. ``They thought they could slide off the hook,`` says Speakes.

After news stories about the July 17 shipment began to surface on Wednesday, Speakes prepared a statement of clarification. The statement said that the outcome of the current review could affect the July 17 shipment. But this line was cut out by Haig, who feared it would ``alarm the Israelis.`` (Larry showed me his original statement with this sentence crossed out.) Thus all that Speakes and Gergen were allowed to say on Thursday was that the review could be completed before the next shipment--exactly what they were denied permission to say on Wednesday.

Ironically, this gaffe also forced them to promise a report when the review is completed--the very thing they were trying to avoid. ``Now we're going to have to issue findings of some kind,`` says Speakes.

Speakes says this is not the first time that Haig has raised hell about something that was said in the White House briefing room. The last incident involved a statement about China that Speakes made on the West Coast.

A foreign policy speech. In an attempt to answer criticism, Reagan will make a foreign affairs speech soon. Yet White House officials are not terribly upset about the

(MORE)

criticism of Reagan's foreign policy. Reagan's own polls show that the public does not share the perception of some columnists that Reagan has no foreign policy.

Meese-Baker. Speakes confirmed our earlier conclusion that Baker is eclipsing Meese. Here's how he explained it: "I'm finding more and more they are almost interchangeable. But Baker more interchangeable than Meese. Baker is interchangeable with Meese on policy, but Meese does not get into staff matters. Deaver also is more into policy."

He volunteered that there's no rift between Meese and Baker. "I don't see much crack between them," he said. Then he corrected his statement. What he called "press guidance" is the exception. He said the two men disagree are starting to disagree over how much information should be released to the public. Baker prefers openness; Meese wants to stonewall. Speakes says Meese did not even want to tell the press that the Cabinet discussed immigration policy on Wednesday. Baker disagreed. When Speakes asked for guidance, Baker told him to ignore Meese. "You take your guidance from me," he said.

Also, Meese is getting a bad reputation among White House reporters because he does not tell the truth. For example, he told ABC on the air last weekend that "no deals" were made with Congress members on the vote last Friday. Meanwhile, Speakes and others were admitting that some "accommodations" had been made. "You know Meese," says Speakes. "He's so reluctant to talk, and then when he talks

(MORE)

he gives you a bunch of bull."

Supreme Court. Speakes thinks that Meese leaked the story about the story about Sandra O'Conner as a candidate for the Supreme Court. He suspects it was just a trial balloon. As we suspected, he says Deaver was the source of the now-discredited story placing Elizabeth Dole high on the list. On the question of a woman appointee, Speakes is not as pessimistic as Gergen. "It would be good politics and difuse a lot of criticism," he says. If they don't appoint a woman, he asks: "Does that say we cannot find a qualified woman?" He thinks Baker, Deaver, Meese and Smith would be wise to postpone the announcement until September, giving Congress very little time to scrutinize it. "Time is your worst enemy on a nomination," he says. "People will oppose your nominee for philosophical reasons, but they will look for other reasons to make it stick."

(END)

July 7, 1981

FROM: SJF - White House

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

RE: Results of White House briefing Tuesday by Deputy Press Secretary Larry Speakes and Communications Director David Gergen

Sandra Day O'Connor told President Reagan before she was nominated for the Supreme Court that she finds abortion "personally abhorrent," but also feels that it is "a legitimate subject of consideration" for the legislative arena.

White House officials were initially reluctant to talk about Mrs. O'Connor's views on the subjects of abortion and the Equal Rights Amendment. But under questioning, revealed that Mrs. O'Connor had been questioned on both subjects by the President during a one-hour meeting in the Oval Office on July 1. Also attending the meeting were the Attorney General, Ed Meese, Jim Baker and Mike Deaver.

According to Speakes, Mrs. O'Connor told the President she is "personally opposed to abortion and finds it personally abhorrent." Speakes added: "She also feels that the regulation of abortion is a legitimate subject of consideration for the legislative [?]area." He was unable to explain precisely what this means.

Speakes told reporters on background that Mrs. O'Connor's record on the abortion issue in the Arizona Legislature had been misinterpreted. He explained that she once voted against an antiabortion amendment that was attached to an Arizona senate bill that dealt with the

construction of a stadium at the state university. He said she voted against it because it was not germane and that it was only a procedural vote.

On the issue of the Equal Rights Amendment, both Speakes and Gergen were vague about Mrs. O'Connor's views. But they said they understood that the Supreme Court nominee was in favor of the Equal Rights Amendment.

Mrs. O'Connor learned of her nomination in a phone call from the President at 6:11 p.m., EDT, Monday. The two talked on the telephone for about 10 minutes, but aides were unable to repeat any of the conversation. The President made the decision to nominate Mrs. O'Connor sometime earlier in the afternoon.

On Tuesday, the President informed Chief Justice Burger of his decision to nominate O'Connor in a phone call at 9:17 a.m. He later called the President of the American Bar Association at 10:12 a.m. and Senator Strom Thurmond at 10:14 a.m. Justice Stewart and Senate Majority Leader Howard Baker will learn of the appointment in a phone call from the President later this afternoon.

Immigration policy. The cabinet meeting on Tuesday involved a discussion of what to do with the refugees now being housed at Fort Chaffee. And officials said a decision on this subject may be announced this week. However, the entire matter of administration immigration policy will not be decided until it is discussed at least once again in a

future cabinet meeting.

(END FILE -- rw)

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

From: sjf

results of an interview with James A. Baker III. (Ground rules: On the record, except references to personalities are not for attribution.)

Baker dropped a big juicy hint that the Supreme Court nominee could be announced this week. He also suggested strongly that it will be a woman. Our conversation went roughly as follows:

Baker: We expect to have an announcement soon.

Fritz: How soon?

Baker: When's your deadline?

Fritz: Friday.

Baker: Soon.

Fritz: That means this week?

Baker: I've already said more than I have said before. I'm not going to say any more.

Fritz: What are the chances it will be a woman?

Baker: Very good.

I doubt whether Baker would be talking this way if the decision were not already made.

Haig. Unlike everyone else we've talked to at the White House, Baker insists that Haig is not in the dog house again. Yet he acknowledges there was "a little blip there" over the criticism of Kirkpatrick. "Haig is doing a better job now," he says. In rating the Cabinet, Baker gave Haig a 7, which he quickly added was "higher than

(MORE)

most people would rate him." Baker has made a personal effort in recent months to improve relations with Haig, including playing tennis with the Secretary of State.

"He's a tremendous talent, but bad on interpersonal relationships," says Baker. "It's no secret he's combative." Baker also disclosed that Haig and Weinberger had clashed Monday during a National Security Council debate over East-West trade.

Baker's Cabinet Ratings:

Pagan: (9 or 10) "He's a class act--a team player. He's done a super job selling the President's program. Plus he didn't get all bent out of shape at first that a 32-year-old was getting more ink."

Weinberger: (8) "Cap is good."

Stockman: (8 or 9) "Stockman gets out of control sometimes. He's so bright that sometimes he gets too far out in front."

Smith: A "high rating," but no number.

Kirkpatrick: "Damn good," but no number.

Lewis and Baldrige: "In the 7 to 8 range."

Brock: "A good person who does not get much attention."

Bell: "Doing a good job of working himself out of a job."

Watt: "Watt's not doing a very good job of public relations. You don't have to do controversial things in a controversial way."

Pierce, Donovan and Edwards: "I don't hear much from

(MORE)

them."

On other subjects:

* Baker has started "brainstorming" on priorities for the administration through 1982.

* Reagan will make a foreign policy speech in the fall. Baker notes that the polls do not reflect a public perception that the President has no foreign policy.

* The White House currently is preparing an "inventory" of appointments and issues of interest to each Republican member of Congress. This is being done in response to complaints that the White House was stroking conservative Democrats more than loyal Republicans.

(END)

To MLS, LT, DR, JWM, DXB, DCB, GP, TG, SJF, PGH

From TJF

Re Dave Gergen briefing 7/8

The O'Connor nomination was almost the only topic in an hour-long briefing. Gergen said the White House does not anticipate that any major lobbying effort will be needed to win confirmation. He said she would carry forward on her own momentum very well. Max Friedersdorf will run the operation with Justice Department help.

They hope the FBI will be finished within two weeks which will clear the way for the formal nomination. Gergen couldn't speculate on hearings but conceded it's possible they may not begin until after Labor Day.

One possibility being kicked around is to bring Mrs. O'Connor together ahead of the hearings with some of her more ~~senior~~ critics but X with "no firm decision" on this. He quoted the President as saying at a staff meeting this morning that the reaction has "generally been very positive" and that he's pleased by this. The Pres added that in view of her outstanding qualifications, he's confident she'll be confirmed.

Reagan had a half-hour ~~xx~~ meeting with Jesse Helms Tuesday noon to discuss the nomination, a meeting initiated by the President. Helms said he knew nothing about O'Connor and wanted to know more about her. According to Gergen, the President discussed her judicial philosophy and said he was personally satisfied with her views. Gergen said Helms "left here in a non-committal posture." Helms is the only senator called in for this purpose.

Reagan also called Jerry Falwell, ~~he~~ and Gergen didn't know whether the call came before or after Falwell's "disaster" description of the appointment.

Letters, telephone calls and telegrams after the original story through yesterday morning were a few thousand in number and mostly negative with abortion the chief topic of concern. Since the announcement, they've had a few hundred. He said the telegrams were about even for and against while the calls were "several-

to-one" on the negative side. He didn't know if any of the opposition is organized but said it was a possibility. Gergen said ~~the~~ President hopes those opposing "keep an open mind" until they've had a chance to hear her express her views. The President believes that when the nominee's views are more fully known, many of the reservations that have been expressed by some will be removed, he said.

The White House pinned down the length of the Reagan-O'Connor meeting to 48 minutes. The log indicated she went in at 10:05 and came out at 10:53. It was a group meeting all the way. They discussed judicial philosophy most of the time. The President, Gergen said, did not attempt at any time to determine how O'Connor might vote on any issue. "To do so," Gergen said, "would be both inappropriate and injudicious."

The good reverend Lester Kinsolving spent a lot of time trying to get a White House position on abortion but no new ground was broken, so to speak. Gergen kept referring to what was said yesterday by O'Connor.

From John Colby of the Phoenix Gazette (probably the best state house reporter in Arizona): O'Connor has "the perfect judicial temperament", even-handed and always under control. & "She doesn't suffer fools gladly and can be a bit abrupt with people who are not as bright as she is." He said she always is "rigidly controlled and appears very stiff in public." She's much warmer in person. "They'll never catch her talking out of school," he added.

Mr. O'Connor is a very successful Phoenix attorney, and they had not decided how they were going to handle the Phoenix-Washington connection. Colby said he personally doubted O'Connor would want to give up the practice.

He said Mrs. O'C has been ~~ix~~ a hot item in the political hot stove league every recent election and that every time someone speculates about her running for the House or Senate, she has spiked it immediately because she didn't want to leave Phoenix. (I've written a whisper on this.)

STORY:HUGEL
MA:60 FMT:

QUEUE:CWF-CWF
HJ:

MSG:
INI:

OPR:CWF ;07/14,17:42

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

FROM: RAK

RE: Hugel departs

The White House not only has succeeded in resolving the Hugel scandal posthaste; it also has managed to effectively isolate the President from the whole sordid affair.

According to David Gergen, Reagan and CIA Director Bill Casey have never discussed the Hugel matter. The President was not even aware of the allegations until he was informed by Jim Baker at the close of business on Monday. Baker told Reagan this morning of Hugel's decision to resign, according to Gergen. White House aides portray Reagan as never having dealt with the problem directly. Although the President is "saddened" by the events that led to Hugel's resignation today, Gergen says Reagan has expressed no displeasure over it to Casey or to the senior White House staff. Reagan retains full confidence in Casey, according to Gergen. "The President has had great trust and confidence in Mr. Casey's abilities, and he believes he has done a great job at the CIA."

White House aides also have done all they can to convey that they, too, are far removed from the CIA matter. The announcement that Hugel had resigned and a replacement had been named was made at CIA. The White House declined for some time even to make available copies of the resignation

(MORE)

letter that was released this morning at CIA. Said Gergen, "As far as the White House is concerned, the matter is closed. Mr. Hugel has resigned...He resigned on his own initiative, in consultation with Mr. Casey...The White House did not ask him to resign and did not have Mr. Casey ask him to resign...These allegations are seven years old. They had nothing to do with his work in this administration...In our view, the important thing was the way it was handled once it surfaced. It was handled expeditiously." According to Gergen, the statute of limitations on this kind of SEC violations is five years-- which would explain why Hugel's former cohorts were not afraid to blow the whistle on their activities.

Gergen offers this chronology of the White House's dealings with the scandal: On Wednesday of last week, White House counsel Fred Fielding heard "from a third party, not a reporter" that Bob Woodward and others at the Post were investigating allegations against Hugel. [You will recall that Fielding was widely suspected of being Woodward's Deep Throat.] Fielding then informed Jim Baker of the Post probe. Baker summoned Casey to the White House on Thursday to meet with him and Fielding. Later on Thursday, Fielding questioned Hugel closely, and the matter was referred back to the CIA for an internal investigation. It was then that CIA general counsel Stanley Sporkin contacted the Post about seeing its evidence against Hugel.

The skillful manner in which Baker disposed of this

(MORE)

potentially serious problem certainly heightens his already growing stature within the White House.

In his letter of resignation, written to Casey, Hugel said: "These allegations, although unfounded, unproven and untrue, have become a burden which I no longer believe is fair to impose on the administration, the agency, my family, and the splendid men and women who work with me...Although I am resigning, I want you to know that I am available for any future assignment in which you believe I can be of help."

Gergen claims "there was a background investigation done on [Hugel] by the CIA that was extensive...There are occasions when people go through the system and not everything comes out." Personnel Director E. Pendleton James has searched his telephone logs but has found no record of the call from Thomas McNell, Hugel's onetime crony.

(END)

STORY:ECON
MA:70 FMT:

QUEUE:JMH-JMH
HJ:

MSG:
INI:

OPR:JMH ;07/15,16:36

To: MLS, LT, JG, LDM, THH, WSW, DXB, LW, MFD, PMS.

From: JMH

Re: The administrations' July 15 mid-year budget review and economic outlook.

Despite interest rates which remain in the stratosphere, administration officials expressed confidence that their blueprint for restoring economic stability and budget discipline remains on track.

They still anticipate a "spongy" (previously referred to as "soft soggy") economic performance for the remainder of this year. Translated, that means "little, if any, gain in real output plus some moderation in inflation," according to Murray Weidenbaum, chairman of the President's Council of Economic Advisers.

An aside here: Weidenbaum dominated the Q&A, even though Dave Stockman sat inches away to his left. In previous appearances together, Stockman answered 95 percent of the questions. Weidenbaum appeared more confident, even though he remains not very impressive in public.

The administration raised its 1981 inflation-adjusted GNP estimate from March in order to reflect the strong first quarter performance. Officials now foresee a 2.6 percent real growth rate, compared with 1.1 percent in March. Next year, they say, "the economy should begin to strengthen" and by the fourth quarter real GNP should be 5.2 percent higher than in 1981's October-December timeframe.

(MORE)

Inflation, as measured by the CPI, should climb by 9.9 percent this year and 7.0 percent next year. These are lower projections than the March levels because world oil prices have behaved, food price rises have remained moderate and the dollar is riding high.

Unemployment projections are virtually unchanged from March. The jobless rate's annual average should be 7.5 percent this year and 7.3 percent in 1982.

Now the bad news.

Interest rates, officials said, have gobbled up taxpayer money far faster than believed possible last March.

The administration estimates that the government's interest charges will be 6.8 billion dollars higher than expected this year and 10.3 billion dollars more in 1982. "Interest rate forecasting is neither a science nor an art. It's a hazard," commented Weidenbaum.

The unexpectedly high interest rates have caused some re-jiggering of the basic budget numbers. But the changes had little effect on the bottom line deficits.

Outlays are now projected at 704.8 billion in 1982--9.5 billion higher than the estimate made four months ago. 1981 spending will be 6.1 billion more. "These increases are entirely attributable to higher interest rates" the budget document states.

Receipts, however, also should be higher--662.4 billion in 1982, an increase of 12.1 billion dollars and 605.6 billion this year, a rise of 5.3 billion. This was caused by the delay in the effective date of Reagan's tax cuts from July 1st to Oct. 1st and lowering the cumulative cuts from 30 percent to 25 percent.

As a result, the deficit in the fiscal year ending Sept. 30 should

(MORE)

be 55.6 billion dollars, an increase of 700 million from March. For 82, the deficit should be 42.5 billion dollars, 2.5 billion less than in the March forecast.

Furthermore, says Weidenbaum, "the administration is determined to balance the budget by 1984"--a hallmark Reagan promise.

There are a few flies in the ointment, however:

* The administration says fiscal 82 spending will be reduced by 3.8 billion and by 19.6 billion between 82 and 84 due to its Social Security proposals, including reduction of benefits to early retirees. This plan is highly unpopular and stands little chance of congressional approval.

* To reach a balanced budget by 1984, the administration would have to chop away another 74 billion in federal spending in fiscal 83-84. That's not easy.

* The administration is assuming that interest rates are going to fall rather quickly. The current T-bill rate is 14.78 percent. The administration says the average for the full year will be 13.6 percent. The 1982 rate is forecast at 10.5 percent. This means some quick improvement is needed.

Weidenbaum acknowledged that the administration must "try to establish credibility with the financial markets" in order for the entire game-plan to success in the next 18 months. In attempting to explain why rates have remained so high, Weidenbaum said markets needed "a bit of time to adjust to good news." But he held out hope. "All conditions are ripe for expecting a reduction in interest rates."

All-in-all, however, the administration appears pleased with its

(MORE)

any accomplishments. Weidenbaum had one telling comment: ``So far, his has been a very lucky administration.``

Attention DXB: At one point, Stockman made this comment on whether the administration would seek additional 1982 spending cuts. ``We're not viewing the budget as a once-a-year effort. It's a daily, weekly, monthly monitoring process. At the present time, I see no reason to propose to the Congress policy changes. We are simply determined to slow growth in the rate of spending to the 6 percent range.`` He said the budget ``is a very uncertain process`` and that ``lots of surprises`` could crop up. ``If there are any serious threats in terms of movement in outlay levels substantial above`` what is now proposed, then additional cuts could be requested, he said.

(END)

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

o k krs

From: sjf

Donovan's attempted ``home run`` and other issues.

Administration officials describe Ray Donovan's unexpected entry into the baseball negotiations as an effort by the beleaguered labor secretary to ``hit a home run`` of his own and improve his public image.

Donovan enters the talks at a time when the prospects for a settlement are good. White House officials say they received a ``signal`` on Thursday that the players were ready to settle.

Meanwhile, Donovan's poor rating in the media reflects his equally low esteem at the White House. He's been under increased scrutiny since the Wall Street Journal and Business Week did stories on him.

The speculation at the White House is that Donovan got wind of an impending settlement and decided to grab the glory. ``The real suspicion is that he decided to hit a home run of his own,`` says White House labor man Robert Bonatati (to be identified only as an administration official.) Bonatati knew nothing about Donovan's decision until he read about it in the newspaper this morning. He says his question to Donovan will be, ``How does this jibe with our policy of not getting involved in labor negotiations?``--a policy which Donovan himself announced.

o A source at the Federal Mediation and Conciliation

(MORE)

Service says mediator Kenny Moffit was upset by Donovan's decision. The fear is that Donovan will do something to
rew up the near-settlement--getting himself even deeper in hot water. Despite what Moffit said publicly, he did not invite Donovan to participate. Donovan volunteered.

An FMCS source adds that White House officials recently expressed ``concern`` that Moffit, who became identified with the Carter administration although he is a career mediator, was getting too much media attention. The Reagan administration has failed to appoint its own FMCS chief, even though the agency is in the midst of a heavy bargaining year with the miners, air traffic controllers, baseball players and postal workers.

Immigration and Energy Policies, and F16s. The energy policy has been delayed until Thursday or Friday. Craig
Fuller, cabinet director, says the Reagan energy policy will be a dramatic departure from the Carter policy. But it will be very close to Reagan's campaign stand on energy.

Fuller also advises that the immigration policy may be delayed another week. Half the issues were decided in a cabinet meeting last Monday; half will be discussed at another cabinet meeting on Thursday. But Fuller says the most controversial issues are yet to come, and he notes that the White House policy people are now getting bogged down in preparations for the summit.

__Larry Speakes says a decision on F16s for Israel might not be ready by Friday, when the next shipment is due.

(MORE)

Casey. Speakes says President Reagan has "full confidence" in William Casey, despite today's disclosures. Speakes says Casey told White House counsel Fred Fielding about the court case before he was appointed. He says the Senate Select Committee on Intelligence also was aware of it at the time of Casey's confirmation.

Speakes says the administration has no firm policy governing situations where an official is charged with wrongdoing. "Some allegations have more substance than others," he says. "We have high ethical standards in this administration and in few if any cases has it been called into question." However, he acknowledged the administration has never prepared any ethical guidelines for its people. He also confessed the decision about Casey was made on the basis of news reports of the May 19 court ruling. The White House does not have a copy of the ruling.

Reagan vs. O'Neill. Reagan called Tip O'Neill on the telephone Wednesday to insist upon completion of the tax and budget packages before the August recess. According to Speakes, the call was prompted by O'Neill's suggestion that they could pass only one--either the tax package or the budget. Reagan told him it was an "unacceptable choice." According to Speakes, O'Neill finally agreed to do both--"even if it means remaining in town a few days longer." Speakes added: "The President takes it as a commitment from the Democratic leadership of the House to complete action on the President's tax program and his budget bill prior to the August recess." The call lasted 2 or 3 minutes.

STORY:CASEY
MA:60 FMT:

QUEUE:CWF-CWF
HJ:

MSG:
INI:

OPR:RAK ;07/16,10:02

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

FROM: RAK

RE: Casey's future, and other notes

This comes from a background-only discussion with Larry
Speakes:

Barring some new, unexpected disclosure of damaging
material, the CIA director is in no danger of losing his
post, largely because Reagan is impressed with the changes
Casey has made in the agency. "I really don't think Casey
has a problem. This 'full confidence' business is not just
w s--it's what the President thinks and feels," says
Speakes. "Casey has done exactly what we wanted at the
CIA...The Hugel thing was the only fly in the ointment."

Speakes discounts the notion that Casey's mischief is more
easily tolerated in the Oval Office because he is a friend
of the President. On the contrary, says Speakes. The two
men are not on close personal terms. But Reagan respects
Casey's ability to get difficult tasks done--as he
demonstrated in the campaign and since Inauguration Day.
Also, Casey is valued as a team player who follows White
House orders. Casey is perhaps closest to Ed Meese. The two
worked closely and harmoniously during the campaign.

The President telephoned Casey on Wednesday--after the
disclosure of the judge's ruling--to reassure him that he
retains Reagan's full confidence. "He said, 'Bill, I don't

(MORE)

anything to this. Don't worry about it." The New York judge's finding against Casey is not regarded by the White House as a serious problem, even if he loses the appeal.

"This is regarded as a nuisance class-action suit brought by stockholders. It's a civil action, not a criminal case. It's just the price you pay for doing business. It happens everyday in the business world," says Speakes. If the judge's finding that Casey misled shareholders is upheld, "it would be more of a PR problem than a legal or political problem."

What would it take for Reagan to dump Casey? "If another shoe dropped, or if there was another example of bad judgment by Casey, it would push him a long way toward the door."

Speakes says Jim Baker is confident that the Hugel affair is over, but Baker believes "some reporters will beat this like a dead horse." There also is some concern at the White House that Casey's past dealings will come under intense scrutiny by every investigative reporter in town. Speakes left me with the impression that the White House is not overly confident that Casey could withstand such scrutiny unscathed. (Some reporters have speculated that perhaps Hugel got his CIA post because he had something on Casey.)

Speakes offers this interesting bit of White House gossip: he concedes there is no evidence to support: Some senior aides (including Baker, I suspect) believe Hugel and

(MORE)

Casey were done in by their own enemies within the CIA. The timing of the disclosure of the judge's ruling against Casey is not viewed by the White House as a coincidence. The White House tried to track down how reporters first became aware of the May 19 ruling after the Hugel affair surfaced. A story on the judge's unnoticed decision first appeared this week in the New York Post, according to Speakes. He implied that a CIA source may have leaked the news of the judge's decision to the Post reporter in order to hurt Casey. If any of this is true, Casey may have more problems at the CIA than anyone imagined.

Hugel, in particular, made a lot of enemies among career CIA officers, for obvious reasons. Hugel seems to have been a jarse, arrogant guy who offended everyone in sight.

“There were a lot of eyebrows raised here when Casey brought him in, because Hugel wasn't highly regarded in the campaign.”

Speakes confirms what everyone already knew--that the White House waited to see how the Washington Post would handle the Hugel story before deciding what to do about it. “At first, they [White House aides] thought they had toned the story down, but once it hit, there was no agonizing over a decision.” Jim Baker never had to ask for Hugel's resignation, because Casey beat him to it, according to Speakes. Casey knew that if the story appeared on page one, Hugel had to go. Casey called Baker early Tuesday with word that Hugel was stepping down.

(MORE)

Speakes also notes that Baker's smooth handling of the Hugel problem "is another feather in his cap. Jim pretty much handled it all by himself, but I'm sure he kept Meese in close touch with the situation."

James Watt. The National Wildlife Federation's call for Watt's resignation is not a major problem, says Speakes. But as a result, the White House this week gave explicit orders to the interior secretary that no more controversial decisions--such as last week's decision on motorized vehicles in national parks--are to be announced without consultation with the White House over their political ramifications.

O'Neil. Speakes admits that Reagan was baiting the Speaker when he telephoned him on Wednesday and insisted that Congress dispose of both the tax bill and budget cuts before the August recess. Speakes says he expected O'Neil to publicly deny that he had agreed on the phone with Reagan to act on both--as the President claimed yesterday. The Speaker, however, has not yet contradicted Reagan publicly. The White House views O'Neil as a "handy target" to personify Reagan's Democratic opposition on the Hill.

(END)

STORY:GERGEN
MA:60 FMT:

QUEUE:CWF-CWF
HJ:

MSG:
INI:

OPR:ALC ;07/16,18:19

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

RE: Background-only ivu with David Gergen

Gergen left me with the clear impression that the White House is wary of Bill Casey's previous business entanglements. White House counsel Fred Fielding is closely reviewing Casey's in-house personal disclosure statement, which he filed with the Reagan transition team. (This is different from the public financial disclosure report required by law.) The personal disclosure document lists more than one pending legal action against Casey, but Gergen complained that the document doesn't reveal enough information about the cases to indicate whether more problems may arise.

Says Gergen, "If the facts turn out to be a lot more sour, then things may change for Casey...If there is a series of lawsuits showing a pattern of illegal dealings that he was caught in, then that would be serious. But everything we know about Casey's past indicates there is nothing serious there...The President doesn't take it very seriously. He regards it as old news."

Before the Post story appeared, Jim Baker made it clear to Casey that Hugel would be canned if the piece got big play.

Jim knows that if a problem like that lingers, it festers. The memory of Bert Lance hangs very heavily

(MORE)

He," says Gergen. He also repeats the White House suspicion that "the Hugel case, and maybe the Casey case, were propelled along from within the agency. But know one really knows for sure."

The CIA. The White House is not pressuring the CIA for a review of security procedures in light of the glaring omissions in the background investigation on Hugel. "We haven't asked for a complete review of CIA security, but I'm we're very disappointed that this [Hugel appointment] got through. It's a sign things weren't being done right. There are some indications that the Hugel investigation was speeded up, but we don't know that Casey was the one who speeded it up...The White House is not in constant contact with the CIA about security procedures, but that's something they worry about all the time--the problem with moles and that sort of thing...I'm sure they're looking at it but I'm unaware of any changes that Casey might be planning."

Hugel himself will soon undergo intensive debriefing by the CIA to warn him about possible overtures that may be made to him by foreign agents to exploit his knowledge of the U.S. intelligence apparatus. [Is this a Whisper?]

Haig. The President is relying heavily on Haig to prepare him for next week's economic summit in Ottawa. "After spending five years in Europe, Haig really understands the Europeans very well--not just the outline of the issues, but to present the issues." Reagan is boning up especially

(MORE)

ed for this summit in order to dispel the notion that he is a disinterested novice in the field of foreign affairs. The first night of the summit, Reagan will be on his own at a dinner with the six other heads of state. He won't have any aides or note cards to see him through Sunday's night's private dinner with the other prime ministers.

James Watt. "His standing is still strong, but people here are now watching closely what he's doing. He's created some political problems, so there's more sensitivity to what he's doing...There's an awareness that we can't ignore him." (Gergen happens to be an admirer of Watt, and they talk frequently.)

(END)

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

From: sjf

Re Nuclear Non-Proliferation:

__ President Reagan's new policy toward nuclear nonproliferation, unveiled on Thursday, is more liberal than the policy laid down by Jimmy Carter. The stated objective of the Reagan administration is ``to restore the U.S. as a reliable nuclear supplier.''

Specifically, the Reagan administration will make no effort to inhibit development of a breeder reactor in nations with an advanced nuclear program. ``The U.S. has sought to inhibit those programs,' ' Undersecretary of State Richard T. Kennedy told reporters at a background briefing Thursday. ``They have resented it. If a country decides that it must have a breeder reactor for its energy security...we will sit down and talke about safeguards.''

The administration also will actively promote the sale of nucelar technology for peaceful purposes. The President instructed the Nuclear Regulatory Agency and other government agencies to act promptly on export requests.

``We must establish this nation as a predictable and reliable partner for peaceful nucelar cooperation under adequate safeguards,' ' Reagan said in a published statement. ``This is essential to our nonproliferation goals. If we are not such a partner, other countries will tend to go their own ways and our influence will diminish.''

(MORE)

Also cited as a shift in emphasis is this statement of policy: "Increased recognition will be given to the fact that proliferation is an international and security problem, not just a matter of controls on the civil nuclear fuel cycle. The administration will consider the range of U.S. diplomatic, economic and national security tools to reduce the motivations of other nations to develop nuclear explosive." Kennedy indicated that this means more conventional weapons will be made available to discourage nonnuclear nations from trying to join the nuclear club.

Reagan administration officials are still denying the President's statement in Jacksonville, Fla., during the campaign that nuclear proliferation is none of our business. Richard Allen told reporters on background again today that the remark was taken out of context.

(END)

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

From: sjf

Re the Ottawa Summit.

Secretary of State Alexander Haig and other administration officials indicated during pre-summit briefings Thursday that the United States will take a pretty hard line against ~~the~~ criticism of Reagan's economic policies.

The following information comes from two separate briefings--one by Secretary of State Alexander Haig speaking on the record and another by three administration officials speaking on background.

Haig explained his views as follows:

"I spent five years in Europe and during that period they were also disturbed with American economic programs. At that time their concern was with what they perceived to be a lack of discipline here in the United States economy--a situation where we are letting inflation run rampant, a situation where we were letting the dollar suffer what they referred to as 'benign neglect,' and a situation in which they felt that a lack of discipline in our own domestic energy program gave them higher oil prices. We've turned that around. This administration has put together a clear, comprehensive program designed to get inflation under control and to get economic growth to proceed more rapidly in a positive direction. It has of course, been perceived in Europe, that the resulting high levels of interest rates a cause of their problems. We understand their concern.

(MORE)

We've been sensitive to it from the beginning and we are going to be increasingly sensitive to it as we proceed down the road. Another problem involves our European friends. They have different systems and they don't welcome American officials suggesting how they should correct their economic difficiencies--and they have many."

On background, a top State Department official was less diplomatic in explaining the U.S. position. "It's not our policies that are causing high inflation rate, it's a lag from the expansive policies of the past," he said. "We are a low interest rate administration." He predicted that interest rates would go down once the people who run the financial markets are convinced that the Reagan administration has abandoned the economic policies of the past. The Europeans have suggested that Reagan defer his tax cut, he noted, but Reagan has rejected their advice.

"There is really nothing we can do," he said. Then he declared, to the surprise of many: "We can find no relationship between deficits and the rate of inflation." He added: "Our deficit is smaller than any of the participating nations." He offered two other reasons why the Europeans should not be so critical of U.S. policy: (1) The recent change in two European governments has helped the dollar and (2) "Weakness in their currency does improve their competitiveness vis-a-vis the U.S."

He repeated Haig's recollection that the European nations were complaining just a few years ago that the dollar was

(MORE)

too weak. ``They were unhappy when the dollar was going down; now they're unhappy that the dollar is going up.``

He said Paul Voelker began doing ``a good job when this administration came into office.``

Haig said U.S. interest rates will not be the only economic point of contention. He listed two others: Japanese-European trade problems and barriers to U.S. trade.

Poland. Haig indicated the United States and its allies are prepared act to in concert if the Soviet Union invades Poland. He said there has been ``extensive planning`` over the past six months involving members of NATO and other nations. He said they have prepared ``a menu`` of possible political, economic and diplomatic actions. ``That doesn't mean there are any apriori triggering mechanisms,`` he said.

East-West. The United States has prepared a paper to prompt discussion of East-West issues. Haig says one objective is ``to bring our economic relationship with the Soviets into line with our political and diplomatic objectives.`` Haig insisted the Europeans do not disagree with U.S. foreign policy except on two issues--the slow pace toward an arms control agreement with the Soviet Union and ``the tone of our approaches to the East.``

An administration official says United States is ``not going to take a tough line--not going to try to push our allies around on East-West.`` He adds: ``This isn't a six-

(MORE)

against-one or a one-against-six paper--it isn't the United States against the pack." He says it includes "an extensive discussion of general issue of when does dependence on markets and resources of the East bring you into a vulnerable position."

Reagan's preparation. Reagan began receiving his briefing materials for this trip about a week ago. He's now studying a 100-page briefing book. The book is being revised section-by-section as aides review it with him orally. An NSC staffer said Reagan's book was distilled from a whole set of background books "put together by the whole government." He says it includes "analytical pieces" as well as "responses and arguments" to be made in discussion.

(END)

STORY:WHU11
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;07/17,16:22

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

From: sjf

Israel's F16s and other matters.

Israel's bombing of Beirut today forced President Reagan to delay plans to lift the ban on shipment F16s for Israel.

A statement issued at the State Department deplored the escalation of violence across the Lebanon-Israeli border and announced that Habib was on his way to Jerusalem seeking a cease-fire. When pressed on the subject of a shipment of six F16s scheduled for today, State Department officials said the administration had just discovered that the shipment was not actually scheduled to take place until Tuesday. The six planes are being flown today to Peace Air Force Base in New Hampshire from Texas--the first step toward shipment to Israel.

The President's decision to delay the F16 shipment to Israel was made in a 40-minute meeting this morning with his senior foreign policy advisers. The group included Haig, Weinberger, Bush, Meese, Deaver, Allen and Murphy.

Dave Gergen confirmed during the White House briefing that the Israeli bombing of Beirut was a topic at the meeting, but refused to say that the shipments were held up because of the bombing. He claims that it has been known for some time that the President had until Tuesday to make his decision because the planes were not expected to leave Pease until then. (At State, officials blamed the Pentagon for not disclosing this information earlier.)

(MORE)

Prior to the bombing of Beirut, the President was prepared today to announce the shipment of ten F16s-- including the six that were scheduled to go today and the four that were suspended after the bombing of the nuclear reactor in Iraq. Coming on the day they were planning to make this announcement, the Beirut bombing was a major embarrassment for the Reagan administration.

Summit. Gergen also confirmed reports that Reagan has asked the other summit leaders to allow aides to sit through more of their meetings. The current schedule calls for about eight hours of talks without any aides or note-takers. Reagan's request for assistance in these meetings reinforces the perception that he does not have a strong personal grasp of foreign policy issues. "It was the view on the part of his advisers that it would be better to allow advisers to sit in on these discussions," says Gergen. "The president concurs with that view."

Casey. Gergen admits the White House did not supply the Senate Select Committee on Intelligence all that it knew about Casey's court problems at the time of his hearings.

Immigration. Announcement of a new immigration policy was delayed until next week. "Further consultation was needed within the government and on the Hill," says Gergen.

Nofziger. Asked about Nofziger's public threats to leave the administration in January, Gergen replied: "Many here hope he can be prevailed upon to stay. There are many occasions when his is a voice the President wants to

(MORE)

ear." Such flattery is exactly what Nofziger is seeking.
My guess is that he'll still be around in 1984.

(END)

STORY:WBU12
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;07/17,18:21

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

From: sjf

Pre-summit stuff from Robert Hormats, deputy secretary of state for economics and business, at Sperling Breakfast

Friday:

East-West Trade. The administration will lay out its East-West trade policy in detail for the first time at the summit. In essence, the policy is to keep the Soviets from getting military-related technology and equipment.

U.S. officials are concerned that the European countries are selling the Soviets some material with military application. "Technology we believe is important to the Soviet military has gotten through," he says. There are some existing agreements listing certain goods that will not be sold to the Soviets, but those lists are outdated. One of the objectives to to negotiate a new list.

"We're not asking them to sign on the dotted line. We're not going to be pressing them. We're clearly not going to get all that we want. You don't negotiate there. You just sort of present your views."

In the event of an invasion of Poland, there is a general framework for cooperation.

North-South. The administration's North South policy is still developing. The first step is an "adequate" aid program. "Without that, we have little credibility." Two themes: Maintaining open markets for the underdeveloped nations and promotion of private development. "A new

(MORE)

Marshall plan won't work'' in Carribean. The Reagan administration ``has not closed the door'' on global negotiations. Some advocates have been making ``extreme'' and ``unacceptable'' demands, including one that the U.S. triple the size of its aid package.

Japanese Trade. Although the U.S. will try to prevent everyone from ``ganging up'' on the Japanese, the United States will bring up its own complaints at Ottawa. ``They protect their industries for a long, long time under an 'infant industry' theory but they do it for a very long time,'' he says. ``It's just plain unfair.'' He says Japan's policies are responsible for the growing protectionist sentiment in the United States.

Interest Rates. He says a number of U.S. economists insist that our high interest rates are not the cause of economic problems in Europe. ``They are just a good target,'' he says. He contends that the source of their problem is cyclical and structural. In the boom years, the Europeans built in some very expensive social programs. They began to subsidize industry to maintain jobs. Their wage base rose to a high level along with ``incredibly high'' pensions. Now they are stuck with it. As a result, ``the glue of the community is beginning to weaken.''

General stuff. Reagan's original breifing books came back filled with many notations in the President's handwriting--a sign of how hard he is studying. Deaver insisted the original books were too thick, so the material was

(MORE)

implified. On every subject, the book includes three parts: background, issues and talking points.

(END)

STORY:WHUS
MA:60 FMT:

QUEUE:SJF-SJF
HJ:

MSG:
INI:

OPR:SJF ;07/17,18:44

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

From: sjf

Results of a backround lunch that JWM and I had with Lyn

Nofziger:

_Nofziger says the Hugel incident reflects badly on William Casey's judgement as head of the CIA. Hugel was known to be incompetent, even before these allegations surfaced. Why does Reagan hold on to Casey under these circumstances?

``He thinks he owes more to Casey than he does,`` says

Nofziger. He says Casey pulled the Reagan campaign out of bankruptcy, but did little else. Yet there's no indication that Nofziger expects Reagan to wake up to his misplaced loyalty. Nofziger views the Washington Post story on Hugel as the handiwork of Hugel's enemies inside the CIA.

The Big Three. Nofziger says Big Three, by cutting all others out of their decision-making, are narrowing their focus too much. (Nofziger, of course, wants to be consulted about the political ramifications before decisions are made.) ``By talking only to each other they begin to think alike,`` he says. ``They become incestuous.`` As an example of how the Big Three need outside views, Nofziger says he has convinced them that the President should do something special on Labor Day. He notes that the AFL-CIO is going to have a march on Washington on Septemeber 19, and the President should do something on Labor Day to preempt Lane Kirkland. ``They never thought about this,`` he says.

Nofziger rejects the view that Baker is carrying water for

(MORE)

ush. ``Baker's only agenda outside of the president's is his own,`` says Lyn. ``He's personally ambitious.`` Yet he does not foresee a day when Baker will edge out Meese. ``Never underestimate Ed Meese,`` says a man who's an expert on that subject.

Donovan. Nobody at the White House was aware of Donovan's decision to intervene in the baseball strike until they read about it in the newspaper. In fact, Donovan's move runs counter to a decision made at the White House to steer clear of the baseball situation.

Politics. Nofziger believes Reagan is 10 points more popular than the Gallup Poll shows. The results of recent elections in Mississippi and Ohio do not reflect a backlash against the President's program. Instead, he says, the Republicans in those districts simply ``sat on their laurels.`` He repeated his prediction that if the Republicans come within a dozen votes of a majority in the House after the 1982 election, the conservative Democrats will vote for a Republican Speaker and switch parties--but only if they are guaranteed no loss of seniority or perks.

O'Connor. The O'Connor appointment added five points to Reagan's standing in the polls, according to Nofziger. He predicts fewer than 10 votes against her in the Senate. Helms will vote for her, he says. Nofziger views the Moral Majority as ``fascists,`` but notes these people are coming around on O'Connor.

Haig. Nofziger describes Haig as ``solid`` once again.

(MORE)

Forget the rumor about Kirkpatrick taking over for him. ``It's not going to happen,`` he says. Reason for Haig's new strength: Any disruption in the foreign policy heirarchy would only confirm the perception that Reagan is weak on foreign policy. Nofziger refused to talk about Allen, except to say that he seems to be a mercurial guy. George Bush. No matter how well he behaves in the Reagan administration, he will never be the presidential nominee of the Republican party, says Lyn. The party is too conservative and the conservatives control the primaries.

(END)