

A

REMARKS OF WILLIAM J. CASEY

DIRECTOR OF CENTRAL INTELLIGENCE

before

THE UNION LEAGUE CLUB

The Union League Club

New York City

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It is a special pleasure for me to speak at this important forum covering public policy for almost a century and a quarter and I'm here as a member of this club. I hope my dues are up to date. The club seem to be doing alright with or without my dues. I see Abraham Lincoln looking down on me and I think he'll understand if I speak about human rights. We are challenged today by flagrant abuses of human rights in Africa, Asia and Latin America which are massive and laden with a horror unequalled since the Nazi holocaust of forty years ago. The horror of the wars and brutal repression inflicted by Marxist-Leninist regimes is compounded by the failure and devastation wrought by the bankruptcy of Marxist-Leninist economic and political policies wherever they prevail. All this, with its enormous implications for our national security, and in the challenge and opportunity it presents to the free world is widely ignored--to a degree which we can only find appalling if we appreciate the true nature and dimension of what is happening from Ethiopia to Afghanistan to Cambodia and to our own hemisphere. That's what I want to lay out for you today.

Where should one start on so sweeping a phenomenon? In the aftermath of the Geneva talks and the hope that they have laid the groundwork for a gradual scaling down of the nuclear monster, I would go back 20 years to a warning Nikita Khrushchev gave the world. He proclaimed that Communism would win not by nuclear war which might destroy the world, nor by conventional war which might lead to nuclear war, but by national wars of liberation. In those 20 years, the Soviet Union was transformed from a continental power to

a global power, acquiring bases and surrogates in Cuba, Vietnam, Ethiopia, Angola, South Yemen, Mozambique, Nicaragua and Afghanistan. Their navy has secured the use of harbors, airports, communications stations, or port of call rights in some 14 nations. In a mere ten years, the number of Warsaw Pact and Cuban troops, military advisors and technicians stationed in Third World countries increased an incredible 500 percent. They have expanded their reach to a number of countries near the strategic choke points of the West--the Panama Canal, the Straits of Gibraltar, the Suez Canal, the Strait of Hormuz, the entrance to the Red Sea, and from Can Rahn Bay in Vietnam to the sea lanes of East Asia.

Elsewhere, Marxist-Leninist policies and tactics have unleashed the four horsemen of the apocalypse--famine, pestilence, war and death. Throughout the Third World we see famine in Africa, pestilence through chemical and biological agents in Afghanistan and Indo-China, war on three continents, and death everywhere.

The horror of what has been happening calls for a closer look. Apart from a few islands of vitality, mostly in East Asia, less impressive in Latin America and Africa, we see countries like Afghanistan, Angola, and Cambodia kept under control by more than 300,000 Soviet, Cuban and Vietnamese troops. We will see half a dozen other countries--Ethiopia, Nicaragua, South Yemen, Cuba and Vietnam--controlled by committed Marxist-Leninist governments with military and population control assistance from the East bloc. Most of the other countries in the Third World are suffering some degree of stagnation, impoverishment or famine.

What do we see in the occupied countries--Afghanistan, Cambodia, Ethiopia, Angola, Nicaragua--in which Marxist regimes have been either imposed or maintained by external forces? In the aggregate there has occurred a holocaust comparable to that which Nazi Germany inflicted in Europe some 40 years ago. Over four million Afghans, more than one-quarter of the population, have had to flee their country into Pakistan and Iran. The Helsinki Watch tells us that they have fled because "the crimes of indiscriminate warfare are combined with the worst excesses of unbridled state-sanctioned violence against civilians." It cites evidence of "civilians burned alive, dynamited, beheaded; crushed by Soviet tanks; grenades thrown into rooms where women and children have been told to wait...From throughout the country come tales of death on every scale of horror, from thousands of civilians buried in the rubble left by fleets of bombers to a young boy's throat being dispassionately slit by occupying soldiers." Tens of thousands of children have been taken from their parents and sent outside of the country for reeducation.

In Cambodia, 2-3 million people, something like one-quarter of the pre-war population, have been killed in the most violent and brutal manner by both internal and external Marxist forces. The invasion of the country by the Vietnamese army in 1978 and the scorched earth policy adopted then created a famine. When international relief agencies, including the Red Cross and the International Rescue Committee, tried to feed the starving population by a "land bridge" of trucks coming in from Thailand, the Vietnamese government blocked them. We estimate that some 350,000 civilians died in that year.

In Nicaragua, our Department of State has reported--and intelligence sources confirm--widespread violations of basic human rights. The International League for Human Rights has stated that the Sandinistas have forcibly relocated up to 14,500 Indians and completely destroyed entire villages. In late 1983, some 200 members of one of the largest non-Marxist political parties, the Democratic Conservative Party, were in jail for political activities. Censorship is extensive, opposition leaders have been prevented from traveling abroad, people in the cities are organized block-by-block and kept under the scrutiny and control of a system of neighbor informers based on the Cuban system.

Angola is an economic basket case as a Marxist government is kept in power by the presence of 30,000 Cuban troops. In all these countries the indigenous army formed by the Marxist government suffers large and continuing desertions to the resistance and is almost entirely ineffective.

In Ethiopia, a Marxist military government is supported with extensive military support from Moscow and thousands of Cuban troops as it spends itself into bankruptcy trying unsuccessfully to extinguish opposition in its northern provinces. By collectivizing agriculture, creating state farms and collectives, and keeping food prices low in order to maintain urban support, it has exacerbated a famine which threatens the lives of millions of its citizens. It has blocked emergency food deliveries to the hungry remote areas, particularly those in provinces where insurgencies are active. It has exploited the famine by using food as a weapon. In urban areas, for example, food rations are distributed through party cells. In government-controlled emergency feeding stations, incoming victims must be registered

and certified by party authorities. The government is using the drought and famine as an excuse to forcibly relocate tens of thousands of victims from northern provinces hundreds of miles to the south, without any evident efforts to receive them in the new camps.

Cuba, Vietnam, Ethiopia, Angola, and Nicaragua, all economic basket cases, receive in the aggregate five to six billion dollars in military and economic aid from the Soviet Union. This enables Vietnam to maintain the fourth largest army in the world, Ethiopia the largest army in Africa, Cuba the second most powerful military apparatus in the Western Hemisphere, Nicaragua a military force larger than all its Central American neighbors put together. There are over 100,000 Soviet troops in Afghanistan, 170,000 Vietnamese troops in Cambodia, 40,000 Cuban troops in Africa. This is worldwide military aggression directly and by proxy. That and the horror of it is the bad news.

The good news is that the tide has changed. Today in Afghanistan, Angola, Cambodia, Ethiopia, and Nicaragua, to mention only the most prominent arenas, hundreds of thousands of ordinary people are volunteers in irregular wars against the Soviet Army or Soviet-supported regimes. Whereas in the 1960s and 1970s anti-Western causes attracted recruits throughout the Third World, the 1980s have emerged as the decade of freedom fighters resisting Communist regimes. In many places, freedom has become as exciting and revolutionary as it was here in America over 200 years ago.

Despite this reversal of momentum, the Communists continue to come on strong to consolidate the positions they have established. They are spending close to \$8 billion a year to snuff out freedom in these countries.

It is not necessary to match this in money, manpower or military weapons. Oppressed people want freedom and are fighting for it. They need only modest support and strength of purpose from nations which want to see freedom prevail and which will find their own security impaired if it doesn't.

The Communists have this strength of purpose but not the means to consolidate the far off positions they have established if the local resistance can count on durable support. In Afghanistan, Communist strategy is to keep at bay and grind down the resistance, to isolate it from the mass of the population or drive larger numbers out of the country, and to slowly build up a Communist civil-military infrastructure through training, indoctrination, and cooption--counting on a perception there and abroad of inevitable victory. In Nicaragua, they are piling in weapons to extinguish the armed resistance, cracking down on the political opposition and pushing negotiations to cut off outside support and influence in order to buy time to consolidate their first base on the American mainland.

Now let me turn to what's happening in the unoccupied Third World countries. There, too, the Marxist economic model has failed. Third World leaders have become disillusioned with Marxist-style economics. They have discovered that Communist countries supply only meager amounts of economic

aid and are unable to offer significant markets for Third World goods. Last year, Moscow's commercial trade with the Third World was less than that of South Korea!

The Communist model of tight, centralized control is the major cause of the economic stagnation in many countries. The state-owned industries became highly inefficient, while collectivization of agriculture lowered the incentive to produce food and increased migration to already over-burdened cities. Many Third World countries have found themselves increasingly dependent on imported grain. In fact, like Russia itself, some Third World countries that once were grain exporters now find themselves buying grain abroad.

The contrast between North and South Korea as well as the experience of newly industrialized economies such as Singapore, Hong Kong, Taiwan, and Brazil have not been lost on Third World leaders. Both North and South Korea share a common cultural heritage, indeed both share a small peninsula. Yet from 1976 to 1983, South Korea's GDP grew some 7 percent a year while North Korea's growth was a paltry 1.7 percent. Export-led growth in the newly industrialized countries have raised their per capita Gross National Product to \$2,400, more than three times the average of the rest of the Third World.

The experience of the Third World in the last 30 years indicates that while elements of economic progress cannot be easily pinpointed, the private sector is the crucial link. Only private initiative can marshal the

entrepreneurial resources necessary for sustained growth. Third World countries need an economic environment that rewards individuals for their hard work and their creativity.

They need to give the same fair treatment to foreign and domestic investment. Foreign investment brings more to a developing nation than just money. It brings technology, training, management, skills, and marketing links. Foreign assistance should be used to supplement domestic savings. We have seen that too much reliance on foreign assistance breeds dependency. Trade must also be developed. Third World countries need exchange rates that favor exporters rather than importers.

There are signs that many Third World countries are beginning to reassess their economic policies. Investment barriers in some places are beginning to be eased. A growing number of countries are making innovative use of export processing zones and joint ventures.

Public perceptions toward government regulatory practices and public employment are also changing. State-owned enterprises have been turned over to private firms in: Pakistan, Somalia, Sudan, Zaire, The Philippines, Jamaica, and Chile. Free markets have sprung up in China and Algeria. Farmers in China now sign contracts with the state on what they will produce and market their surplus freely. This has been an economic boon to the countryside where for the past three years production has jumped over 30 percent and rural income has climbed rapidly. State farms have been dismantled in Mozambique, Mali, and Zambia. Bangladesh is turning from government to private channels to distribute fertilizer.

"Second economies" are springing up and beginning to be recognized as helpful to economic development and also as a cushion during hard times. In Peru, where it takes scores of permits to do business, a second "freer" economy has grown to the point that it is nearly 50 percent larger than the legal economy.

This changing climate presents significant economic opportunities for the United States. We can help by promoting small-scale enterprises within the Third World. Third World countries have often ignored the beneficial impact of small businesses and even cottage industries. Yet these businesses help achieve government goals through industrial decentralization, employment generation, and income redistribution in rural areas. Small-scale, domestically-oriented entrepreneurs help create a critical mass in terms of economic progress. Entrepreneurs flourished in many West African countries until government policies dampened their efforts. Likewise, Central America, especially El Salvador, was fertile ground for beginning entrepreneurs until their gains were set back by political turmoil.

In order to make the most of this increasingly important evolutionary and grass roots development process, we need to reorder economic aid programs so that more assistance reaches the small-scale entrepreneur and the flow of private capital, technology and skill to less developed countries is stimulated.

We can also use foreign capital to help state enterprises become more efficient and find ways to relinquish some functions to the private sector; we can strengthen our trade, finance and investment links to less developed countries based upon a growing mutuality of economic interest.

The forces at play here have security implications as well. They can strengthen the West's position relative to that of the Communist Bloc in the Third World. Soviet domestic economic and foreign financial constraints over the next ten years will make Moscow even less able to compete in nonmilitary sectors. At the same time, Western security interests will often coincide with opportunities for economic support, and security assistance can reinforce the willingness and ability of lesser developed countries to bring in and develop capital, technology and needed skills.

I don't want to leave you with the impression that all the problems and threats we find around the world stem from Moscow or even from Marxist-Leninist doctrines. In Africa, not only Marxist Ethiopia but all across Sub-Saharan Africa, at least 14 million people, possibly more, face permanent disability and even death from famine during this year. The whole civilized world faces a scourge of international terrorism. These perils are so imminent and severe that they cry out for coherent international action.

We have launched the "African Hunger Relief Initiative" to relieve famine in several African countries. Our country does not have the food resources to meet African aid requirements fully but with other Western countries enough food can be pulled together. However, African ports and poor ground transportation can't distribute all the food that is required. It will take Western equipment, technical assistance and air transport to meet the needs of millions of people living in rural and remote locations. It can be done but it will take leadership and a degree of cohesion and

cooperation which Western nations with their legislative and budget limitations find it difficult to achieve. But the need cries for all-out action to work through the necessary procedural steps as early this year as possible.

The continent-wide African food crisis will continue into 1986 and beyond. Large populations will continue at risk because of declining agricultural production, continuing civil wars and continuing failure to achieve agricultural reform and development. We have the knowledge and technical ability to restore African food productivity. Western nations generally agree on the urgency of improvements in agricultural pricing, elimination of state controlled marketing boards and collectivized agriculture, as well as restructuring economic priorities in favor of food producers instead of urban populations.

The several threads of our current policy such as pressing for meaningful reforms from recipient governments, offering new forms and amounts of assistance, and moving quickly could all be brought together in a major, coordinated rescue effort. We have here an opportunity not only to save many lives but to generate a new wave of progress which would demonstrate for all peoples the fundamental superiority of free market policies and practices over statist models. A dramatic and effective response to the food crisis could serve to galvanize our efforts to generally reorient Western foreign assistance programs toward the free enterprise development approaches President Reagan outlined at Cancun in 1982.

Similarly, international terrorism calls for concerted action. We face here a new weapons system which is dissolving the boundary between war and peace. We've seen it move from plastic charges to assassinations, to highjacking, to car bombs, and we worry about nuclear and biological terrorism. This terrorism has a home in North Korea, Iran, Libya, Bulgaria. It is increasingly used as a foreign policy instrument of sovereign states. This weapons system, this foreign policy instrument must not be allowed to work. The implications are too ominous.

American citizens and installations abroad are the primary targets. Qadhafi recently assigned his most radical advisors to increase Libya's capabilities for terrorist operations in Latin America, to strengthen leftist militants and to promote anti-US actions there. He clearly intends to launch a more aggressive effort to undermine US interests in this hemisphere.

Today there is no more urgent task for statesmanship than to develop an effective way to check rampant terrorism through improved security, intelligence gathering, retaliation and preemption against specific targets, and by imposing political isolation and economic squeeze on states sponsoring terrorism. To be effective the response to terrorism must be a concerted one on the part of all civilized and peace-loving states. We got together to develop defenses against airplane highjacking in the seventies. We are already late in achieving international cooperation against today's more widespread and virulent international terrorism.

There's no time left to deal with the enormous burden of debt, or rapidly growing population straining resources. But I would conclude by re-emphasizing that none of these problems can be handled unless more advanced countries step up to counter politically motivated violence and to re-energize constructive economic forces in what promises in the years ahead to be the major battleground between those who want to see freedom prevail and those who want to extinguish it.

Thank you.

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1 March 1984

STATEMENT ON MKULTRA

Because of events in the 1940's and early 1950's, including operational reports and Soviet show trials involving Cardinal Mindzenty and others, the Soviet Union was believed to have developed the capability to affect human behavior through the use of drugs. To obtain information on the use of chemical and biological substances and methods to counter the use of behavior influencing drugs, the Agency conducted an "umbrella project" under which various subprojects were funded. This umbrella project, which was called MKULTRA, continued from 1953 through 1964. Much of the research, only a portion of which involved LSD, was conducted at well-known institutions under the control and direction of researchers at, and in conformance to the standards of, those institutions. The research and its results were generally unclassified and published in the normal manner by those researchers.

In only three instances was research performed in a manner which would raise questions regarding its ethical/moral propriety. The questionable subprojects involved the use of individuals who were not aware that they were the subjects of a research program or that they were being given a drug. This unwitting testing is believed to have taken place in social situations among friends and acquaintances of the researcher. In 1963, after questions were raised within the Agency by the Inspector General about the propriety of these subprojects, they were discontinued.

Between 1963 and 1967 some testing of drugs continued, but only on voluntary subjects. In 1967 all projects involving behavior influencing drugs were terminated. Safeguards were subsequently promulgated through Presidential Executive Orders which have been strictly followed. The current Presidential Executive Order, E.O. 12333, provides guidelines for the effective conduct of U.S. intelligence activities and the protection of constitutional rights. It requires that research which might be conducted involving humans be subject to Health, Education and Welfare promulgated guidelines, and that the subjects' informed consent be documented in accordance with those guidelines.

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BUSINESS COUNCIL ON NATIONAL ISSUES

1984/1985

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ORIGINS

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The Business Council on National Issues is the senior voice of business in Canada, and is composed of the chief executive officers of 150 leading Canadian corporations. Formed in 1976, the Business Council is the means by which business leaders have chosen to contribute personally to the development of public policy and to the shaping of national priorities.

The corporations which make up the Business Council administer in excess of \$590 billion in assets which produce annually more than \$190 billion in revenues. The member companies employ more than 1.5 million Canadians.

OBJECTIVES

The Business Council is not a lobby group seeking to represent narrow interests that have been traditionally associated with business. Rather the Council is dedicated to the fostering of public policies that will lead to a stronger economic and social fabric within a healthy democratic society. The Business Council believes that the interests of business and the interests of all Canadians are frequently parallel, and that a sound appreciation by the public and private sectors of one another's perspectives will benefit the country.

ROLE

The Business Council has three distinctive features: it comprises solely chief executive officers of member corporations; it draws its membership from the full range of industry, trade, commerce and finance; and it devotes itself to developing positions on a limited number of public policy issues of national significance. These have included major initiatives in numerous areas of economic concern such as macro-economic policy, energy, industrial policy, international trade, labour relations, and competition. Commitment to social concerns has resulted in a protracted study of Canada's pension system. Interest in the political process has led to major studies on parliamentary reform and the reform of political institutions. And concern about Canada's external and defence policies has resulted in significant work in these areas.

OPERATIONS

The leadership of the Business Council is provided by the Executive Committee. Overall authority is vested in the Policy Committee elected by the membership. A major part of the work of the Business Council is carried out under the direction of task forces established to deal with particular issues. Composed of Council members, these task forces are usually chaired by members of the Policy Committee. They are formed, reshaped and dissolved as circumstances dictate or when their work is completed.

The President is the Chief Executive Officer of the Council and a member of the Executive Committee. He also heads the Secretariat. Based in Ottawa, the Secretariat provides to the Policy Committee, the task forces and membership a wide variety of support services. These are supplemented by members' corporate staff resources and the work of independent consultants.

The Business Council works closely with decision-makers in government, in organized labour and among a wide variety of interest groups in Canada. The Council also maintains working relationships with a number of private sector organizations abroad.

To ensure maximum co-ordination of planning and effort in matters of overall concern to the business community in Canada, senior officers of the Canadian Chamber of Commerce, the Canadian Manufacturers' Association, and the Conseil du Patronat du Québec participate in the affairs of the Business Council as associate members and as *ex officio* members of the Policy Co

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Baird, C.F. (Charles)
Inco Limited

Garneau, R. (Raymond)
The Montreal City and District
Savings Bank

Bélanger, M.F. (Michel)
National Bank of Canada

Gordon, J.P. (Peter)
Stelco Inc.

Bilodeau, R.J. (Rodrigue)
Honeywell Limited

Harrigan, K.W. (Kenneth)
Ford Motor Company of Canada,
Limited

Black, J.T. (James)
The Molson Companies Limited

Heffernan, G.R. (Gerald)
Co-Steel International Limited

Cartwright, A.S. (Alton)
Canadian General Electric
Company Limited

Jackson, E.S. (Sydney)
The Manufacturers Life
Insurance Company

Clark, G.D. (Denton)
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Imperial Oil Limited

Culver, D.M. (David)
Alcan Aluminium Limited

McKeough, W.D. (Darcy)
Union Gas Limited

Curry, Steele
Revelstoke Companies Limited

Medland, C.E. (Edward)
Wood Gundy Limited

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de Grandpré, A.J. (Jean)
Bell Canada Enterprises Inc.

Powis, A. (Alfred)
Noranda Inc.

Fisher, G.N. (Gordon)
Southam Inc.

Ritchie, C.E. (Cedric)
The Bank of Nova Scotia

Fraser, J.F. (John)
Federal Industries Ltd.

Sharpe, C.A. (Richard)
Sears Canada Inc.

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(613) 238-3727

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ARTICLES ON INTELLIGENCE BY ROSS MUNRO

10 September 1984

Nation

Fallout from Flight 007

Conspiracy theories persist about the downed Korean airliner

It has been exactly a year since a Soviet Su-15 jet fighter blasted Korean Air Lines Flight 007 out of the sky over Sakhalin Island, hurling 269 civilians to their deaths in the Sea of Japan. On the anniversary, the inevitable conspiracy theories are attracting worldwide, and often uncritical, attention, perhaps more than at any other time since the incident. Some of the allegations, contends Roy Godson, a U.S. intelligence expert at Washington's Georgetown University, are a result of "a massive, overt disinformation campaign" by the Soviet Union.

The theories vary and sometimes conflict, but all attempt to make U.S. officials

had wondered about early reports that KAL 007 might have exploded some time after being hit by the Soviet missile. The Soviet broadcast twisted this into an allegation by Keppel that U.S. officials had ordered the plane blown up by remote control after the fighter attack so that its spy gear could never be recovered.

Another conspiracy theory was raised



Japanese police searching for debris of downed aircraft a year ago

Some of the doubts stem from "a massive, overt disinformation campaign."

share in the blame for the tragedy with the Soviet commanders who ordered the unarmed airliner to be destroyed. Some maintain that the Korean plane was on a U.S. spy mission, as the Soviets claim. Others charge that while the plane may have been inadvertently off course, U.S. military trackers saw it go astray, issued no warning and coldly exploited the situation to see how Soviet air-defense systems would react. Concerned over the notice such arguments were getting, the State Department held a briefing last week at which one official repeated to reporters: "These charges are totally false. The U.S. does not use civilian airliners for intelligence purposes, and there was no U.S. intelligence connection whatever with this plane, directly or indirectly."

Radio Moscow even went so far as to pick up and wildly distort an Italian newspaper interview with John Kennel, a retired S

in an unusually speculative article in *Defence Attache*, a generally respected London journal. An editor's note disclaimed agreement with the views of the author, who wrote under a pen name. The author's basic claim was that the KAL intrusion on Sept. 1 deliberately coincided with the Far East passes of both a U.S. spy satellite and the space shuttle *Challenger*. In his version, the airliner was sent over Soviet territory instead of a U.S. electronic-surveillance aircraft because U.S. officials believed that the Soviets would never shoot down a civilian aircraft. The U.S. plan, he suggests, was for the satellite and the shuttle to monitor Soviet responses to the airliner's intrusion. NASA officials insist that the shuttle was never close enough to receive aircraft radio transmissions from the 007 intrusion area and thus could not have had such a monitoring assignment.

A more elaborate theory was present

Written by David Pearson, 31, a doctoral candidate in sociology at Yale University, the article argues that the KAL crew was unbelievably negligent if it went so far off course without realizing it, and that American experts who track aircraft and eavesdrop on radio transmissions from Alaska to the Far East were even more incredibly incompetent if they failed to spot the errant flight. He contends that these specialists must have been particularly alert since they were aware of preparations by the Soviets to test a new missile on Aug. 31 aimed at the Kamchatka Peninsula, where the airliner first flew over Soviet territory. "All electronic eyes and ears were directed toward the exact place," Pearson writes. "Far from slipping by unnoticed, KAL 007 had flown onto center stage."

No U.S. observer, however, sent word through civilian air controllers to warn the airliner of its dangerous course. To Pearson this suggests either a prearranged U.S.-Korean spy plot or a desire by U.S. officials to exploit an accidental intelligence-gathering opportunity. The State Department rebuttal is a categorical denial: "No agency of the U.S. Government even knew that the plane was off course and in difficulty until after it had been shot down. Only the Soviets knew where it was before it was shot down." Assistant Secretary of State Richard Burt contends that precisely because U.S. surveillance was directed toward the incoming Soviet missile, it could easily have missed the civilian airliner's deviant course.

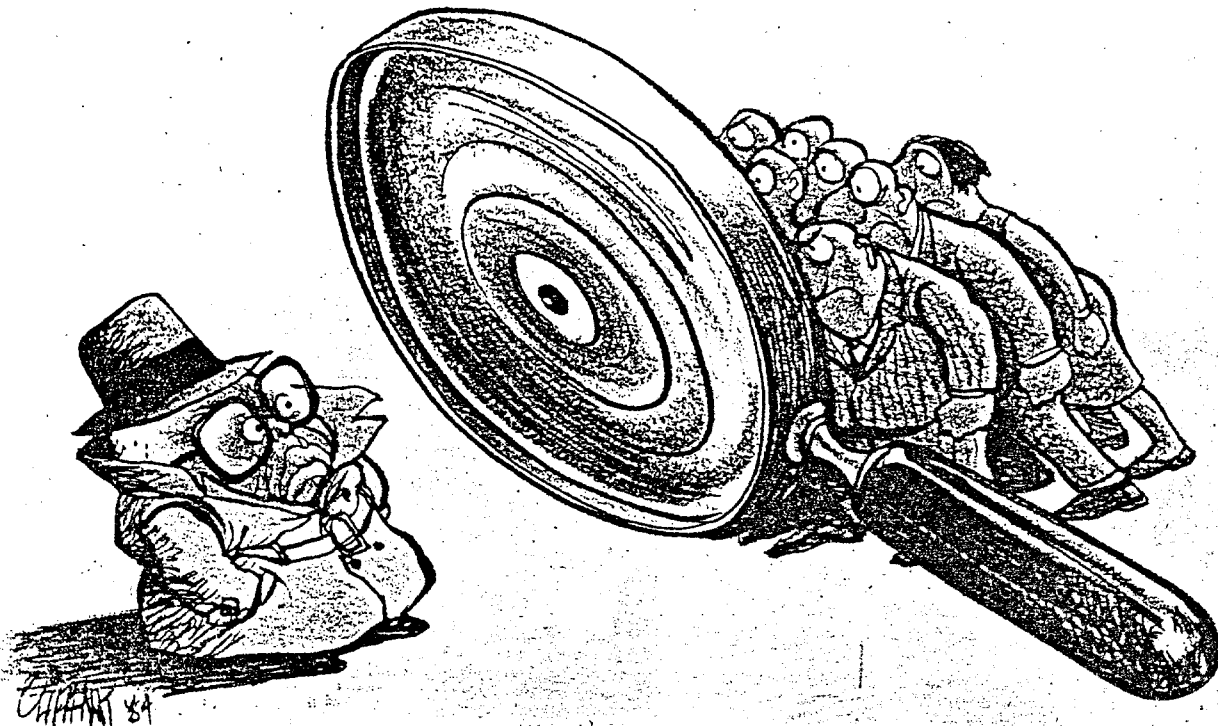
So far, the only authoritative investigation into the disaster was that conducted by the International Civil Aviation Organization. It concluded that there was no evidence of the airliner being on an intelligence mission. It said that the 007 crew could have flown unknowingly off course either by committing a 10° error in programming its inertial navigation system or by erroneously setting the Boeing 747 on a steady magnetic compass heading of 246° (an investigative series in London's *Sunday Times* showed how this could happen if a switch were left in the wrong position, disengaging the inertial navigation system). In either case, the crew would have been inexplicably careless in not using other means to verify the plane's location.

Vermont Senator Patrick Leahy, a Democratic and often critical member of the Senate Select Committee on Intelligence, asserts that there was no intelligence bonanza to be gained from a KAL 007 overflight of Soviet territory. The U.S., Leahy points out, has far better techniques for testing Soviet radar defenses than by endangering civilians and, in fact, continually runs such tests. He says he has reviewed still classified information on the airliner shooting and, despite the suspicions of conspiracy advocates, finds nothing in it that would relieve the Soviets of their responsibility.

astmson.

No Place Left to Hide?

In rebuilding the CIA, Casey has made missteps and infuriated Congress



By most of the usual tests, William J. Casey has amply fulfilled his 1981 pledge to lead the Central Intelligence Agency to "good new days." The decimated spy agency he took over as director at the start of Reagan's term has been fattened by budget increases that not even the Pentagon can match in percentage terms. Staff has multiplied, intelligence collection and analysis have vastly speeded up. Morale has soared as public animosity engendered by the assassination plots and other "dirty tricks" of the 1960s and '70s has faded. The agency is again recruiting on college campuses, where its initials were once regarded as an anagram of evil.

But by another test the agency at times seems to be heading straight back to the bad old days. Once more, relations between the CIA and Congress are being enveloped by mutual distrust and anger. Prominent members of both parties charge that Casey not only broke international law by having the CIA mine three Nicaraguan harbors, but flouted the agency's obligation to keep the intelligence committees of Congress "fully and currently" informed of what it was doing. For his part, Casey, in the words of one of his Administration colleagues, "views Con-

gress as a bunch of meddlers, messing around in his business."

Vermont Democrat Patrick Leahy, a member of the Senate Intelligence Committee, warns that support for the CIA is eroding because "many Republicans and Democrats in Congress are saying that they consider Mr. Casey's credibility to be at an alltime low." Storms Minnesota Republican Senator David Durenberger: "There is no use in our meeting with Bill Casey. None of us believe him. The cavalier, almost arrogant fashion in which he has treated us as individuals has turned the whole committee against him." To dramatize his protest that Casey kept the group in the dark about the Nicaragua mining, New York Democrat Daniel Patrick Moynihan vows to resign as vice chairman of the Senate Intelligence Committee.

Some Administration officials are concerned that Casey will never be able to restore enough trust in Congress to win continued funding for the covert operations that are the CIA director's special pride. Indeed, there are whispers around the White House from pragmatists as well as a few hard-liners that the best service Casey could now perform for the CIA would be to quit.

There is little chance that Casey or his boss, Ronald Reagan, will heed or even hear such advice. Casey, who managed Reagan's 1980 campaign, is closer to Reagan than perhaps any previous CIA director has been to his President.

He has become one of the driving forces in setting—as well as carrying out—U.S. policy toward Nicaragua. The Administration asserts that its aim is to harass the Sandinista government until it stops trying to foment Communist revolution throughout Central America. The main instrument for achieving this is CIA training, arming and financing of the *contra* guerrillas who are waging war against the Sandinistas.

Many lawmakers have long been afraid that the CIA backing of the *contras* would drag the U.S. into a war against Nicaragua, and Casey's briefings did not always reassure them. One Senator told TIME last week that the CIA director once went so far as to present a plan for a possible eventual partition of Nicaragua between a Sandinista regime in the west and a *contra*-ruled state in the east. Though the congressional committees cannot veto any CIA activities outright, they can, in Moynihan's words, "push and pull" the agency away from dubious schemes (as

Continued

happened. Should that fail, the committees can secretly write into appropriations bills provisions for denying funds.

Until the mining episode, most legislators felt, Casey had been keeping the committees adequately informed. Nor is the CIA director solely to blame for the gaps that have since appeared in the legislators' knowledge. Several Senators on the Intelligence Committee confess they were remiss in not insisting on a briefing on CIA activities in Nicaragua early this year, and for failing to question Casey on references he made to the mining when he did meet with them twice in March. (The House Intelligence Committee was briefed on Jan. 31.) Still, Moynihan and others contend that Casey, at minimum, did not fulfill the command of the 1980 law that he apprise the committees of even "any significant anticipated intelligence activity." The mining had begun about a month before the House Intelligence Committee briefing. Indeed, raids on Puerto Sandino last Sept. 8 and on the oil-storage tanks at Corinto on Oct. 10 were carried out, as was the later mining of the same ports, by Latin American commandos recruited and trained by the CIA and dispatched aboard speedboats from a CIA mother ship cruising off Nicaragua's Pacific coast. Not until March 30, in a letter to the Senate Intelligence Committee staff that congressional sources disclosed last week, did the CIA confirm, in its inimitable bureaucratic jargon, that the raids were carried out by "unilaterally controlled latino assets."

The Senate Intelligence Committee has called a meeting for Thursday at which, Moynihan pledges, Casey will be asked "tough questions" about whatever operations the CIA may be conducting or planning in Nicaragua. One idea being floated by some Senate Intelligence Committee staffers is to require the CIA to certify weekly that it is not supporting any *contra* activities that have not been disclosed to Congress.

Any new restrictions would break a string of successes in expanding and revitalizing the CIA that Casey's bitterest critics admit has been highly impressive. During the 1970s, revulsion over some of the agency's early operations prompted cuts of 40% in the agency's budget and 50% in its staff. At the end of the Carter Administration, policymakers were receiving intelligence estimates at the lethargic rate of one a month.

Casey came to the agency with top credentials. He



The imperious director: defiant of Capitol Hill

learned intelligence by directing operations in Nazi-occupied Europe for the wartime Office of Strategic Services. During the Nixon and Ford Administrations, he served in a variety of economic posts. In his first three years as CIA director, he wangled budget increases of 20% or more out of Congress each year. (The agency's figures are secret, but a reliable estimate of its expenditures is \$1.5 billion for the current fiscal year.) That has made possi-

ble a substantial increase in the number of CIA employees, to a current total of 18,000. One sign of the CIA's increased prestige: 250,000 Americans answered help-wanted ads the agency ran last year. The CIA selected 10,000 for serious screening and eventually hired 1,400. Production of national intelligence estimates quintupled to 60 last year, and by common consent Casey has improved their quality too. Among other things, he has reorganized the agency's intelligence analysts, once grouped by specialty, along regional lines. Economists and political specialists, for example, now collaborate in a single report on a specific area. Casey's policy views are vehemently anti-Communist, a factor that insiders say has also raised agency morale. But by all accounts Casey has kept his advocacy separate from the scrupulously straight analyses he presents to his Administration colleagues.

There are some flaws in this record. What the CIA calls "human intelligence" has not yet recovered from the savage staff cuts carried out during the Carter Administration by Casey's predecessor, Stansfield Turner, who preferred to collect intelligence by electronic means. Casey did not have a single agent on Grenada until a few days before the American invasion last October, and could not provide an accurate estimate of the number of Cubans on the is-

land. Casey takes special joy in having revived covert operations. He is said to have made several trips in unmarked planes to Honduras to check on the progress of *contras* training there. Says one associate: "He's happy as a clam when it comes to covert operations."

When it comes to dealing with Congress, however, he would prefer to be just a clam. Right at the start, the Senate Intelligence Committee censured Casey, a lawyer and venture capitalist in private life, for failing to disclose during his confirmation hearings more than \$250,000 in investment assets and nearly \$500,000 in personal liabilities. Questions about his finances persist to this day: the Internal Revenue Service is scrutinizing his involvement in a tax-shelter scheme.

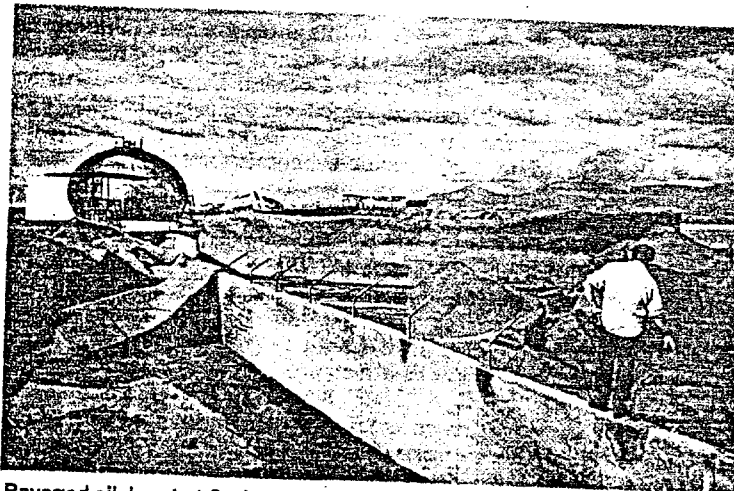
The Senate investigation left a permanent legacy of bitterness. Some Senators felt that Casey had misled them about his finances, and looked with increased suspicion on his running of covert operations. Casey felt that some lawmakers were conducting a vendetta against him and was strengthened in his natural tendency to tell them no more than the law



Democrat Moynihan: appalled



Republican Durenberger: frustrated



Ravaged oil depot at Corinto: a CIA raid by "unilaterally controlled" latinos

Continued

requires. Says one official who worked closely with Casey during that period: "Casey gets mad, and he also tries to get even. The attacks from the Hill just compounded an existing disdain for the legislative branch of Government."

Casey's counterparts in other democracies have little need to deal with their legislatures at all. The heads of the British agencies, MI5 and MI6, report to an executive committee chaired by the Prime Minister, who does not officially tell Parliament so much as their names.

French law gives the National Assembly the right to ask questions about the operations of the intelligence services, but the government's usual, and accepted, answer is a blank "*secret de la defense*." The West German Bundestag does have a watchdog committee for that nation's equivalent of the CIA. But the committee's eight members are sworn to deepest secrecy. The Bundestag has declared members of the antinuclear Green Party ineligible to serve on the committee because they would not take the pledge.

Under the American system of legislative oversight, there is a built-in conflict between the lawmakers' need to assure themselves that the agency is responsive to democratic control and the CIA director's necessity to keep delicate operations secret as long as possible. Intelligence Committee members argue, with justification, that they can keep a secret when performing their legitimate oversight functions: because of the very nature of such "covert" activities as mining Nicaraguan harbors and blowing up oil tanks, knowledge about the CIA's role in these operations is likely to become public, but generally not through Intelligence Committee leaks. But in turn, the CIA is justified in resisting congressional temptation to oversupervise the agency's programs by becoming involved in the logistical details of specific operations.

Part of the problem, some legislators concede, is that the Intelligence Committees are too large, and their members (16 House, 17 Senate) too busy with other assignments, to handle their important oversight role in a judicious manner. Says Senator Leahy: "We have got to find a way for Senators to be far better briefed on covert activity. It may require a couple of Democrats and a couple of Republicans who will meet several hours each week and then give a broad report to the full committee."

This alone, however, will not be enough to handle the far more serious underlying problem. No oversight arrangement will work; nor will any program to rebuild America's covert capabilities work, until a way can be found to dissipate the corrosive mistrust and suspicion that has built up between Casey's CIA and Congress.

—By George J. Church,
Reported by Ross H. Munro and Christopher
Redman/Washington, with other bureaus

FEBRUARY 14, 1983 Vol. 121 No. 7

TIME

THE WEEKLY NEWSMAGAZINE

A Letter from the Publisher

The KGB, the Soviet secret police and espionage agency, is the world's largest information-gathering organization and certainly its most mysterious. For this week's cover story on the shadowy secret service that nurtured the Soviet Union's new leader, Yuri Andropov, TIME correspondents employed their own resourceful information-gathering techniques. In a dozen capitals, they pieced together anecdotes and insights from intelligence agents, diplomats, academic specialists and members of the Russian émigré community. In London, TIME's Frank Melville met with Defector Vladimir Kuzichkin, a former KGB major. Washington Correspondent Christopher Redman talked with past and present members of U.S. intelligence and found them wary about revealing too much knowledge of KGB operations, lest it tip off Soviet spies to U.S. capabilities. Moscow Bureau Chief Erik Amfitheatrof probably had the most delicate assignment. "Soviet citizens are usually leery of talking about the KGB," he reports. "But those willing to be interviewed provided insights available nowhere else. One person told me, 'If you walked down the street with a sign reading GLORY TO COMMUNISM, the KGB would detain you, because all unauthorized action is prohibited.' That said something very real to me

about the KGB's pervasive power." In New York, on the receiving end of the gleanings from correspondents, were Senior Editor Donald Morrison, and Staff Writer John Kohan, who wrote the story.

Part of the cover package is a report on Bulgaria, written by Associate Editor Jim Kelly, which examines that Balkan nation's reputation as an espionage surrogate for the Soviets, perhaps even in the 1981 assassination attempt on Pope John Paul II. Rome Correspondent Barry Kalb has followed the scenarios that have speculated on various countries' possible roles in the affair. In Washington, Correspondent Ross H. Munro canvassed the intelligence community and pored over the Soviet press. Rome Bureau Chief Wilton Wynn went to Turkey to assess "the amazing Bulgarian involvement in arms and drugs, and Bulgarian activities aimed at destabilizing Turkey." Eastern Europe Bureau Chief Richard Hornik traveled to Sofia, Bulgaria's capital, and gained a different perspective. "The country has been in the news because of an assassination plot," Hornik says. "But with its ancient culture, beautiful scenery and relatively prosperous economy, Bulgaria is in itself a subject worthy of separate journalistic analysis."



Amfitheatrof in Red Square

John A. Meyers

Leading Chinese economist lists agriculture, energy woes

By Ross H. Munro

Toronto Globe and Mail

PEKING—In a frank and sober speech, China's leading economic planner has described the Chinese economy as one confronting serious problems.

Vice Premier Yu Chiu-Li said that while the tide is turning there are serious problems in the agriculture and energy sectors and in industrial management. He also stressed concern with "embezzlement, theft, speculation, profiteering, and other capitalist activities.

Speaking at a meeting of the standing committee of the National People's Congress, Yu indicated that the government plans to step up its supervision, planning, and control of the Chinese economy.

Because of the increase in production since the radicals fell from power a year ago, he said, wages were increased effective Nov. 1. Providing details for the first time, he said about 46 per cent of the workers, apparently including office workers, were eligible for wage increases. He said they are the ones "with many years of working experience who receive fairly low pay." Another 10 per cent are getting small increases.

YU HINTED, however, that China plans to move toward more of an incentive system under which wages will be more closely tied to a worker's productivity. He also made a statement which raised the possibility that there might be increases in the prices of some food products.

Yu singled out three areas of the Chinese economy which are of special concern:

"Firstly, the growth of agriculture and light industry falls short of demand for the country's construction and the people's life." In other words, food and consumer goods are in short supply and China is still forced to import wheat.

[IN LATE OCTOBER, the United States Central Intelligence Agency reported that China had disappointing harvests of winter wheat and early rice because of drought in some key growing regions and excessive rainfall in others.

[The agency concluded that the grain harvest is unlikely to increase significantly over the 235 million metric tons produced in 1976 and may not keep pace with population growth for the second consecutive year.

[The CIA said it is unlikely that the fall harvest will be large enough to compensate for the disparity. China has al-

ready contracted for imports of 11.7 million metric tons of wheat during an 18-month period that ends in mid-1978. None of this will come from the U.S. Suppliers are Canada, Australia, and Argentina. China bought 7.9 million metric tons of U.S. grain from 1972 to 1974 but hasn't purchased any since. There is speculation that if China is forced to buy more grain because of skimpy fall harvests, it could reopen a market for American surpluses.]

"SECONDLY," YU said, "the development of the fuel and power industries and the primary goods industry is not keeping pace with the growth of the national economy." The energy shortage in particular seems to have become a serious industrial bottleneck. China is still importing large quantities of oil.

"Thirdly, consolidation of economic management and the management of enterprises has just begun and no significant improvement has yet been made as regards the poor quality of products, big consumption of material, low labor productivity, high production costs, and the tying up of too much funds," Yu said. In other words, factories are still grossly mismanaged and quite inefficient.

INTRODUCTION

When Ronald Reagan was first elected President, he and his Republican supporters described their ascendancy to the White House as "A Great New Beginning." Today, four years later, that label may not have entered our political lexicon with the same rhetorical flourish as the New Deal, Fair Deal, New Frontier, or Great Society, but the magnitude of change imposed by its policies will not be soon forgotten. And while President Reagan's extraordinary re-election triumph has affirmed the public's support for the man and his Administration's general direction, it has triggered a serious debate over the specific policies to be pursued during the next four years.

Just where is this Great New Beginning going, and how will it affect those beyond our nation's borders? These and many other issues will surely form the basis of the dialogue—and indeed it can only be the beginning of a long and continuing dialogue—that will begin during UPDATE ON AMERICA '85.

During the next three days you will meet many of the people most intimately involved in this newly re-elected Administration. They are people not only in the news, but people important in making the news. You will hear a great deal from them about the problems they face and the solutions they seek. But most importantly, you will have the opportunity to observe firsthand the differences and controversies from which agreement must evolve if policy-making is to be effective.

We welcome you in joining us as "journalists in residence" during your stay in Washington. And in that role we urge you to actively participate as question askers and probers. The success of this venture depends in large part on your drawing out these people at the top. Our speakers are used to questions and they will enjoy a lively exchange of viewpoints with you.

John A. Meyers
Publisher

PROGRAM

TIME/CANADA • UPDATE ON AMERICA '85
FEBRUARY 24-27, 1985

SUNDAY, FEBRUARY 24

6:30 PM Reception & Dinner
Mount Vernon Room
The Madison Hotel

SPEAKERS

John A. Meyers
Vice President, Time Inc.
Publisher, TIME

Ralph P. Davidson
Chairman of the Board, Time Inc.

Richard L. Duncan
Chief of Correspondents,
Time-Life News Service
Assistant Managing Editor, TIME

Henry A. Grunwald
Editor-in-Chief, Time Inc.

H.E. Allan E. Gotlieb
Ambassador of Canada

MONDAY, FEBRUARY 25

7:45 AM Breakfast
Mount Vernon Room
The Madison Hotel

Senator Robert J. Dole
Republican, Kansas
Senate Majority Leader

9:00 AM Briefing: Update on America
Executive Chambers
The Madison Hotel

Strobe Talbott
TIME Washington Bureau Chief

Laurence I. Barrett
White House Correspondent
TIME Washington Bureau

Johanna McGeary
State Department Correspondent
TIME Washington Bureau

Christopher Redman
National Economics Correspondent
TIME Washington Bureau

10:30 AM Briefing
Executive Chambers
The Madison Hotel

The Hon. Donald P. Hodel
The Secretary of the Interior

12:00 Noon Sharp *Board bus—main entrance, Madison Hotel*

12:30 PM Reception & Luncheon
1925 "F" Street Club

The Hon. William E. Brock
United States Trade Representative

3:30 PM Briefing
The Pentagon

The Hon. Caspar W. Weinberger
The Secretary of Defense

5:30 PM Briefing
Main Commerce Building

The Hon. Malcolm Baldrige
The Secretary of Commerce

7:15 PM Sharp *Board bus—main entrance, Madison Hotel*

7:30 PM Reception & Dinner
The Phillips Collection

Representative Thomas S. Foley
Democrat, Washington

TUESDAY, FEBRUARY 26

8:00 AM Breakfast
Mount Vernon Room
The Madison Hotel

Representative Jack F. Kemp
Republican, New York

10:00 AM Sharp *Board bus—main entrance, Madison Hotel*

10:30 AM Briefing
Montpelier Room
The Sheraton Grand Hotel

Senator Joseph R. Biden, Jr.
Democrat, Delaware

Senator William S. Cohen
Republican, Maine

Senator Gary W. Hart
Democrat, Colorado

Senator Nancy L. Kassebaum
Republican, Kansas

12:30 PM Reception & Luncheon
City Tavern Club

The Hon. Henry C. Wallich
Member, Board of Governors
Federal Reserve System

3:30 PM Briefing
Time Inc. Suite
The Hay-Adams Hotel

The Hon. William J. Casey
Director, Central Intelligence Agency

4:30 PM Briefing
The White House

The Hon. Robert C. McFarlane
Assistant to The President for
National Security Affairs

5:45 PM Briefing
The State Department

The Hon. George P. Shultz
The Secretary of State

7:45 PM Sharp *Board bus—main entrance, Madison Hotel*

8:00 PM Reception & Dinner
The Corcoran Gallery of Art

The Hon. Richard R. Burt
Assistant Secretary of State

WEDNESDAY, FEBRUARY 27

7:30 AM Breakfast
Executive Chambers
The Madison Hotel

Senator John C. Danforth
Republican, Missouri

10:30 AM Sharp *Board cars—main entrance, Madison Hotel*

11:00 AM Wrap-up Session
Meridian House

12:00 Noon Reception & Luncheon
Meridian House

Thomas P. d'Aquino President and Chief Executive Officer
Business Council on National Issues, Royal Bank Centre, 90 Sparks Street, Ottawa,
Ontario K1P 5B4

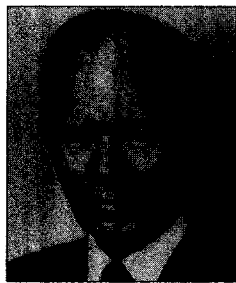


Thomas P. d'Aquino is president and chief executive officer of the Business Council on National Issues, an organization composed of some 150 chief executive officers of major enterprises in Canada. Born in British Columbia and educated at universities there and in London and Paris, Mr. d'Aquino is a lawyer who has served in the federal government and as legal counsel and advisor to a number of other governments as well as to business corporations in Canada and abroad. He

is also chairman of Intercounsel, a consulting group based in Ottawa.

Formed in 1976, the Business Council is the means chosen by senior business leaders to contribute personally to the development of public policy and to the shaping of national priorities. By no means a lobbying organization, it is dedicated to the fostering of public policies that will lead to a stronger economic and social fabric within a healthy democratic society. The enterprises represented on the Business Council administer in excess of \$600 billion in assets and produce more than \$190 billion in revenue every year.

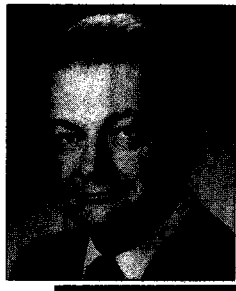
Charles F. Baird Chairman and Chief Executive Officer
Inco Limited, 1 First Canadian Place, Toronto, Ontario M5X 1C4



Charles F. Baird, the chairman and chief executive officer of Inco Ltd., is an American who was born in Southampton, Long Island. An alumnus of Middlebury College in Vermont, he served as an officer in the U.S. Marine Corps in World War II and the Korean War, and spent 17 years with Standard Oil Co. (N.J.), now Exxon, and its affiliated companies. Between 1965 and 1969 he was in the U.S. Navy Department, first as an Assistant Secretary (Financial Management), and then as Under Secretary. Joining Inco in 1969 as vice president of finance, he held other senior executive positions before moving up to his present job in April 1980.

The world's leading producer of nickel, Inco was known as the International Nickel Co. before taking its present name nine years ago. It is also a major producer of copper, the platinum-group metals, gold, silver and cobalt. In addition to its primary metal operations in Ontario and Manitoba, the company produces a wide range of metal products in Canada and the U.S. . Inco's headquarters are in Toronto but it also has executive offices in New York City. Overseas, it has mining or processing facilities in Indonesia and Great Britain.

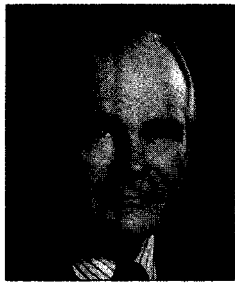
Michel F. Bélanger Chairman and Chief Executive Officer
National Bank of Canada, 600 rue de La Gauchetière West, Montreal, Quebec H3B 4L2



Michel F. Bélanger, chairman and chief executive officer of the National Bank of Canada, was born in Lévis, Quebec, and was educated at Université Laval in Quebec and at McGill University. In 1954 he began a long career of public service that included six years with the Department of Finance in Ottawa and several positions in the provincial government of Quebec, among them Deputy Minister, Industry and Commerce, and Secretary of the Treasury Board. He joined the Provincial Bank of Canada in 1976 as president and was named its chief executive officer the following year. He retained this position in 1979 when the bank was merged with the Bank Canadian National and the National Bank of Canada was formed. He has held his present title since July 1, 1984.

National Bank of Canada has a network of 580 branches that includes 470 in Quebec, 75 in Ontario and the Western Provinces, and 35 in the Atlantic Provinces. Parallel to its branch network, the bank has established a National Accounts Division for servicing large corporations; it also provides leasing services and is involved in international financial and money markets.

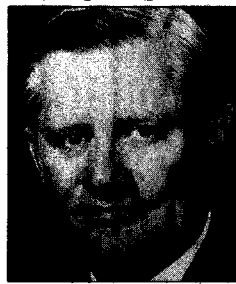
Rodrigue J. Bilodeau Chairman and Chief Executive Officer
Honeywell Limited, 155 Gordon Baker Road, North York, Ontario M2H 3N7



Rodrigue J. Bilodeau has been chairman of Honeywell Ltd. since 1974. A native of Lévis, Quebec, and a Royal Canadian Air Force pilot in World War II, he holds degrees from St. Francis Xavier University in Antigonish, Nova Scotia, and McGill University. He has been associated with Honeywell since 1950, when he joined the company as a salesman. Among his many outside activities, he is a past president of the Canadian Manufacturers' Association.

An advanced technology company, Honeywell Ltd. provides both stand-alone and integrated computer and microprocessor-based automation products. It also provides systems solutions to such markets as data processing and office automation, total building environmental control, natural resource-related industrial processing automation, medical electronics, and security systems. The company maintains one of Canada's leading software and development centers. It is a wholly-owned subsidiary of Honeywell Inc. of Minneapolis.

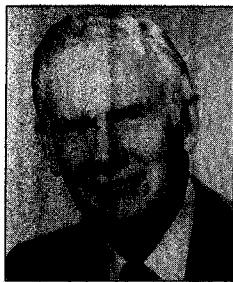
Warren Chippindale, FCA Chairman and Chief Executive Partner
Coopers & Lybrand (Canada), 145 King Street West, Toronto, Ontario M5H 1V8



Chairman and chief executive partner of Coopers & Lybrand (Canada), Warren Chippindale was born in Denver, Colorado, of Canadian parents. He was educated in Montreal and upon graduation from McGill University joined the Montreal firm of McDonald, Currie & Co., chartered accountants whose history dates to the beginnings of the accountancy profession in Canada. Mr. Chippindale was named chairman and chief executive partner of McDonald, Currie in 1971.

In 1957, McDonald, Currie & Co. was one of the three founding members of Coopers & Lybrand (International); it kept the McDonald, Currie name until 1973, when it adopted the uniform international name of Coopers & Lybrand. With 378 offices in 92 countries, Coopers & Lybrand has the largest network of accounting offices in the world. Each of the member firms is an independent unit, but they form a closely-knit organization linked by common policies and procedures. In Canada, the firm is located in all provinces, with 22 offices in major cities. Its associated management consulting firm, Currie, Coopers & Lybrand Ltd., has conducted assignments for more than half of the firms on the *Financial Post's* listing of the 100 top Canadian companies.

G. Denton Clark Chairman, President and Chief Executive Officer
RCA Inc., Royal Bank Plaza, Toronto, Ontario M5J 2J4



G. Denton Clark, chairman, president and chief executive officer of RCA Inc., is from Prince Edward Island. After serving in World War II as a pilot in the Royal Canadian Air Force, he received degrees in engineering from the University of New Brunswick and McGill University. He was with the National Research Council in Ottawa before joining RCA in Montreal as manager, field operations, in 1956. RCA

stationed him in Greenland, Alaska, Florida and New Jersey before naming him president of RCA Inc. in 1973. He became chairman and chief executive officer three years later.

RCA Inc., a leader in Canadian consumer electronics, is a wholly-owned subsidiary of RCA Corp. of New York. As such, it produces and sells many of the products of its parent, notably equipment in the expanding video market and is a major supplier of music on records and tapes. It also imports and distributes the products of affiliated companies, including integrated circuits and closed circuit television equipment. The company operates out of 20 locations in Canada, from Halifax to Victoria.

D. Steele Curry President and Chief Executive Officer
Revelstoke Companies Limited, 508-24th Avenue, S.W., Calgary, Alberta T2P 2N2



Born in Winnipeg, Steele Curry is a graduate of Stanford University, Palo Alto, California, and the Harvard Business School. Upon completing his education he went into real estate development and consulting in Los Angeles and Toronto. In 1968 he became vice president and director of Triarch Corp., where his principal activities were raising capital for corporations and advising companies on mergers and acquisitions. Joining Revelstoke Companies Ltd. in 1971 as president and chief executive officer, Mr. Curry also serves as president and a director of Venture Funding Corp., the company that holds a controlling interest in Revelstoke.

Revelstoke's main business consists of 80 retail stores, located across Western Canada, which sell a wide range of "do-it-yourself" home improvement products. The company is also in the business of producing redi-mix concrete at 21 plants in Alberta, British Columbia, and Saskatchewan, and it manufactures lumber at four Western Canadian mills. It also owns a concrete-producing subsidiary in Texas. Its retail division accounts for almost 75 percent of its total sales.

Anthony S. Fell President and Chief Executive Officer
Dominion Securities Pitfield Limited, Commerce Court South, Toronto, Ontario M5L 1A7



Anthony S. (Tony) Fell was born in Toronto. Educated at St. Andrew's College in Aurora, Ontario, he joined Toronto's Dominion Securities Corp. in 1959 at the age of 20. Today he is president and chief executive officer of Dominion Securities Pitfield Ltd., a leading firm of underwriters of government and corporate securities. He sits on several boards, among them Goodyear Canada Inc. and Kellogg Salada Canada Inc.

Dominion Securities Pitfield began operations under this name on June 1, 1984 following the merger of the two companies, Dominion Securities Ames and Pitfield Mackay Ross. Both of the merger partners have long histories in the Canadian investment community; Dominion Securities was founded in 1901 and Pitfield Mackay Ross dates to 1928. With a capital base of \$100 million, the merged firm has 65 offices in 59 Canadian cities coast-to-coast; it also has an international presence with offices in New York City, Chicago, London, Paris, two offices in Switzerland and two in the Far East.

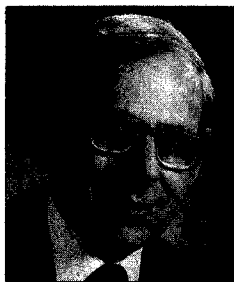
Rowland C. Frazee Chairman and Chief Executive Officer
The Royal Bank of Canada, P.O. Box 6001, Montreal, Quebec H3C 3A9



Rowland C. Frazee has been chief executive officer of The Royal Bank of Canada since 1979 and its chairman since 1980. Born in Halifax, Nova Scotia, he first joined The Royal at a New Brunswick branch in 1939. After serving with the Canadian Army in World War II, he graduated with a degree in commerce from Halifax's Dalhousie University in 1948 and then rejoined the bank in New Brunswick. Over the next three decades he held positions of increasing responsibility with The Royal, culminating with his appointment to the positions he now holds.

Chartered in 1869, The Royal Bank of Canada is Canada's largest chartered bank, with assets at the end of fiscal 1984 of \$88 billion. It ranks No. 18 on *Fortune's* directory of the largest commercial banking companies outside the U.S. Although its corporate headquarters are in Montreal, the bank's operations are managed through 11 regional headquarters, seven across Canada and four in major world financial centers. Its domestic operations include a network of 1,440 branches throughout the country; internationally, its coverage is provided by more than 270 commercial, wholesale and retail operating units and through more than 5,000 correspondent banking relationships.

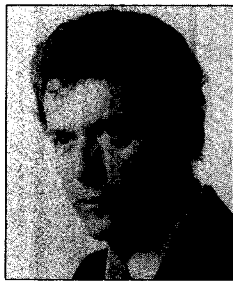
Charles H. Hantho Chairman and Chief Executive Officer
C-I-L Inc., 90 Sheppard Avenue East, North York, Ontario M2N 6H2



Charles H. (Chuck) Hantho, C-I-L's chairman and chief executive officer, was born in Lethbridge, Alberta. After earning a degree in chemical engineering at the University of Alberta, he joined C-I-L's plastics division in 1953. His rise in the company included a two-year assignment as deputy chairman of the petrochemicals division of Imperial Chemical Industries (I.C.I.) of Great Britain, which owns almost three-fourths of C-I-L's shares. He also carried overall responsibility for the company's external relations and new business developments in Western Canada. He was appointed president and chief operating officer in 1981, chief executive officer in 1982, and chairman in 1984.

C-I-L is a company whose history in explosives and chemicals manufacturing dates back to 1862. Today it accounts for about 10 percent of the sales of the entire Canadian chemical industry, with products that include agricultural chemicals and fertilizers, commercial explosives and accessories, and industrial and specialty chemicals. Most of its mainline businesses, including chemicals, explosives, plastics and paints, maintain major research centers.

Richard John Lawrence Chairman and Chief Executive Officer
Burns Fry Limited, First Canadian Place, Toronto, Ontario M5X 1H3



Burns Fry Ltd.'s chairman and chief executive officer, Richard John (Jack) Lawrence received honors in business administration from the University of Western Ontario. Upon graduation he joined Equitable Securities, a Toronto firm, as a money market specialist. In 1961 he shifted to Fry Mills Spence Ltd., a predecessor of his present company. He was president of Fry Mills Spence in 1976, when it merged with Burns Bros. and Denton Ltd. He retained the position in the merged company and was named chairman and chief executive officer in May 1984.

The formation of Burns Fry Ltd. brought together two securities firms whose roots go back almost 60 years in the Canadian investment industry. Today it has the dominant share of the Canadian secondary bond market and is the leader in Canada for acquisitions, divestitures, valuations and financial advisory services. Together with Burns Fry and Timmins, Inc., its U.S. subsidiary, it holds 23 stock exchange seats in Canada and the U.S. and is the prime company for the sales and trading of Canadian stocks and bonds in the U.S.

C. Edward Medland Chairman and Chief Executive Officer
Wood Gundy Inc., Toronto-Dominion Centre, Toronto, Ontario M5K 1M7

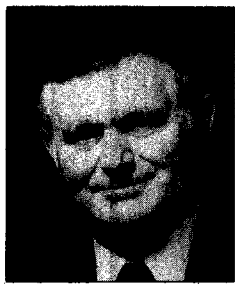


C. Edward (Ted) Medland was born in Toronto and is a graduate of the University of Toronto. He joined the Toronto investment firm of Wood Gundy in 1950 and has been its chairman and chief executive officer since 1978. Among the companies of which he is a director are the International Thomson Organization and the Seagram Co.. He is also a director of Wellesley Hospital.

Established in 1905 in Toronto by G.H. Wood and J.H. Gundy, Wood Gundy is an international investment dealer providing assistance to corporations, governments, and private and institutional investors. In addition to its many offices in Canada, it has long maintained a fully-staffed operation in Great Britain and is now enlarging the size and services of its U.S. division. It has also opened an office in mainland China. Its Chinese affiliate, says the Wood Gundy annual report, "will examine two-way investment opportunities in one of the largest undeveloped markets in the world."

Stanley F. Melloy Chairman

The Continental Bank of Canada, 130 Adelaide Street West, Toronto, Ontario M5H 3R2



Stanley F. (Stan) Melloy, chairman of the board of The Continental Bank of Canada, flew with the Royal Air Force during World War II and was awarded the Distinguished Flying Cross. He graduated from the University of Toronto in 1948 and went to work for his present organization in the same year. In addition to his duties at the bank, he serves as chairman of the board of directors of the Canadian Chamber of Commerce.

Originally known as Industrial Acceptance Corp. and then as IAC, Ltd., Continental Bank of Canada adopted its present name in 1981. A full-service bank with overseas interests, it operates 57 branches throughout Canada, maintains a branch in the Cayman Islands, and has a representative office in London. Active also in civic affairs, the bank is involved in underwriting cultural events in many parts of Canada. And, having agreed to support the Canadian Olympic Hockey Program, it will be known as "Bankers to Team Canada" until the 1988 Olympics in Calgary.

J.E. Newall Chairman, President and Chief Executive Officer
Du Pont Canada Inc., Box 2200, Streetsville, Mississauga, Ontario L5M 2H3



J. Edward (Ted) Newall, chairman, president and chief executive officer of Du Pont Canada Inc., was born in Holden, Alberta, and received a degree in commerce from the University of Saskatchewan. Having worked for Du Pont while a student, he joined the firm on graduation, in 1958, and was given a series of assignments that led in 1972 to his appointment as director of the company's Fibres Group. He was named executive vice president in 1975, president and chief executive officer in 1978, and chairman in 1979.

Three-fourths of Du Pont Canada Inc.'s common shares are owned by E.I. du Pont de Nemours & Co. of Delaware, but management of the company is Canadian as are ten of its 12 directors. One of Canada's leading chemical companies, its operations fall into three broad groups: fibres, plastics and films, and chemicals. Product innovation has helped establish the company's products in some 65 foreign markets. New or improved products introduced in 1982 and 1983 accounted for almost 10 percent of 1983 revenues.

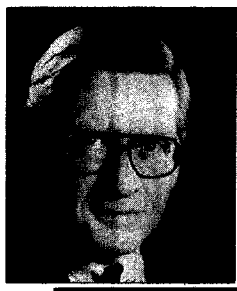
Alfred Powis, O.C. Chairman and Chief Executive Officer
Noranda Inc., Commerce Court West, Toronto, Ontario M5L 1B6



Noranda Inc.'s chairman and chief executive officer, Alfred Powis is a native of Montreal and a graduate of McGill University. He joined Noranda as an internal auditor in 1955 after four years of employment in the investment department of Sun Life Assurance Co. Moving up Noranda's corporate ladder, he was named its president and chief executive officer in 1968, chairman and president in 1977, and chairman and chief executive officer in 1982. Mr. Powis is also chairman of the board of trustees of the Toronto General Hospital. He was appointed an Officer of the Order of Canada in 1984.

Noranda Inc. is a natural resource development and operating company whose main interests, in order of importance, are forest products, metals and minerals, manufacturing, and oil & gas. Historically, the company has been associated with mining, but its metals and minerals division today accounts for less than half the company's overall activity. Reflecting this shift, the company's name was changed from Noranda Mines Ltd. in 1984.

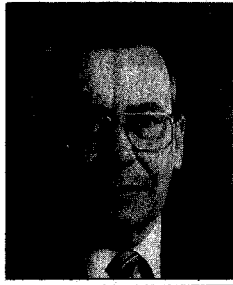
C. Richard Sharpe Chairman and Chief Executive Officer
Sears Canada Inc., 222 Jarvis Street, Toronto, Ontario M5B 2B8



C. Richard (Dick) Sharpe is a native of St. Catharines, Ontario, and an honors graduate of the University of Western Ontario. He was a pilot with the Royal Canadian Air Force during World War II. In 1950 he joined the Toronto-based retail firm of Simpsons, Ltd. and was with Simpsons two years later, when it signed a partnership agreement with Sears, Roebuck & Co. of Chicago. The agreement created a new mail order and retail company to operate in Canada under the name Simpson-Sears Ltd.. Working his way up through such positions as buyer and merchandise manager, Mr. Sharpe was named chairman and chief executive officer of Simpson-Sears in 1979. The company's name was changed to Sears Canada Inc. in May 1984. A director of many companies, Mr. Sharpe also serves as chairman of the Retail Council of Canada and is a director of the Sir Edmund Hillary Foundation.

With \$2 billion in assets, Sears Canada operates 74 department stores, four customer merchandise service centers, and more than 1,400 catalogue sales units throughout Canada. Sixty percent of its shares are owned by Sears, Roebuck & Co.

John L. Stoik President and Chief Executive Officer
Gulf Canada Limited, 130 Adelaide Street West, Toronto, Ontario M5H 3R6

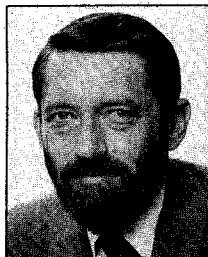
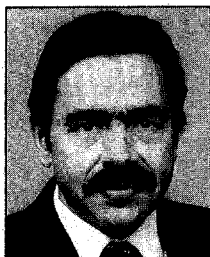


Gulf Canada president John L. Stoik was born in North Battleford, Saskatchewan. A chemical engineer with a degree from the University of Saskatchewan, his studies were interrupted by World War II when he served as a flight instructor with the Royal Canadian Air Force. Joining Gulf as an assistant chemist in 1947, he rose to become vice president, refining, in 1968. He spent three years in Seoul, South Korea, as chief executive officer of the Korea Oil Corp., jointly owned by Gulf Oil Corp. and the South Korean government. Mr. Stoik was elected president of Gulf Canada in 1976 and became its chief executive officer in 1979.

Founded in 1906 as the British American Oil Co. Ltd., Gulf Canada has played a major role in the growth and development of Canada's energy industry. A fully integrated energy company with activities in all parts of the country, Gulf Canada ranks No. 109 on *Fortune's* directory of the largest industrial corporations outside the U.S. Gulf Corp. of Pittsburgh owns about 60 percent of the Canadian firm's outstanding common stock.

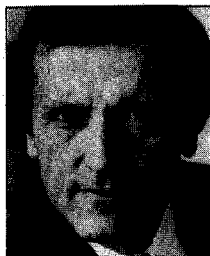
TIME INC. PARTICIPANTS

Laurence I. Barrett
Correspondent
Time-Life News Service
Washington, D.C.



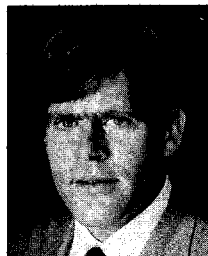
Ray Cave
Managing Editor
TIME
New York, New York

Brian Conboy
Vice President, Government Affairs
Time Incorporated
Washington, D.C.



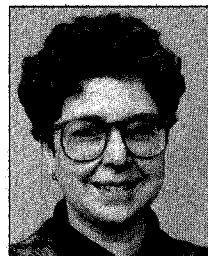
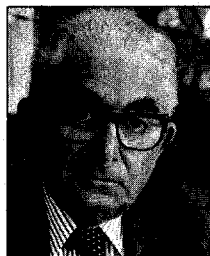
Ralph P. Davidson
Chairman of the Board
Time Incorporated
New York, New York

Richard L. Duncan
Chief of Correspondents,
Time-Life News Service
Assistant Managing Editor, TIME
New York, New York



Donald M. Elliman, Jr.
International Advertising Sales Director
TIME
New York, New York

Henry A. Grunwald
Editor-in-Chief
Time Incorporated
New York, New York



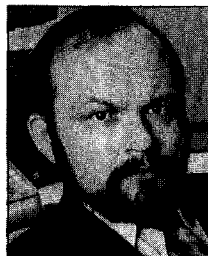
Johanna McGear
Correspondent
Time-Life News Service
Washington, D.C.

Michael J. McGrath
President
Time Canada Ltd.
Toronto, Ontario



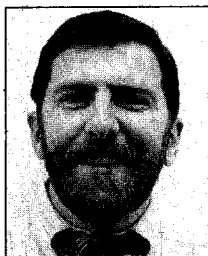
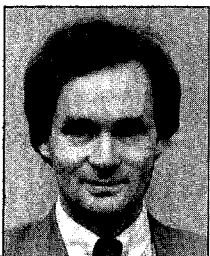
John A. Meyers
Vice President, Time Incorporated
Publisher, TIME
New York, New York

Ross H. Munro
Correspondent
Time-Life News Service
Washington, D.C.



Karsten Prager
International Editor
TIME
New York, New York

Christopher Redman
Correspondent
Time-Life News Service
Washington, D.C.



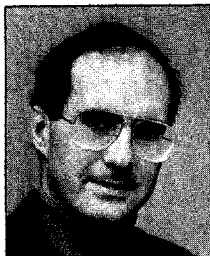
Peter R. Stoler
Senior Correspondent
Time-Life News Service
New York, New York

Kelso F. Sutton
Executive Vice President
Time Incorporated
New York, New York



Robert D. Sweeney
Worldwide Director,
Public Affairs and Special Events
TIME
New York, New York

Strobe Talbott
Bureau Chief
Time-Life News Service
Washington, D.C.



Richard B. Thomas
Vice President, Time Incorporated
Associate Publisher and Worldwide
Advertising Sales Director
TIME
New York, New York

Carol Wilkinson, M.D.
Medical Director
Time Incorporated
New York, New York



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STM: WASH/12 - NYK - 19 FEB 85 MSG: PER, CON

TO: NEWSDESK FOR: DICK DUNCAN

FROM: WASHINGTON BY: ROSS H. MUNRO

SLUG: WASHINGTON REPORT EOH:

RONALD REAGAN'S LANDSLIDE RE-ELECTION VICTORY LESS THAN FOUR MONTHS AGO WAS AN EVENT THAT SEEMED TO PLEASE EVEN SOME MONDALE SUPPORTERS. IN THE WEEKS THAT FOLLOWED ELECTION DAY, PRESIDENT REAGAN'S POPULARITY IN THE OPINION POLLS CONTINUED TO CLIMB. THERE WAS A GOOD FEELING IN THE LAND--THAT FOR THE FIRST TIME IN MORE THAN A QUARTER CENTURY, AMERICANS WOULD WITNESS A PRESIDENT COMPLETE TWO FULL TERMS TO POPULAR ACCLAIM.

BUT HERE IN WASHINGTON, THE REAGAN ADMINISTRATION'S SECOND TERM WAS BEING AWAITED WITH SKEPTICISM, EVEN ANXIETY. FOR IN THE WAKE OF THEIR MOMENTOUS POLITICAL VICTORY, THE PRESIDENT AND HIS AIDES SEEMED TO BE LACKING BOTH ENERGY AND DIRECTION. AS ONE WEEK FOLLOWED ANOTHER INTO 1985, THE FEW SIGNALS COMING OUT OF THE WHITE HOUSE INDICATED THAT LITTLE THOUGHT WAS BEING DEVOTED TO A SECOND TERM AGENDA OR TO LONGTERM POLICIES. THIS UNHAPPY PERCEPTION OF AN ADMINISTRATION ADRIFT WAS FAR FROM THE EXCLUSIVE PROPERTY OF THE PROFESSIONALLY CRANKY MEDIA. IN FACT, IT WAS VOICED MOST VEHEMENTLY BY CONSERVATIVE REPUBLICANS WHO WERE PREDICTING THAT REAGAN'S SECOND TERM WOULD BE CHARACTERIZED BY POLICY "MUSH."

BUT THE EVIDENCE OF THE PAST FEW WEEKS SUGGESTS THAT, AS HAS SO OFTEN HAPPENED SINCE 1966 WHEN THAT HOLLYWOOD MOVIE ACTOR ANNOUNCED HE WAS RUNNING FOR GOVERNOR OF CALIFORNIA, RONALD REAGAN MAY ONCE AGAIN HAVE BEEN UNDERESTIMATED.

THE FIRST MAJOR SIGNAL THAT THE REAGAN ADMINISTRATION WAS REFUELING FOR A SECOND LEG WAS THE SURPRISE ANNOUNCEMENT THAT JIM BAKER, THE PRESIDENT'S CHIEF OF STAFF, AND DON REGAN, THE TREASURY SECRETARY, WERE SWITCHING JOBS. ALL THE HARD EVIDENCE AVAILABLE INDICATES THAT THE SWITCH WAS WORKED OUT BY BAKER AND REGAN, WITH SOME HELP FROM MIKE DEEVER, THE PRESIDENT'S CLOSE AND TRUSTED AIDE WHO IS LEAVING THE WHITE HOUSE TO RETURN TO THE PRIVATE SECTOR. WHILE THE PRESIDENT MAY HAVE BEEN A PASSIVE PLAYER WHO MERELY APPROVED A VIRTUAL FAIT ACCOMPLI (HISTORY MAY PROVE THAT VERSION SIMPLISTIC), THE CORE FACT IS THAT PRESIDENT REAGAN HAS BEGUN HIS SECOND TERM BY SUBSTITUTING DON REGAN, A HARDBOILED MANAGER, FOR JIM BAKER, A MASTER POLITICAL TACTICIAN, AND MIKE DEEVER, WHO COULD BE DESCRIBED AS A MEDIA PACKAGER. IN THE FOUR-MORE-YEARS GAME THAT THEY PLAYED SO WELL DURING THE LAST 18 MONTHS OF REAGAN'S FIRST TERM, BAKER AND DEEVER HAD ADROITLY SHIFTED THE REAGAN ADMINISTRATION TOWARD MORE CENTRIST POSITIONS. THEY DID THIS NOT BECAUSE OF SOME WELL THOUGHT OUT COMMITMENT TO MODERATE REPUBLICANISM BUT PRIMARILY BECAUSE THEY KNEW THAT PRESIDENTS WHO STRADDLE THE CENTER ARE EASIER TO RE-ELECT. FOR THEM, POLICY GOALS HAD TO BE INCREASINGLY TEMPERED BY THE EXIGENCIES OF THE 1984 CAMPAIGN. WHETHER OR NOT THE REAGAN ADMINISTRATION VEERED BACK TO THE RIGHT, A SECOND TERM REQUIRED THAT THE PRESIDENT'S AIDES BE MANAGERS MORE THAN PACKAGERS.

THE PRESIDENT'S SECOND INAUGURAL ADDRESS WAS A SOMEWHAT WOODEN PRODUCTION, BOTH IN PHRASING AND IN DELIVERY, BUT THE WHITE HOUSE REWRITE MEN WENT TO WORK AND SUCCESSFULLY REPACKAGED IT AS THE STATE OF THE UNION ADDRESS. THIS SPEECH TO CONGRESS LAID OUT MORE THAN 20 POLICY PROPOSALS THAT HE SAID WOULD AMOUNT TO A "SECOND AMERICAN REVOLUTION." EVEN THOUGH FEW OF THESE PROPOSALS WERE NEW, AND SOME HAD BEEN AROUND SINCE THE BEGINNING OF HIS FIRST TERM, THEIR ADOPTION WOULD AMOUNT TO SUFFICIENTLY RADICAL CHANGE AS TO JUSTIFY, ALMOST, REAGAN'S REVOLUTION LABEL.

IN PROGRAMMATIC TERMS, THE PRESIDENT'S FIRST TERM COULD BEST BE DESCRIBED AS THE REAGAN READJUSTMENT. HE TOOK HOLD OF A WIDESPREAD PUBLIC CONSENSUS THAT DEFENSE

SPENDING HAD FALLEN TOO FAR IN REAL TERMS AND, WITH DEFENSE SECRETARY CASPAR WEINBERGER IN THE FORE, WON CONGRESSIONAL APPROVAL FOR SPENDING INCREASES THAT WERE SUBSTANTIAL BUT, EXPRESSED AS A PERCENTAGE OF GNP, WERE WELL BELOW THOSE OF THE KENNEDY YEARS. HE BRAKED, HALTED AND, IN A VERY FEW CASES, REVERSED THE GROWTH OF EXPENDITURES IN DOMESTIC PROGRAMS THAT HAD MUSHROOMED SINCE THEIR INCEPTION DURING, MORE OFTEN THAN NOT, THE JOHNSON ADMINISTRATION.

BUT, IN DOMESTIC POLICY TERMS, THE REAGAN PROGRAM THAT EMERGES FROM HIS STATE OF THE UNION ADDRESS AND HIS PROPOSED FYS& BUDGET AMOUNTS, IF NOT TO A "SECOND AMERICAN REVOLUTION," THEN TO A RADICAL ATTACK NOT ONLY ON THE PROGRAMS OF JOHNSON'S GREAT SOCIETY BUT ALSO ON MANY PROGRAMS THAT MADE UP ROOSEVELT'S NEW DEAL. REAGAN WOULD ACCELERATE THE PRIVATIZATION OF EDUCATION AND HEALTH CARE WITH VOUCHER SYSTEMS, BEGIN THE PHASE-OUT OF PUBLIC HOUSING BY ALLOWING TENANTS TO BECOME OWNERS, UNDERMINE MINIMUM WAGE LEGISLATION WITH A SUB-MINIMUM WAGE FOR TEENAGERS, AND ABOLISH SUCH REVERED (BUT NOT NECESSARILY EFFECTIVE) INSTITUTIONS AS THE JOB CORPS AND THE SMALL BUSINESS ADMINISTRATION. AND TO INHIBIT A RESURGENCE OF NEW SPENDING PROGRAMS, REAGAN IS PUSHING ONCE AGAIN FOR A BALANCED-BUDGET CONSTITUTIONAL AMENDMENT AND LINE-ITEM VETO POWER.

BUT MOST RADICAL OF ALL, AT LEAST IN TERMS OF IMMEDIATE POLITICAL IMPACT, IS THE REAGAN BUDGET'S ASSAULT ON WHAT HAVE COME TO BE KNOWN AS MIDDLE-CLASS SUBSIDIES. PROSPECTIVELY DRASTIC CUTS IN FEDERAL STUDENT LOANS AND SIZABLE CUTBACKS IN GENEROUS MILITARY RETIREMENT PAY ARE ALREADY PROVOKING CRIES OF PAIN, LARGELY, OF COURSE, FROM THOSE WHO FEAR THEY WILL BE AFFECTED. MOST PAINFUL OF ALL IS THE FLIGHT OF MANY RESOLUTELY MIDDLE-CLASS FAMILY FARMERS WHO ARE CAUGHT IN AN ERA NOT JUST OF GOVERNMENT CUTBACKS, BUT OF DEFLATION AS WELL. LEVERAGED TO THE HILT IN NOW DASHED EXPECTATIONS THAT THE LAND AND COMMODITY BOOM WOULD LAST FOREVER, THESE FARMERS ARE LEARNING TO THEIR DISMAY THAT A POLITICAL CONSENSUS HAS DEVELOPED IN FAVOR OF GETTING THE FEDERAL GOVERNMENT OUT OF THE BUSINESS OF SUBSIDIZING OR SUPPORTING FARM PRICES THAT ARE ALREADY VERY SOFT. RIGHT NOW, IT SEEMS THE MOST THAT FARMERS CAN HOPE FOR IS SOME SHORT TERM EMERGENCY LOAN SUPPORT AND A GRADUAL PHASING OUT OF PRICE SUPPORTS--A FORMULA

THAT WILL GIVE SOME HARDPRESSED FARMERS LITTLE MORE THAN THE OPPORTUNITY TO EASE THEMSELVES OUT OF BUSINESS.

SIGNIFICANTLY, THE ARGUMENTS REGARDING THESE DOMESTIC PROGRAMS ARE OVER HOW MUCH TO CUT, NOT WHETHER TO CUT, AND OVER WHICH PROGRAMS TO ELIMINATE, NOT WHICH PROGRAMS TO INAUGURATE. THAT IS A MEASURE OF REAGAN'S HISTORIC SUCCESS IN CHANGING THE TERMS OF DEBATE IN THE AMERICAN POLITICAL SYSTEM.

FOR MANY CONGRESSMEN, THE CENTRAL ISSUE IN THE BUDGET DEBATE IS THE DEFENSE DEPARTMENT'S REQUEST FOR A 13 PERCENT INCREASE IN MILITARY SPENDING. A HUGE MAJORITY OF CONGRESSMEN ARE SAYING THAT THE PENTAGON MUST BEAR "ITS SHARE" OF THE BUDGET CUTBACKS, IF ONLY TO MAKE THE DOMESTIC CUTS POLITICALLY PALATABLE. ALTHOUGH THIS STANCE HAS LITTLE SURFACE LOGIC--"ITS SHARE OF THE CUTS" IS A MEANINGLESS CONCEPT, PARTICULARLY WHEN EVERYONE IN CONGRESS IS READY TO CONCEDE SOME REAL INCREASE IN DEFENSE SPENDING WHILE OTHER PROGRAMS SUFFER DECREASES--IT HAS BECOME POLITICAL HOLY WRIT IN RECENT WEEKS. MUCH OF THE BLAME FOR THIS GOES TO DEFENSE SECRETARY CASPAR WEINBERGER, WHOSE MANAGEMENT OF THE DEFENSE BUILDUP HAS BEEN HEAVILY CRITICIZED. THIS ISN'T TO ARGUE THAT THERE'S BEEN TOO MUCH--OR TOO LITTLE-- SPENDING ON DEFENSE IN THE REAGAN YEARS. BUT EVEN HAWKS WHO FEEL THE DEFENSE BUDGET SHOULD BE LARGER THAN IT IS SAY MUCH OF THE MONEY IN THE CURRENT BUDGET IS BEING BADLY SPENT. UNNECESSARY WEAPONS SYSTEMS, OVERLY COMPLICATED WEAPONS, DUPLICATED WEAPONS SYSTEMS ARE ALL PART OF THE PROBLEM. ALSO, WEINBERGER IS PAYING THE PRICE (IN CONGRESSIONAL DISTRUST) FOR THE DECISIONS HE MADE IN THE EARLY WEEKS OF 1981 IN APPROVING A CANDY-STORE LIST OF MILITARY SPENDING INCREASES WITHOUT AN UNDERLYING STRATEGY TO JUSTIFY ALL THOSE INCREASES.

THOUGHTFUL MILITARY CRITICS FEEL THAT WEINBERGER LOST A GREAT OPPORTUNITY IN NOT DEMANDING THAT THE MILITARY REFORM ITS STRUCTURE AND ITS TACTICS AS PART AND PARCEL OF THE MILITARY BUILDUP. THE U.S. MILITARY HAS SOME SERIOUS PROBLEMS THAT MONEY ALONE CAN DO LITTLE TO SOLVE. NOT SINCE 1950 HAS THE UNITED STATES ENJOYED A MAJOR UNQUALIFIED MILITARY VICTORY. EVEN THAT HEARTENING, MINOR "VICTORY" IN GRENADA

WAS BADLY PLANNED AND EXECUTED; INDEPENDENT MILITARY ANALYSTS NOW SAY, WITH 7,000 OF OUR FINEST COMBAT-READY TROOPS TAKING THREE DAYS TO DEAL WITH 200 CUBANS AND CONSOLIDATE THEIR HOLD ON A TINY ISLAND

THE SUSPICION IN CONGRESS THAT THE MILITARY ISNT PROVIDING THAT MUCH MORE BANG FOR ALL THOSE TAXPAYERS' BUCKS HAS HELPED PUT THE PARING OF THE DEFENSE BUDGET ON ALMOST EVERY CONGRESSMAN'S AGENDA. SENATOR ROBERT DOLE HAS BEEN TRYING TO WIN OVERALL SUPPORT FROM THE REPUBLICAN MAJORITY IN THE SENATE FOR AN OVERALL PACKAGE OF BUDGET CUTS THAT WOULD SLOW THE RATE OF INCREASE IN MILITARY SPENDING, FREEZE SOCIAL SECURITY PAYMENTS FOR A YEAR, AND ADOPT MANY OF THE DOMESTIC CUTS PROPOSED BY THE ADMINISTRATION. RIGHT NOW, DOLE'S EFFORT IS FALTERING, BUT IT'S FAR TOO EARLY TO WRITE IT OFF.

IF ATTEMPTS TO FASHION AN OVERALL PACKAGE OF SPENDING LIMITS AND CUTS FAILS, THEN, THEORETICALLY, THE ALTERNATIVE IS A TAX INCREASE. THE LAST POLITICIAN TO GET OUT IN FRONT ON THAT ISSUE WAS WALTER F. MONDALE, AN EVENT THAT DIDNT PASS UNNOTICED BY EITHER DEMOCRATS OR REPUBLICANS. BUT SOME SORT OF "REVENUE ENHANCER" COULD BE IN THE CARDS BEFORE TOO LONG. POSSIBLE CANDIDATES: A "SIMPLIFIED" CORPORATE INCOME TAX AND A TAX ON OIL IMPORTS. EVEN IF CONGRESS DOESNT VOTE TO SPEND A PENNY OVER THE ADMINISTRATION'S BUDGET PROJECTIONS AND EVEN IF THE ECONOMY MATCHES THE ADMINISTRATION'S ROSY FORECASTS, THE REAGAN ADMINISTRATION WILL STILL INCUR A BUDGET DEFICIT OF \$144-BILLION IN 1988 UNLESS THERE'S A TAX INCREASE.

BUT, THE QUESTION IS STILL BEING ASKED, IS THE DEFICIT REALLY DANGEROUS? THE SHORT-HORIZON CHICKEN LITTLES HAVE BEEN PROVEN WRONG. REAGAN'S MOUNTING DEFICITS HAVENT YET LED TO INFLATION OR RECESSION. IN FACT, THE ECONOMY SEEMS TO HAVE OVERCOME ITS FALL FLUTTERS. AND INTEREST RATES ARE SUBSIDING SOMEWHAT EVEN THOUGH THE DEFICITS CONTINUE TO MOUNT. AND THERE ARE THE JACK KEMPS IN CONGRESS WHO WANT TAXES SLASHED EVEN FURTHER OUT OF THEIR CONVICTION THAT THIS WILL CREATE THE ADDITIONAL ECONOMIC GROWTH THAT IS THE REAL, LONGTERM SOLUTION TO THE DEFICIT PROBLEM. NOT THAT MUCH ATTENTION IS BEING PAID TO THE LONGTERM PESSIMISTS

WHO PREDICT THAT HIGH INTEREST RATES WILL LEAD TO LESS CAPITAL FORMATION AND ULTIMATELY LOWER ECONOMIC GROWTH WHILE THE CONTINUING STRENGTH OF THE DOLLAR WILL DIVERT INVESTMENT AWAY FROM AMERICA'S INTERNATIONALLY COMPETITIVE INDUSTRIES AND TOWARDS SERVICES AND OTHER SECTORS INSULATED FROM INTERNATIONAL COMPETITION.

WITH A 1984 TRADE DEFICIT OF \$123-BILLION, PROTECTIONIST RUMBLES ARE ALREADY GROWING LOUDER. GIMMICKS LIKE THE PROPOSED 20% "TEMPORARY" SURCHARGE ON FOREIGN IMPORTS ARE BEING TREATED HALF SERIOUSLY.

THE CONNECTIONS BETWEEN INTERNATIONAL COMMERCE AND POWER POLITICS WERE THERE TO SEE A FEW DAYS AGO WHEN SENATOR WILLIAM COHEN OF MAINE DEMANDED THAT THE UNITED STATES PENALIZE IMPORTS FROM NEW ZEALAND IN RETALIATION FOR THAT COUNTRY'S REFUSAL TO ALLOW NUCLEAR ARMED OR POWERED SHIPS INTO ITS TERRITORIAL WATERS. EVEN AS THE VERY JUNIOR PARTNER IN THE ANZUS ALLIANCE, NEW ZEALAND IS NOT VERY IMPORTANT IN MILITARY TERMS. BUT REAGAN ADMINISTRATION OFFICIALS ARE SERIOUSLY CONCERNED THAT NEW ZEALAND'S SUCCESSFUL FLOUTING OF ITS OBLIGATIONS TO THE ALLIANCE WOULD ENCOURAGE SIMILAR DEVELOPMENTS IN JAPAN AND WESTERN EUROPE. WHETHER THIS VARIATION ON THE DOMINO THEORY IS VALID OR NOT, THE REAGAN ADMINISTRATION REALIZES THAT AMERICA'S MILITARY ALLIANCES AT THE MOMENT ARE STILL TROUBLED, DESPITE THE AGREEMENT MORE THAN A YEAR AGO OF MOST WEST EUROPEAN GOVERNMENTS TO GO AHEAD WITH THE DEPLOYMENT OF CRUISE AND PERSHING MISSILES. THE NEW ZEALAND FRACAS OF THE PAST FEW WEEKS IS SEEN AS A HARBINGER OF STRAINED RELATIONS WITH OTHER ALLIES.

ON TOP OF REAGAN'S ANNOUNCED FOREIGN POLICY AGENDA IS AN ARMS CONTROL AGREEMENT WITH THE SOVIETS. THE PRESIDENT DEARLY WANTS TO STRIKE SOME DEALS WITH THE SOVIETS--A DESIRE EVEN MORE FERVENTLY HARBORED BY THE INFLUENTIAL ADVISER WITH WHOM HE SHARES THE WHITE HOUSE LIVING QUARTERS. THIS IS NOT TO SUGGEST THAT THE PRESIDENT IS ABOUT TO GIVE AWAY THE STORE. IN FACT, HE IS CONVINCED THAT THE SOVIETS HAVE COME BACK TO THE BARGAINING TABLE AS A DIRECT RESULT OF HIS MILITARY BUILDUP AND HIS FIRMNESS IN HIS ADMINISTRATION'S DEALINGS WITH THEM DURING HIS FIRST TERM. EVEN IF THE SOVIETS

THAT WAS MUTUALLY ADVANTAGEOUS AND MUTUALLY VERIFIABLE,
A MEANINGFUL AGREEMENT IS GOING TO BE HARD TO ACHIEVE.
ONE REASON: PRESIDENT REAGAN HAS COME CLOSER THAN EVER TO
SAYING THAT THE CONTINUATION OF RESEARCH AND DEVELOPMENT
ON HIS STRATEGIC DEFENSE (STAR WARS) INITIATIVE IS NON-NEGOTIABLE.
THE CHANCES OF THE SOVIETS' AGREEING TO SUBSTANTIAL
LIMITATIONS ON OFFENSIVE WEAPONS WHILE FUTURE U.S. ABILITY
TO DESTROY THEM WAS UNCERTAIN, SEEM DIM INDEED.

THERE IS ANOTHER "CHOSEN INSTRUMENT" OF THE PRESIDENT'S
IN THE INTERNATIONAL ARENA THAT COULD ALSO PROVE TO BE A
MIXED BLESSING. LIKE THE SDI, THE NICARAGUAN CONTRAS FIGHTING
THE SANDINISTA GOVERNMENT IN MANAGUA PROVIDE WASHINGTON
WITH NEGOTIATING LEVERAGE--AND POLITICAL PROBLEMS. THE CONTRAS
REPRESENT MOST OF THE LEVERAGE THAT THE REAGAN ADMINISTRATION
HAS AGAINST AN EXPLICITLY MARXIST AND ANTI-AMERICAN GOVERNMENT,
BUT THE CONTRA OPERATION WAS AMATEURISHLY RUN BY THE CIA
AND THERE IS STILL LITTLE SUPPORT FOR RESUMING U.S. BANKROLLING
OF THE OPERATION. EFFORTS WILL CONTINUE FOR MANY WEEKS
TO FIND SOME SANITIZED METHOD OF FUNNELLING MONEY TO THE
CONTRAS IN SUCH A WAY AS TO PUT MORE DISTANCE BETWEEN THEM
AND OFFICIAL WASHINGTON.

DESPITE THE OBSTACLES TO ANY BREAKTHROUGHS IN ARMS CONTROL,
CENTRAL AMERICA AND THE MIDDLE EAST, PRESIDENT REAGAN NOW
HAS A FOREIGN POLICY TEAM IN PLACE THAT SHOULD MAKE PROGRESS
EASIER TO ACHIEVE. GEORGE SHULTZ AND ROBERT MCFARLANE ARE
WORKING MORE CLOSELY TOGETHER THAN ANY SECRETARY OF STATE
AND NATIONAL SECURITY ADVISER SINCE HENRY KISSINGER HELD
BOTH JOBS SIMULTANEOUSLY.

A SEEMINGLY UNIFIED AND EFFECTIVE ADMINISTRATION IS ONLY
ONE OF MANY ASSETS THAT THE PRESIDENT ENJOYS RIGHT NOW.
IN FACT, DESPITE THE PROBLEMS WE'VE NOTED THAT HE FACES
AT HOME AND ABROAD, RONALD REAGAN SEEMSTO HAVE MORE GOING
FOR HIM THAN AT THIS STAGE THAN ANY OTHER PRESIDENT IN RECENT
HISTORY. HE ENJOYS BROAD POPULAR SUPPORT, HE PRESIDES OVER
A GROWING ECONOMY, HIS DEMOCRATIC PARTY OPPONENTS ARE IN
DISARRAY. HE IS LOOKING AT AN ENORMOUS OPPORTUNITY TO ACHIEVE
SOME LONG SOUGHT GOALS, PARTICULARLY DURING THE NEXT SEVERAL

MONTHS WHEN HIS POTENTIAL POWER WILL ALMOST CERTAINLY BE
AT ITS ZENITH.

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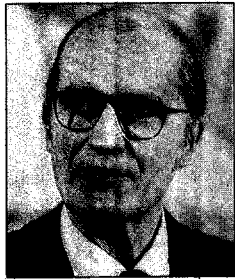
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Malcolm Baldrige Secretary of Commerce

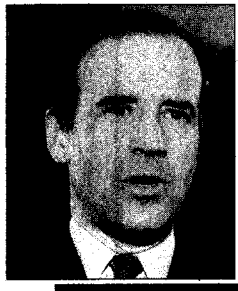


Malcolm Baldrige, 62, has been Secretary of Commerce since the outset of the Reagan Administration. Born in Omaha, Nebraska, he is a graduate of Yale University and served in the Army in the Pacific in World War II. In 1947 he joined the Eastern Malleable Iron Co. of Naugatuck, Connecticut, as a foundry foreman and within 13 years he was named president of the company. In 1962 he went to the Scovill Manufacturing Co., a brass-milling firm in nearby Water-

bury, Connecticut. When he was appointed to the Reagan Cabinet in 1981 he was chairman of Scovill, and was given credit for transforming it from a "sluggish" company into a diversified, multinational enterprise.

During the years he lived in Connecticut, Secretary Baldrige took an active interest in state and local affairs, serving in 1965 as a delegate to the Connecticut Constitutional Convention. He was also active in the state's Republican Party and was chairman of its Reagan-Bush for President Committee. The Secretary is a professional steer roper, and winner in 1981 of the Professional Rodeo Cowboys Association's Man of the Year Award.

Joseph R. Biden, Jr. United States Senate

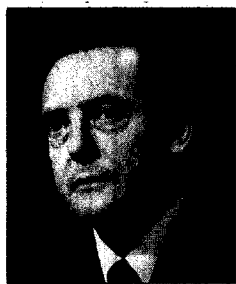


Joseph R. Biden, 42, is a Democratic Senator from Delaware. Born in Scranton, Pennsylvania, he is a graduate of the University of Delaware and holds a degree from the Syracuse University College of Law in New York. Admitted to the bar in December 1968, he engaged in the private practice of law in Wilmington, Delaware, and served for two years on the New Castle County Council. He was elected to the U.S. Senate in November 1972, and has been

re-elected twice.

Senator Biden sits on the Budget, Foreign Relations, Judiciary, and Democratic Steering Committees and on the Select Committee on Intelligence.

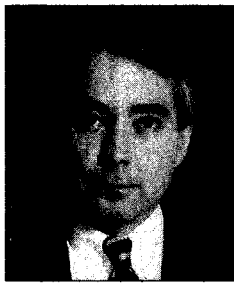
William E. Brock 3d United States Trade Representative



William E. Brock 3d, 54, is U.S. Trade Representative and acts as the President's chief trade negotiator. His is a Cabinet-level position, with the rank of ambassador. Mr. Brock comes from Chattanooga, Tennessee, he is a graduate of Washington and Lee University in Lexington, Virginia, and he served as an officer in the U.S. Navy between 1953 and 1956. After he left the Navy he was associated for several years with his family's Brock Candy Co.

Mr. Brock ran for Congress in 1962 and subsequently was elected to four terms in the U.S. House of Representatives. This was followed by one term in the U.S. Senate, where he served on the Finance Committee. Leaving Capitol Hill, he spent the next four years as chairman of the Republican Party, and he was given credit for laying much of the groundwork for the Republican victory in 1980. He was appointed to his present post in January 1981.

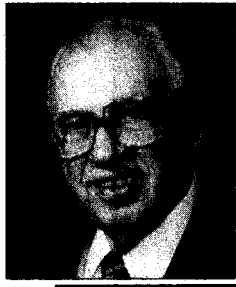
Richard R. Burt Assistant Secretary of State for European Affairs



Richard R. Burt, 38, was sworn in as Assistant Secretary of State for European Affairs in February 1983. Born in Chile, he did his undergraduate work at Cornell University. He has a graduate degree in international relations from the Fletcher School of Law and Diplomacy at Tufts University. Before taking his present job Mr. Burt served as Director of the Bureau of Politico-Military Affairs at the State Department. He had also worked for the *New York Times* as national security affairs correspondent, covering foreign policy and defense issues in Washington.

Among the other positions Mr. Burt has held are: assistant director of the International Institute for Strategic Studies in London, and advanced research fellow at the U.S. Naval War College in Newport, Rhode Island. He is the author of many articles on European security and strategic affairs.

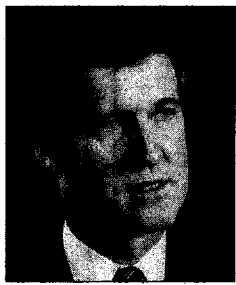
William J. Casey Director, Central Intelligence Agency



William J. Casey, 71, was appointed Director of the Central Intelligence Agency (CIA) in 1981. A native New Yorker, he graduated from New York City's Fordham University and St. John's Law School, then went to Washington to work for the Research Institute of America, editing a newsletter that advised companies on new legislation. During World War II he served with the Office of Strategic Services (OSS), the precursor to the CIA. In the 1950s and 1960s he practiced law, taught law at New York University, and organized his own company, the Institute for Business Planning. He also wrote several books, among them: *Lawyers Desk Book*, *Tax Sheltered Investments*, and *Estate Planning Book*.

In 1971 Mr. Casey entered on a succession of positions in the federal government, starting with two years as Chairman of the Securities and Exchange Commission. He also served as Under Secretary of State for Economic Affairs, as Chairman of the Export-Import Bank, and as a member of President Gerald Ford's Foreign Intelligence Advisory Board. He was manager of Ronald Reagan's presidential campaign in 1980.

William S. Cohen United States Senate

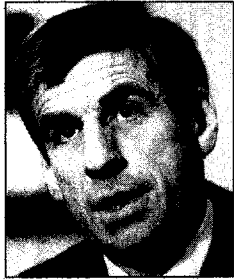


William S. Cohen, 46, is a Republican Senator from Maine. He was born in Bangor, Maine, is a graduate of Bowdoin College in Brunswick, Maine, and has a degree from the Boston University Law School. Senator Cohen practiced law in Bangor for several years, he was a member of the Bangor City Council, and served for one term as Bangor's mayor. He was elected to the U.S. House of Representatives in 1972 and re-elected twice. He won election to the Senate in

1978 and was recently re-elected to his second term.

Senator Cohen sits on the Armed Services and Governmental Affairs Committees. He is also a member of the Special Committee on Intelligence and the Special Committee on Aging.

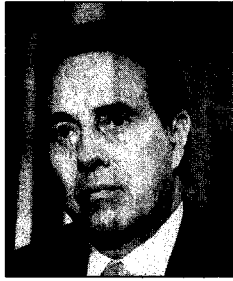
John C. Danforth United States Senate



John C. Danforth, 48, is a Republican Senator from Missouri. Born in St. Louis, Missouri, he is a graduate of Princeton University and earned degrees in divinity and law at Yale University. He has been ordained in the Episcopal Church. Senator Danforth practiced law in New York City, then returned to St. Louis and served for three years as Missouri's attorney general. Elected to the Senate in 1976, he was re-elected in 1982.

Senator Danforth is a member of the Finance Committee and is chairman of its Subcommittee on International Trade. He is also a member of the Commerce, Science, and Transportation and Governmental Affairs Committees.

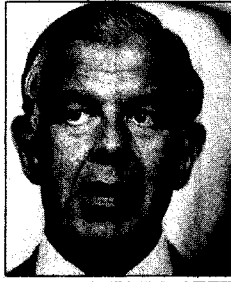
Robert J. Dole United States Senate, Republican Majority Leader



Robert J. Dole, 61, was elected majority leader of the U.S. Senate in November 1984. Born in Russell, Kansas, he received his undergraduate and law degrees from Washburn Municipal University in Topeka. He was severely wounded in combat during World War II and twice decorated for "heroic achievement." Senator Dole entered politics in 1951, when he was elected to the Kansas Legislature. Two years later he was elected to the first of four terms as Russell County attorney, then in 1960 he won the first of four terms in the U.S. House of Representatives. He was elected to the U.S. Senate in 1968 and won re-election in 1974 and 1980. He was Gerald Ford's running mate in the 1976 presidential election.

For the four years prior to his election as majority leader, Senator Dole had been chairman of the Senate Finance Committee. As majority leader, he sets the Senate's agenda and decides what bills come to the floor. He is married to Elizabeth Hanford Dole, U.S. Secretary of Transportation.

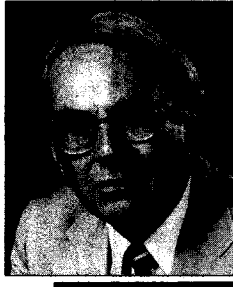
Thomas S. Foley United States House of Representatives



Thomas S. Foley, 55, is a Democratic Congressman from Spokane, Washington. A graduate of the University of Washington and its law school, he practiced law in Washington, served as the state's assistant attorney general, and was on the faculty of Gonzaga University Law School in Spokane.

Between 1961 and 1963 he served as assistant chief clerk and special counsel of the Senate Committee on Interior and Insular Affairs. Elected to the House in 1964, he has been re-elected to each succeeding Congress. House majority whip, he serves on the Agriculture Committee and the Committee on House Administration.

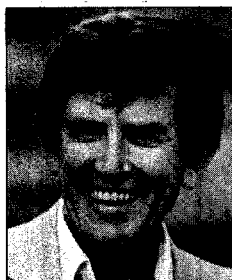
Allan E. Gotlieb, O.C. Ambassador of Canada



Canada's Ambassador to the U.S., Allan E. Gotlieb, 56, was born in Winnipeg, Manitoba, and studied at Oxford University as a Rhodes Scholar. He received a law degree from Harvard University in 1954 and has taught law at Oxford, at Queen's University in Kingston, Ontario, and at Carleton and Ottawa universities in Ottawa. He joined the Department of External Affairs in 1957, served in Geneva, and in 1967 was named Assistant Under Secretary of State for External Affairs and Legal Adviser. He was Under Secretary of State for External Affairs in 1981, when he received his present appointment.

A legal expert, Mr. Gotlieb is the author of four books: *Disarmament and International Law*, *Canadian Treaty-Making*, *Human Rights, Federalism, and Minorities*, and *Impact of Technology on the Development of International Law*. He has written many articles and has been associated with such Canadian public institutions as the International Development Research Centre and the National Film Board. His wife, the former Sondra Kaufman, is a novelist and winner of the Stephen Leacock prize for Humour in 1979. Mr. Gotlieb became an officer of the Order of Canada in 1982.

Gary W. Hart United States Senate

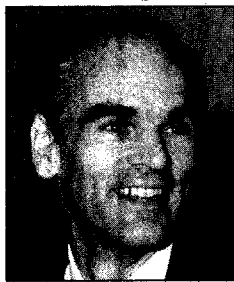


Gary Hart, 47, is a Democratic Senator from Colorado. He was born in Ottawa, Kansas, and is a graduate of Bethany College in Bethany, Oklahoma. He is also a graduate of the Yale University Divinity School and the Yale Law School. During the ten years 1964-1974 he worked for the U.S. Justice Department and U.S. Interior Department; leaving Washington, he practiced law in Denver and was active in the area of environmental protection. Elected to the U.S.

Senate in 1974, he is now serving his second term.

Senator Hart is a member of the Armed Services, Budget, and Environment and Public Works Committees. Among his other assignments, he has served as chairman of the Subcommittee on Nuclear Regulation and as chairman of the National Commission on Air Quality.

Donald P. Hodel Secretary of the Interior



Donald P. Hodel, 49, has just been confirmed as Secretary of the Interior. The third man to hold this position in the Reagan Administration, he comes to it after two years as Secretary of Energy. Born in Portland, Oregon, he is a graduate of Harvard University and the University of Oregon School of Law. After practicing law in Oregon through most of the 1960s, he took the job of Deputy Administrator of the Bonneville Power Administration. He remained in that post for three years before being promoted to Administrator. The Administration markets power produced by the Federal Columbia River Power System in the Pacific Northwest.

Leaving public service in 1977, Mr. Hodel established the firm of Hodel Associates, Inc., energy consultants. He was with the firm until 1981, when he was asked to join the Department of the Interior as Under Secretary. He held this position until President Reagan appointed him Secretary of Energy in November 1982.

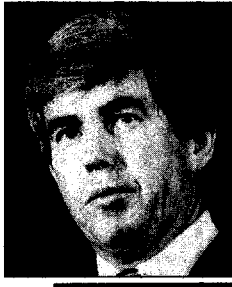
Nancy L. Kassebaum United States Senate



Nancy L. Kassebaum, 52, is a Republican Senator from Kansas. Born in Topeka, Kansas, she is the daughter of Alfred M. Landon, the Republican candidate for President in 1936. A graduate of the University of Kansas with an M.A. from the University of Michigan, Senator Kassebaum was associated for many years with a Wichita, Kansas radio station. She also worked on the Washington staff of Senator James B. Pearson, her predecessor in office. She was elected to the Senate in 1978 and was re-elected last year.

Senator Kassebaum sits on the Budget and Foreign Relations Committees. She is a member of several subcommittees, among them the Subcommittee on the Western Hemisphere.

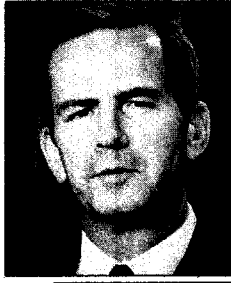
Jack F. Kemp United States House of Representatives



Jack Kemp, 49, is a Republican Congressman from upstate New York. Born in Los Angeles, California, he is a graduate of Los Angeles' Occidental College. A professional football player for 13 years, he was named Player of the Year by the American Football League in 1965. In Buffalo, New York, where he made his home, Congressman Kemp was a television and radio commentator and was also associated with the Marine Midland Bank. He was elected to the U.S. House of Representatives in 1970 and has been re-elected to each succeeding Congress.

Congressman Kemp is a member of the House Appropriations Committee and is active on behalf of tax reform. He has also been a member of the congressional delegation to SALT negotiations.

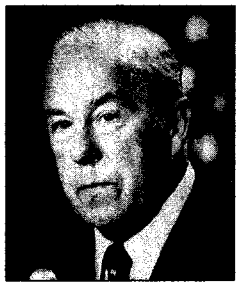
Robert C. McFarlane Assistant to the President for National Security Affairs



The President's Assistant for National Security Affairs, Robert McFarlane, 47, is a native of Washington, D.C. and a graduate of the U.S. Naval Academy at Annapolis, Maryland. He also has a degree in strategic studies from the Institut des Haute Etudes in Geneva. As an officer in the U.S. Marine Corps he advanced through grades to the rank of lieutenant colonel, serving in Viet Nam, Japan, and Korea, and earning the Distinguished Service Medal.

A White House Fellow in the early 1970s, Mr. McFarlane served on the staffs of Presidents Richard Nixon and Gerald Ford, including two years as military assistant to Dr. Henry Kissinger. During the period 1977-1981 he was a fellow at the National Defense University, an arm of the Defense Department, and also served on the professional staff of the Senate Armed Services Committee. Joining the Reagan Administration in 1981, he was a counselor in the State Department and then joined the White House staff as Deputy Assistant to William Clark, who was then the President's National Security Adviser. Mr. McFarlane moved into Mr. Clark's position when Mr. Clark stepped down in 1983.

George P. Shultz Secretary of State



George P. Shultz, 64, has been U.S. Secretary of State since July 1982, when he succeeded Alexander Haig. He was born in New York City and received his undergraduate degree from Princeton University. A Marine Corps officer in World War II, he went on to earn a Ph.D. in industrial economics from the Massachusetts Institute of Technology (MIT). Between 1946 and 1968 he taught industrial relations, first at MIT and then at the University of Chicago's Graduate School of Business where, in 1962, he also took on the duties of dean. He left Chicago in 1968 to become a fellow at the Center for Advanced Study in Behavioral Sciences in Stanford, California.

Secretary Shultz entered public service in 1969, when Richard Nixon named him Secretary of Labor. He subsequently served Nixon as Director of the Office of Management and Budget, as Secretary of the Treasury, and as Assistant to the President. Leaving Washington in 1974, he joined the Bechtel Corp. of San Francisco. He was president of Bechtel and a professor of management and public policy at Stanford University at the time when President Reagan named him to the State Department.

Henry C. Wallich Member, Board of Governors, Federal Reserve System



Henry C. Wallich, 70, was appointed to the Federal Reserve Board of Governors by President Nixon in 1974. Born in Berlin, Germany, he studied in Berlin and at Oxford University, then came to the U.S. in 1935 and earned a Ph.D. at Harvard University.

Before coming to his present post Governor Wallich had been in the export-import business and had worked for New York's Chemical Bank. He was associated for ten years with the Federal Reserve

Bank of New York and was for many years on the faculty of Yale University. During the Eisenhower Administration he served as Assistant Secretary of the Treasury and as a member of the Council of Economic Advisers.

Caspar W. Weinberger Secretary of Defense



Caspar W. Weinberger, 67, has been Ronald Reagan's only Secretary of Defense. A native of San Francisco, he earned his undergraduate and law degrees at Harvard University and was in the Army during World War II. After the war, he served for two years as law clerk to an appellate court judge and then entered the practice of law in San Francisco. Elected three times to the California State Legislature, he was chairman of the California State Government Organization and

Commission on Economy, and was the state's Director of Finance for two years under Governor Ronald Reagan.

Between 1970 and 1975, Secretary Weinberger held several positions in the federal government. Richard Nixon named him Chairman of the Federal Trade Commission in 1970; later he became Deputy Director and then Director of the Office of Management and Budget. He also served in the Nixon and Gerald Ford cabinets as Secretary of Health, Education and Welfare. Returning to San Francisco in 1975, he became associated with the Bechtel Group of Companies as vice president, director, and general counsel. He was with Bechtel when President Reagan tapped him for the job of Defense Secretary in January 1981.

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