

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

FEB 4 1968

Between the Lines

# The Myth of a 'Mellowing' Soviet Union

## Kremlin's Suppression of Basic Freedoms Continues

By  
EDITH KERMIT ROOSEVELT

Washington — The intensification of the cold-hot war and the current willingness of some Administration circles to admit that there has been a "re-  
vival of Stalinism" provide the opportunity to examine the post-war theory that the USSR is "evolving" in the same direction as our own "industrial society."



Miss Roosevelt  
The assumption is that the time will come when, like the proverbial lamb and the lion, Washington and Moscow will be alike, probably as allies. Presumably, all we have to do is to avoid "escalation" by being patient; that is to say, to avoid "provocation." We should accept any insult, embarrassment, harassment or even such "unilateral disarmament" steps as failure to permit nuclear power to be provided for our newest carrier "The U.S.S. Kennedy."

### Only a Tactic?

It has become legitimate to ask whether the so-called "thaw" in Russian society is really any different than the Maoist slogan of "let a thousand flowers bloom." Mao has openly admitted that this "thaw" was only a tactic to have opponents of the regime raise their heads and thus in effect denounce themselves.

The crackdowns on intellectuals today particularly among non-Russians in the Soviet Union, is so effective because it allows members of the Ukrainian and other nationality groups to expose themselves during these supposed thaws. Inevitably, a crackdown occurs and the possibility of an effective underground move-

ment or a revolt recedes into the distant future.

From Lenin to Brezhnev, Soviet leaders have had to grapple with the problem of controlling the more than 100 nationality groups within their borders. There has been continuing resistance by these peoples to Soviet Russian racial and economic discrimination, oppressive colonial policies and cultural Russification programs.

The Soviet state has used a number of means to terrify its population into submission, ranging from such extreme methods as genocide and deportation to the more benign and even more effective techniques of selective arrests, secret trials and reprisals.

### Details Coming In

Now, inside official U. S. circles an effort is being made to disclose details regarding Moscow's imperialistic policies vis-a-vis the nationality groups behind the Iron Curtain, something that has been hushed up by our officialdom until now. Although this is still not being brought up publicly, stories and documentation concerning Red Jim Crowism are being made available to some newsmen in an effort to exert some sort of counter-pressure to the Kremlin's propaganda against U. S. involvement in Vietnam.

Portions of a manuscript giving details concerning the illegal, secret trials of 20 Ukrainian intellectuals have been disseminated in the U. S. The channel for this widespread distribution and for some additional significant

data of this nature is a New York-based group of Ukrainian refugees called Prolog which benefits from CIA links.

Other Ukrainian refugee groups have for sometime been disclosing in their ethnic publications similar dramatic accounts without being able to arouse much outside interest. The manuscript, which reached the West by underground sources is by Vyacheslav Chornovil, a young Communist League secretary, who was sentenced to a slave labor camp for protesting his trial.

### USIA Magazine

The September-October bi-monthly issue of the magazine entitled "Problems of Communism," produced by the United States Information Agency, is devoted entirely to the nationalities and nationalism in the USSR. Richard Pipes, a Harvard professor, declares frankly: "The nationalism of the minority peoples of the USSR (like that of the Russians themselves) has grown and intensified since 1917." The Government publication details the Kremlin's "oppressive colonial practices" against the Muslims, Jews, Yakuts, the Baltic peoples, Armenians and others up to the present day.

One can only wonder why the U. S. Government has taken so long to recognize what must have been known all along by any reasonably informed specialist on Soviet affairs? This is a question which has to relate to news management, which involves more than blue penciling or suppression of information at the source but the actual manipulation of

events themselves for political purposes. Policy in regard to the Soviet Union has been formulated on this basis for nearly three decades.

### Gains Consolidated

Recently, the myth of the "mellowing" Soviet Russia proclaimed by this country's policymakers has helped the Kremlin to consolidate its gains still further as well as to support so-called "wars of liberation" as in Vietnam and Korea. Molding public opinion required a change in covert activities to conform to this policy.

In 1963, the CIA was ordered to discontinue funds for Baltic House in New York which has served as a rallying point for exiles from behind the Iron Curtain who wanted their freedom. The following year, the name of "Radio Liberation," also U. S. financed, which broadcasts behind the Iron Curtain, was changed to "Radio Liberty" and its liberation objective was discontinued.

Throughout this period, there was no change in the facts regarding Red persecution of nationality groups and the suppression of basic cultural and personal freedoms. But all this became "no-news," every detail being suppressed at the source, and not being allowed to get to newsmen. Now this old "no-news" is suddenly "new-news" and small steps are being taken to present the truth.

Certainly there is a moral obligation for every democratic group in the West to protest against this vicious totalitarian system that is upsetting world peace.

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

THE SEATTLE TIMES  
4 February 1978

## The 'new' C.I.A.

# Cloak and dagger less fashionable

by SCOTT MAIER

The Central Intelligence Agency today is not the cloak-and-dagger operation that the press sometimes portrays, Herbert Hetu, an assistant director of the agency, told the Ballard Lions Club yesterday.

"A great deal has changed in the last 30 years . . . We're no longer (posing as) journalists or missionaries. We are not doing drug tests with people. The dirty-tricks business is a very minor part of our business today," Hetu said.

He said intelligence activities now focus on gathering information on such things as energy resources and economic conditions of foreign nations. Much of this data is collected from newspapers, radio broadcasts and other public sources.

"But when all else fails," he added, "we still use the old-fashioned spy. It's still an important part of our organization.

"If we discover technical evidence, such as the development of a new weapon, the President wants to know what the (foreign



Herbert Hetu

*'We still need the spy'*

government) wants to do with it. To get intentions, we still need the spy."

Executive and congressional overseeing of C.I.A. activities will be good for the agency, Hetu said.

"We do have people looking over our shoulders today. We think this is good. Some of the things that took place 15, 20 years

ago may not have happened if there had been congressional oversight," he said.

The C.I.A. has been criticized for covert operations which, in the past, have included assassination and disruption of foreign governments.

He said such operations have recently come to light because of the Freedom of Information Act.

"We are dealing with retroactive morality," he said. "What was all right 20, 30 years ago, isn't today."

Hetu said some covert activity is still a legitimate C.I.A. activity. These covert operations generally involve bribes and propaganda, he said.

"Thirty years ago, we were only into the Soviet Union and its satellites," Hetu said. "Today, things have changed. The Soviet Union is still No. 1 in our black books, but

we now gather information about every nation in the world."

Besides being an assistant director of the C.I.A., Hetu is in charge of the agency's public affairs. He is a retired Navy captain and has served as public-affairs assistant to the secretary of the Navy.

ARTICLE APPEARED  
ON PAGE 5

LOS ANGELES TIMES  
5 August 1985

PART II

# Soviets' Empty Promises on Rights

## Reviews Focus Attention on Failure to Live Up to Helsinki Pact

By ERNEST CONINE

Ten years ago President Gerald R. Ford, joining 34 other heads of state in signing the Helsinki accords, said that "history will judge this conference . . . not by the promises we make but by the promises we keep."

It was good theater, and it was appropriate. Unfortunately, the Soviets have not kept the human-rights promises embodied in the document that they signed at the 1975 Conference on European Security and Cooperation at Helsinki.

This doesn't mean that the whole thing was a mistake. There is great value in maintaining an international forum in which the Soviet Union can be brought to public account for the systematic denial of fundamental rights to its own people. Review conferences, such as the one held last week in Helsinki on the 10th anniversary of the signing of the accords, provide that forum.

The 1975 Helsinki conference came about because of Moscow's anxiety to win international recognition of the East-West boundaries set by force of Russian arms in World War II. They didn't get all that they wanted, but the other signatories did, in effect, validate the permanence of Soviet influence in Eastern Europe.

In order to gain Western approval of this portion of the agreement, however, the Soviets had to accept a package of human-rights guarantees covering such things as freedom of thought, religion and emigration, and "the right of the individual to know and act upon his rights."

The West now has the same right to insist that Moscow live up to the human-rights provisions of the Helsinki accords as the Russians have to insist on Western adherence to the language dealing with international frontiers.

Since the signing of the pact, working conditions for Western journalists in Soviet Bloc countries have improved. The provision on reunification of families, especially important to West Germans, has helped. With some exceptions, Moscow has given advance notice of military maneuvers, in keeping with the agreement.

On balance, however, the Soviet performance has been dismal. The number of

Jews allowed to emigrate has shrunk to a trickle. Soviet citizens who marry foreigners still find it hard to leave the country, despite the Helsinki agreement's provisions to the contrary.

The fate of the 100-odd Soviet citizens who formed a Helsinki Watch Committee to monitor the compliance of their government with the Helsinki accords (an activity that is specifically called for in the agreement) is especially relevant.

Fifty-one are locked up in prisons, labor camps and psychiatric hospitals, or have been exiled to places far from their homes. Four have died after years of mistreatment. Twenty have been released after serving sentences, but live under the threat of rearrest. Seventeen have emigrated to the West because of the threat of imprisonment. The remainder live in a constant state of intimidation.

Andrei Sakharov, the most prominent member of the human-rights movement, languishes as a non-person in Gorky, where he was exiled for the sort of criticism that is routinely voiced in the United States by civil-rights activists and members of the Union of Concerned Scientists.

Then there is the experience of the Group for Establishing Trust Between the U.S.S.R. and the United States. This unofficial "peace" group rejects the "dissident" label, and avoids challenging the legitimacy of Communist rule. But the Kremlin runs its own tightly controlled "peace" movement, and doesn't allow free-lance agitation in this or any other field.

Members of the group are constantly harassed and discouraged from meeting with visiting Western peace activists. One key member, Vladimir Brodsky, has been accused of "hooliganism," a charge that could lead to a five-year prison term.

Ordinary citizens are not allowed to subscribe to Western publications. The incarceration of political dissidents in mental hospitals is routine. Religious instruction of persons under 18 is illegal, and religion in general is discouraged.

On one level the Kremlin blandly asserts that human rights, even as defined in the West, are fully observed. Moscow's funda-

mental position, however, is that the Soviet system offers true human rights: the right to a job, a place to live and three meals a day. (Never mind, as a U.S. diplomat reminded the Soviets lately, that the average Russian lives less well than an American on welfare.)

So far there is no indication that things will get any better under Mikhail S. Gorbachev, the new Kremlin leader. The arrests continue; emigration is almost non-existent. And the regime continues to display a bizarre sensitivity to human-rights accusations.

On the eve of last week's Helsinki review conference, the Baltic World Conference, representing emigres from Latvia, Lithuania and Estonia, convened a tribunal of international human-rights specialists in Copenhagen at which the Soviet Union was put on mock trial for its crimes.

The Soviets charged that the whole thing was organized by the CIA, and that European newsmen covering the event were "bribed" to do so. They also warned darkly that political relations with Denmark and Sweden, in particular, might suffer as a result of their allowing the events to take place on their soil.

Meanwhile, at a news conference in Moscow, Foreign Ministry spokesman Vladimir B. Lomeiko lost his temper and accused human-rights advocates in the West of being slave traders and debauchers of young girls.

Some within the Reagan Administration propose staying away from future Helsinki review conferences in light of the Soviets' contemptuous disregard of their own solemn pledges on human rights.

British Foreign Secretary Sir Geoffrey Howe had the right response: "The Helsinki Act established a benchmark by which to judge the way in which governments deal with their own people. Despite all the disappointed hopes, the Helsinki Final Act did light a beacon that continues to shine. We must continue to include human rights and human contacts on the agenda of our future meetings."

*Ernest Conine is a Times editorial writer.*

24 May 1984

WOMAN SEEKS REFUGE FROM KGB  
BY RICH TOSCHES  
LOS ANGELES, CALIFORNIA

A RUSSIAN WOMAN WHO SAYS SHE REFUSED TO BE A SPY FOR THE KGB HAS LEFT HER HUSBAND AND CHILDREN IN INDIA, DEFECTED TO THE UNITED STATES AND APPLIED FOR POLITICAL ASYLUM.

THE ANNOUNCEMENT OF THE DEFECTION WAS MADE WEDNESDAY BY THE HEAD OF THE BAN THE SOVIETS COALITION. DAVID BALSIGER, PRESIDENT OF THE CONTROVERSIAL ANTI-SOVIET ORGANIZATION THAT HAS CLAIMED CREDIT FOR THE RUSSIAN BOYCOTT OF THE 1984 SUMMER OLYMPICS, SAID THE 35-YEAR-OLD WOMAN IS LIVING IN LOS ANGELES.

"I WILL CONFIRM WE DO HAVE A LADY WHO APPLIED TODAY FOR POLITICAL ASYLUM WHO WAS A SOVIET," JERRY SEWELL, DEPUTY DIRECTOR OF THE IMMIGRATION AND NATURALIZATION SERVICE IN LOS ANGELES, TOLD UPI.

"THIS LADY APPEARS TO BE NOT A CELEBRITY IN ANY WAY. SHE'S QUITE AN AVERAGE PERSON."

HE REFUSED TO DISCLOSE ANY DETAILS OF HER SITUATION, BUT SAID THE CASE OF A RUSSIAN DEFECTION WAS "VERY UNUSUAL SIMPLY BECAUSE THERE AREN'T MANY PEOPLE WHO TRAVEL OUTSIDE OF THE SOVIET UNION."

BALSIGER SAID THE WOMAN TOLD HIM SHE WAS DEFECTING BECAUSE SHE REFUSED TO WORK FOR THE SOVIET KGB.

"SHE SAID THEY WERE ASKING HER TO DO CERTAIN TYPES OF SPYING ACTIVITIES (IN INDIA) AND OTHER THINGS WHICH SHE COULD NOT AGREE TO," BALSIGER SAID.

"THIS HAD GONE ON FOR ABOUT A YEAR AND THE SOVIETS HAD APPLIED A NUMBER OF PRESSURE TACTICS. SHE WAS IN FEAR OF MAJOR RETALIATION FOR NOT BEING COOPERATIVE."

BALSIGER SAID IRINA RAJUMDER, WHO IS MARRIED TO AN ENGINEER FROM INDIA WHO SHE MET WHILE ATTENDING SCHOOL IN Leningrad, LEFT HER FAMILY LAST WEEK AND ARRIVED IN NEW YORK THURSDAY. SHE CONTACTED A FRIEND OF HER HUSBAND IN LOS ANGELES AND ARRIVED IN LOS ANGELES MONDAY, WHEN THE BAN THE SOVIETS COALITION WAS CONTACTED AND A MEETING WAS SET UP WITH AN ATTORNEY.

BUT BALSIGER SAID A THIRD PARTY -- A RUSSIAN WHO DEFECTED THROUGH ITALY A FEW YEARS AGO AND IS NOW A STUDENT AT UCLA -- INFORMED THE FBI OF THE SITUATION.

"THE FBI THEN SWATCHED HER FROM AN OFFICE WHERE WE WERE TO MEET HER," BALSIGER SAID, "AND HELD HER FOR FIVE HOURS ON TUESDAY AND DEBRIEFED HER."

Continued

ARTICLE APPEARING  
ON PAGE A1WASHINGTON POST  
14 April 1984

STAT

STAT

# Group Sets Safety Net To Snatch Defectors At Olympic Games

By Jay Mathews

Washington Post Staff Writer

LOS ANGELES, April 13—Youth gangs in this run-down neighborhood have spray-painted red, black and white graffiti over the beige brick wall guarding the little square building on West 24th Street. A few workmen are patching some interior walls. A colorful mural of Tallinn overlooking the Baltic Sea haunts a dark and empty meeting room.

Estonian House, for 30 years a little-noticed part of escaying central Los Angeles, does not seem to be the sort of place to expect an international incident. But it has been designated a possible "safe house" in a plan to encourage mass defections at the 1984 Olympic Games here.

In an escalating series of outraged complaints, officials of the Soviet Union have accused the U.S. government of encouraging the activities of a small group of anti-Soviet Americans with ties to eastern Europe who want to keep the Russians out of Los Angeles altogether.

The Soviets, in demanding a special meeting of the International Olympic Committee on the issue, have inflated the importance of the Ban the Soviets Coalition out of proportion to the coalition's numbers, but revealed that an international propaganda battleground the games may be this summer.

Tony Mazeika, a coalition member from the Baltic American Freedom League, speaks of plans to create as many as 500 possible safe houses and "a network of different people speaking different languages" ready to help any defector from the Soviet bloc.

At a league meeting this week, Mazeika said, Estonian House was identified as a likely gathering point. From the nearby corner of 24th Street and Ellendale place, one can easily see the University of Southern California high-rise dormitories less than a mile away from where hundreds of Olympic athletes will stay in one of the two Olympic villages.

State Department spokesmen have denied sponsoring or encouraging the coalition's activities. But Mazeika said members of his league met with Assistant Secretary of State Elliot Abrams on March 17 at a human rights conference in the Ambassador Hotel here.

Abrams said this week that he told Mazeika and others that the State Department realized the possibility of defections at the Games and would be ready as usual to offer physical security to those seeking asylum, although

the department was neither encouraging nor discouraging defections.

David Finzer, an Anglican priest serving as the coalition's representative in Washington, said, however, that he felt the State Department had been of little help. The coalition failed to persuade the department to bar some of the 25 Aeroflot flights the Soviets plan to make to Los Angeles during the Games.

"We get some off-the-record sympathy, and that's all," Finzer said.

One Reagan administration official said the White House had received Soviet complaints about the coalition, based on the assumption that "all countries can control these things."

The official said the White House passed the complaints on to the State Department and had done nothing to encourage the coalition. He said the administration wanted the Soviets at the Olympic Games so that President Reagan will have a "world stage" on which to appear as an international leader in an election year.

David W. Balsiger, the coalition's national executive director, Orange County advertising executive and author, said the Aeroflot flights were approved through "pressure from [Los Angeles Olympic Organizing Committee President Peter V.] Ueberroth on [presidential counselor Michael K.] Deaver and others."

But Balsiger said that the addition of 2,000 Soviet officials brought in on the Aeroflot flights "may not be such a disadvantage, because there will now be a lot more opportunities for defections."

In its endeavors the coalition has secured the help of several Soviet bloc defectors, particularly former Novosti press agency editor Yuri Bezmenov. Bezmenov has changed his name to Tomas D. Schuman since the CIA helped him surreptitiously leave a diplomatic assignment in India in 1970 and now works as a writer and political analyst in Los Angeles.

In an interview, Schuman denounced the U.S. decision to admit a large Soviet cruise ship to Long Beach and Los Angeles harbors. He said such ships keep entertainment facilities for visitors on their upper decks, while maintaining "war games" electronic surveillance equipment on lower decks to monitor U.S. radio and telephone transmissions.

The coalition began with a small group of southern Californians upset at what they regarded as a weak official American response to the Soviet downing of a Korean Air Lines jetliner with 269 people aboard last September.

"I got quite irritated that the only action this country took was a few strong statements and kicking out three Aeroflot ticket agents," Balsiger said. "It could have been my kids on that plane."

Balsiger, who puts his age at "about 35," is a restless Costa Mesa entrepreneur who has run advertising campaigns, pursued land deals, campaigned unsuccessfully for Congress and written two best-selling books later and. "The

15 NOV 1975

## The Washington Merry-Go-Round

## LEAA: \$20 Million for Reports

By Jack Anderson  
and Les Whitten

The helter-skelter Law Enforcement Assistance Administration, which is supposed to promote law and order, has spent about \$20 million looking in the mirror at itself.

The money has gone for reports—annual reports, special reports, thick reports, thin reports, reports with plain covers, reports with fancy covers. Here are a few of them:

—Despite a bureaucracy of some 730 workers, LEAA apparently cannot produce its own annual report without outside help. Four of the agency's seven annual reports have been prepared by a private Washington editor, Joe Foote, at a cost of \$99,330. LEAA officials assured us that they will write the next report themselves.

—Loyola University in Los Angeles was awarded a \$293,700 grant "to assess the need" for a looseleaf encyclopedia on law enforcement. No fewer than 20 "experts" worked on the assessment. For all that money, the taxpayers wound up with a two-volume report that is now gathering dust on an LEAA bookshelf. Said LEAA's own experts of the encyclopedia, "There was no demonstrated need for such a work and, therefore, no reason why such a project should receive further support for LEAA."

—LEAA is even supporting research in Canada about American crime problems. A

University of Toronto professor, Walter Berns, an American, is working on a book "of interest to a general audience" tentatively entitled "Crime and Capital Punishment." The taxpayers are footing the \$67,822 bill for the research, and Berns will get the royalties, if any.

—At American University in Washington LEAA is helping former D.C. Police Chief Jerry Wilson write his professional memoirs. A generous \$163,823 has been set aside for a two-year research project analyzing the past 10 years of D.C. crime control efforts. Wilson will be paid \$48,465.

—LEAA spent \$17,481.32 for the work of Press Intelligence Services, Inc., a Washington news clipping service. The firm sends LEAA copies of national press stories of interest to the agency. The service costs about \$500 a month.

—And \$32,477 went to Nolan and White Visual Communications of Arlington, Va., to finance the art work and design the format for the six-volume report of the National Advisory Commission on Criminal Justice Standards.

Footnote: Foote told our associate Bob Owens that his contracts for the annual reports were "for the entire job." He hired outside people to assist him. Berns explained that he knew of no provision barring him from selling his study to the general public. He said, however, that his royalties for "scholarly works" have been minimal. A spokesman for Press Intelligence Service said its

government work was "a private matter." We were unable to reach Wilson for a comment.

Computer Bank—In an ironic turnabout, the Bank of America and other hard-nosed capitalists unwittingly have been financing a computer that spits out highly critical information on their activities in Latin America. It also catalogues CIA missions south of the border.

Sweet-talked into an operation called "Keeping Track of the Spies" were the bank's foundation, the Zellerbach Family Fund, the Irvine Foundation, the Firemen's Fund Foundation and other esteemed philanthropies.

A commune of computer scientists called "Resource One" convinced the foundations to cough up more than \$100,000 to computerize data concerning free clinics and other services for the sick and needy.

The young San Francisco computer wizards accomplished the job brilliantly, but took on an additional chore for the left-wing North American Congress on Latin America.

The Congress, known as NACLA, sympathizes with Cuban dictator Fidel Castro and collects newspaper files on such rightist tyrannies as Brazil and Chile, on the CIA and on U.S. economic penetration of Latin America, including the Bank of America.

With some coaxing, NACLA got the Resource One computer scientists to start feeding NACLA's files into the second generation data

machine. The data thus would be instantly available to anyone NACLA chose.

But before the project was completed, Resource One's corporate sponsors found out about it and NACLA ran short of money to help prepare the data.

As a result, the "Keeping Track of Spies" project has been sidetracked. Most of the foundations supporting Resource One have cut their ties. As a Resource One spokesman delicately put it, "These foundations generously provided start-up money. By mutual consent we are no longer receiving support from them."

Both NACLA and Resource One denied reports that the "Spies" project was designed to give terrorists a computer capability for waging war against CIA and corporate facilities in Latin America.

Litter Lies—The beer and soft drink lobbies recently circulated a costly propaganda folder as part of their multimillion-dollar campaign to demonstrate that Oregon's anti-litter law is a dismal flop.

But our own do-it-yourself survey, which cost us absolutely nothing, shows the Oregon statute requiring deposits on bottles and cans is a roaring success.

Along a four-mile stretch of well-traveled highway in Oregon, we counted one throwaway. Beside one-mile stretches in neighboring Washington and in Kansas we counted, respectively, 14 and 7 discarded bottles and cans.

(1975, United Feature Syndicate, Inc.)



Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

# RADIO TV REPORTS, INC.

4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20815 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM Good Morning America STATION WJLA-TV  
ABC Network

DATE December 24, 1982 7:00 A.M. CITY Washington, D.C.

SUBJECT Global Bank Holiday/Investigation

JACK ANDERSON: At this holiday time, there's talk in the back rooms of a more ominous holiday. The Central Intelligence Agency is investigating the feasibility of a global bank holiday. CIA agents have been secretly interviewing financial tycoons about the prospects. This may be the best way to pull out of the international monetary crisis. CIA experts figure that if the banks closed down temporarily around the world, they won't have to close down permanently.

And here's the problem. International bankers have extended \$500 billion in loans to developing countries. Of this, U.S. banks hold about 150 to 200 billion dollars in bad paper. But the continuing worldwide recession has hit the developing Third World countries right in their treasuries. They don't have a prayer of repaying the money they've borrowed. They can't even, in some cases, meet their interest payments.

The debtor nations have only two choices. They can default on their loans or they can borrow more money to pay the interest and principal as it comes due. Up to now, the international bankers have preferred to lend their customers more money so they won't default. In some circles this is known as throwing good money after bad.

Well, you might say, "Too bad for the bankers. They made bad loans. Let them suffer the consequences." Unfortunately, it's not that simple. Many of their gigantic loans are guaranteed by the Federal Government. In other words, the taxpayers will have to bail out the banks.

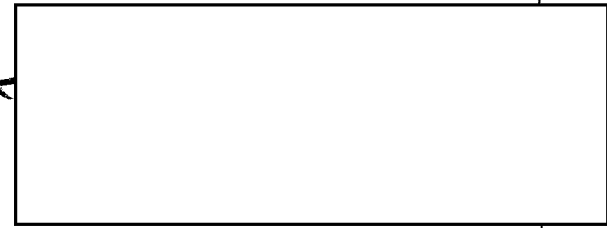
And why does the CIA worry about all this? Well, the spy agency is the one that gathers information on the secrets of

8 JUL 1976

STAT

NEW YORK TIMES

Page 35



### **Inquiry on Intelligence Crimes Asked**

The Association of the Bar of the City of New York released a report urging the appointment of a temporary special prosecutor to investigate possible crimes committed by Federal intelligence-agency employees. George M. Hasen, chairman of the association's committee on civil rights, said that recent Congressional committee hearings had uncovered sufficient evidence of criminal activity by intelligence employees to justify a "full, fair and impartial investigation."

ARTICLE APPEARED  
ON PAGE A-26

WASHINGTON POST  
8 JULY 1976

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

### N.Y. Bar Seeking Intelligence Probe

NEW YORK, July (UPI)—The Civil Rights Committee of the Association of the Bar of the City of New York today released a report urging appointment of a temporary special prosecutor to investigate possible crimes committed by employees of federal intelligence agencies.

At a news conference at the bar's headquarters, George M. Hasen, chairman of the committee, said there was evidence that, over a long period of time, senior officials in the CIA and FBI were involved in activities which violated statutory law and the constitutional rights of American citizens.

Among these, he said, were the use of wiretaps and infiltration of such organizations of the Southern Christian Leadership Conference.

8 JUL 1976

## Probe Spy Agencies: Bar Unit

The appointment of a special federal prosecutor to probe possible crimes against citizens by federal intelligence agencies was urged yesterday by the Civil Rights Committee of the Association of the Bar of the City of New York.

Committee chairman George M. Hansen said, "There is evidence that over a long period of time senior officials in the CIA and FBI were involved in activities which violated statutory law and the constitutional rights of American citizens." Hansen likened covert intelligence agency actions, as revealed recently by congressional probes, to the Watergate coverup. The request for the special prosecutor will be sent to various congressmen for endorsement.

—Edward Kirkman

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

HOUSTON CHRONICLE  
4 SEPTEMBER 1977

## Baylor College of Medicine doesn't want to know CIA research details

BY NORMAN BAXTER  
Chief, Chronicle Washington Bureau

Washington — Baylor College of Medicine doesn't want to know any details about research at the school that was sponsored by the Central Intelligence Agency (CIA).

This attitude, confirmed by Baylor public affairs director Frank Weaver, is in marked contrast to the reaction of some other institutions around the country.

The CIA has informed Baylor in a letter that the school was one of 44 colleges and universities the agency used for secret research on ways to control human behavior. No details on the research and what it entailed were supplied by the CIA. Weaver said the college "assumes" the research referred to was an attempt to develop a super lie detector. Weaver said Baylor would not ask the CIA either to confirm this assumption or provide any other information.

Some other universities, concerned that they were unwittingly used by the CIA for mind control experiments have insisted that the agency provide more information. Among institutions which have asked for specifics are Columbia, Princeton, the University of Maryland, George Washington and Georgetown universities. The schools want to be sure that the research was ethical and legal. Weaver said Baylor is sure of the validity of research conducted there.

Documents released by the CIA on its research program known as MK-ULTRA, have described some experiments in which drugs were used on patients without their knowledge. The site of the experiments and identity of the researchers have been withheld.

MK-ULTRA, which was funded with millions of dollars during the 1950s and

'60s, apparently was aimed in part at finding ways for a person to counter drugs and chemical techniques used in interrogation and brainwashing.

During the period of MK-ULTRA, Weaver said, Baylor had more than 7,300 research projects under way. He said only one, the lie detector research, was identified as a CIA-funded effort.

Existence of the lie detector project was first disclosed two years ago. The research was done at Baylor and at Texas Research Institute for Mental Sciences (TRIMS). The principal scientist, Dr. Neil Burch, has said that the research was a flop because a more reliable polygraph than that already in use was not developed.

On at least some of the MK-ULTRA projects, the CIA attempted to cover up

its role by funding the research through other agencies or foundations. Some of the lie detector research was carried on the records as being done for the Air Force Office of Scientific Research (AFOSR).

There has been other research at Baylor which lists the AFOSR as the contractor, including LSD experimentation and research into sleep and the effects of depriving persons of sleep.

Burch also was the principal researcher for some of those projects. He says that he does not believe they were funded by the CIA "but I cannot be 100 per cent certain."

Weaver said the contracts appear to be "legitimate" Air Force ones and that Baylor is not making any inquiries of the CIA about those projects or any others.

HOUSTON CHRONICLE  
3 SEPTEMBER 1977

ARTICLE APPEARED  
ON PAGE I-6

# UT involved in MK-ULTRA test program, CIA says

The U.S. Central Intelligence Agency (CIA) has informed University of Texas (UT) System officials in Austin that an unidentified UT component institution was involved in secret CIA-sponsored psychological research known as the MK-ULTRA project.

Bob Hardesty, deputy chancellor for the UT System, said Friday that the letter, received Aug. 12, said that "although the more highly publicized portion of the research concerned testing of drugs on humans, most of the research did not involve such testing, but rather far less controversial investigations into aspects of human behavior and its determinants."

The CIA revealed Aug. 3 that, in the 1950s and '60s, it channeled \$25 million through front foundations to 44 colleges and universities across the country.

Hardesty said, "The UT System does not know which of its institutions was supposed to have been involved, the specific nature of the research or the individuals supposedly involved."

He said the letter indicated that further information would be supplied upon request, and the university had been awaiting more facts before releasing news of the letter.

"They" (the CIA) indicated that if we

would let them know, they would give us what they could," he said.

System officials contacted the CIA, requesting access to relevant files, and the CIA wrote back last week to say, "Some of the material they can make available, some they can't," Hardesty said. "The whole situation is very vague to us," he added.

Baylor College of Medicine and University of Houston (UH) officials received similar letters last month which indicated they also might have engaged in the secret research.

Baylor spokesman Frank Weaver said that school officials were aware of a project, which originally was funded by the U.S. Air Force and subsequently was declared by the CIA to be supported by the agency.

The project, which involved using certain drug stimulants and depressants on fully informed volunteer medical and college students, tested the effects of the drugs on lie detector tests and had no adverse effects on the participants, Weaver said. After "checking and re-checking" Baylor records, he said, "That's the only project it would have been."

Dr. Philip G. Hoffman, president of UH, said that the university has no record of CIA-funded research because the university "routinely destroys records of research three to five years after a final report (of results) is submitted."

Hoffman said the CIA told him the research at UH was done in the early 1960s and involved less than \$55,000 over a five-year period. He said the work was in basic, fundamental science and did not involve experiments "with drugs" or humans.

Hardesty said the CIA cautioned the UT System that the MK-ULTRA documents which were discovered only recently are primarily financial records and "do not provide more than a fragmentary picture of the various research projects."

He said the CIA told system officials that the main bulk of CIA records on the project were destroyed by the agency in 1973.

The CIA indicated also that the federal Privacy Act may forbid release of the names of the researchers involved in MK-ULTRA and that it currently is seeking an opinion from the Justice Department in the matter.



April 22, 1976

Mr. Joseph Tanenbaum  
Bayside Kiwanis Club  
43-29 Bell Blvd.  
Bayside, New York 11361

Dear Mr. Tanenbaum,

Thank you very much for your letter inviting a representative of the Central Intelligence Agency to speak to the Bayside Kiwanis Club. I am sorry to tell you that we do not have anyone available to be with you on the dates you suggested. It is possible that we could provide a speaker at a later date if your group is still interested in hearing from the Agency.

Again, my thanks for your invitation and my apologies for our unusually long delay in responding.

Sincerely,



Deputy Assistant  
to the Director

STAT

kss

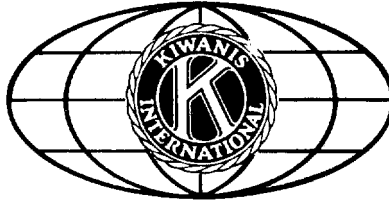


NR

KIWANIS CLUB OF BAYSIDE, Inc.

Bayside, New York

FOUNDED 1940



Meets every Thursday 12:15 noon  
Douglaston Club, Douglaston, N. Y.

March 11, 1976

Central Intelligence Agency  
Office of Personnel  
Washington, D. C. 20505

Handwritten initials "SW" circled.

Gentlemen:

I am the President of The Bayside Kiwanis Club and I am trying to arrange to have a speaker from your agency speak before a luncheon meeting in connection with the work of your agency.

We meet every Thursday for lunch at the Douglaston Club in Queens and at the present time we have dates available in April, May and June.

I would appreciate it if you would call upon receipt of this letter to arrange for a date for a speaker.

Very truly yours,

Handwritten signature of Joseph Tanenbaum.

Joseph Tanenbaum  
Business Address  
43-29 Bell Boulevard  
Bayside, New York 11361  
(212) 224 6300

JT:mg

3/24 PT - Said we would call him back in 2-3 weeks. Fine.

UNCLASSIFIED    
 INTERNAL USE ONLY    
 CONFIDENTIAL    
 SECRET

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

**ROUTING AND RECORD SHEET**

SUBJECT: (Optional)

|                                |           |                    |
|--------------------------------|-----------|--------------------|
| FROM: OP/RD 211 Magazine Bldg. | EXTENSION | NO.                |
|                                |           | DATE 22 March 1976 |

STAT

| TO: (Officer designation, room number, and building) | DATE     |           | OFFICER'S INITIALS | COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.) |
|--|----------|-----------|--------------------|---|
|  | RECEIVED | FORWARDED |                    |   |

|                                    |  |  |  |   |
|------------------------------------|--|--|--|---|
| 1. Mr. Thuermer<br>A/DCI 1-F-04 HQ |  |  |  | 1. Believe this was meant for your office.<br><br>C/RD/OP |
| 2.                                 |  |  |  |   |
| 3.                                 |  |  |  |   |
| 4.                                 |  |  |  |   |
| 5.                                 |  |  |  |   |
| 6.                                 |  |  |  |   |
| 7.                                 |  |  |  |   |
| 8.                                 |  |  |  |   |
| 9.                                 |  |  |  |   |
| 10.                                |  |  |  |   |
| 11.                                |  |  |  |   |
| 12.                                |  |  |  |   |
| 13.                                |  |  |  |   |
| 14.                                |  |  |  |   |
| 15.                                |  |  |  |   |

16 October 1984

## Tough Slog Megabuilder Bechtel Tries to Stay on Top By Being Aggressive

As Huge Jobs Grow Fewer,  
It Drums Up New Work  
And Stresses Financing  
A Dynasty Among Dynasties

By VICTOR F. ZONANA

Staff Reporter of THE WALL STREET JOURNAL  
SAN FRANCISCO — The megabuilding  
business is undergoing megachanges.

Bechtel Group Inc. built itself into the world's biggest engineering and construction company through technological excellence, a reputation for completing tough jobs on time and within budgets and, some say, a knack for making friends in high places.

But those attributes aren't enough anymore for the world-wide builder of pipelines, power plants, refineries, mines, dams and other huge projects. Energy conservation, high interest-rates, foreign competition and the world debt crisis all are taking their toll on Bechtel. To stay on top, the company must adapt to a business climate far harsher than the petrodollar prosperity that prevailed during the 1970s.

So Bechtel is plunging into the hotly competitive market for smaller construction jobs. It is positioning itself for future growth in new technological and geographical markets. Perhaps most important, it is honing its skills in a practice known as "financial engineering." Like a car dealer who helps customers get auto loans, but on a far grander scale, Bechtel now will search the globe for billions of dollars so that cash-strapped customers can build their projects.

"It's almost typical now," says Alden Yates, who succeeded George Schultz as Bechtel's president in May 1983, after Mr. Schultz became secretary of state. In much of the Third World, "you can't get a job unless you bring money," the 56-year-old Mr. Yates says.

### Nobody Does It Better

The money comes from banks, institutional investors, government-financed export-credit agencies and international development organizations. "Nobody does a better job [than Bechtel] of putting together complex financing packages," says William Deasy, the president of Morrison-Knudson Co., a Bechtel competitor, based in Boise, Idaho.

To smooth relations with export-credit agencies around the world, Bechtel recently hired John L. Moore Jr., former head of the U.S. Export-Import Bank, as executive vice president of Bechtel Financing Services Inc., the company's financing arm. Mr. Moore joined a large roster of former government officials in Bechtel's pay, including former CIA director Richard Helms and former deputy energy secretary W. Kenneth Davis, both of whom are Bechtel consultants. (In addition, Mr. Schultz and defense secretary Caspar Weinberger were Bechtel executives between stints in government.)

\* \* \* \* \*

*EXCERPTED*

ARTICLE APPEARED  
ON PAGE 56

TIME  
12 July 1982

## The Master Builders from Bechtel

*A secretive construction giant enters the limelight*

The California-based engineering and construction firm from which Secretary of State-designate George Shultz resigned as president two weeks ago is one of the true anomalies of American business, a globe-girdling behemoth that operates throughout the U.S. and 20 foreign countries, but a company so private and unobtrusive in its ways that most people have never even heard of it. Yet the privately owned and operated Bechtel Group Inc. of San Francisco (1981 billings: \$11.4 billion) has probably done more to transform the landscape of America and the world than any other company of this century. Among their many engineering extravaganzas, Bechtel's master builders have helped to design and construct everything from the Hoover Dam and the San Francisco-Oakland Bay Bridge to the trans-Alaska pipeline and the Washington metro subway system.

As a private, family-run corporation, Bechtel has maintained a cloak of secrecy rivaled only by modern-day monarchies. Still, some new insights about this prodigious builder are almost certain to emerge during Shultz's Senate confirmation hearings later this month. Most of the attention is expected to focus on Bechtel's longstanding ties to the Middle East, especially Saudi Arabia, which helped the company to land the job of construction



Chairman Stephen Jr.

manager on the Saudis' gargantuan Jubail development project (see following story).

To help nurture its friendships both in the U.S. and abroad, Bechtel over the years has benefited from the aid of a stunning array of officials and advisers with excellent Government contacts. At one time or another, these have included: John McCone, former chairman of the Atomic Energy Commission and later head of the CIA under John Kennedy and Lyndon Johnson; Parker Hart, former Ambassador to Saudi Arabia; and Charis Walker, Deputy Secretary of the Treasury under Richard Nixon. Today two powerful members of the Reagan Administration are former top Bechtel officers: Defense Secretary Caspar Weinberger and Deputy Secretary of Energy W. Kenneth Davis.

Often Bechtel's blue-ribbon executives are in a position to provide insights and spot opportunities that give the company a jump on its competitors. For example, last week Company Chairman Stephen Bechtel Jr. recalled that ex-CIA Chief Richard Helms, a Bechtel consultant, was able to help it head off potential losses in Iran in the late 1970s.

Despite its reputation for finishing complex jobs on time and under budget, Bechtel has occasionally stumbled. Some employees were publicly involved in a bribery scheme ten or twelve years ago

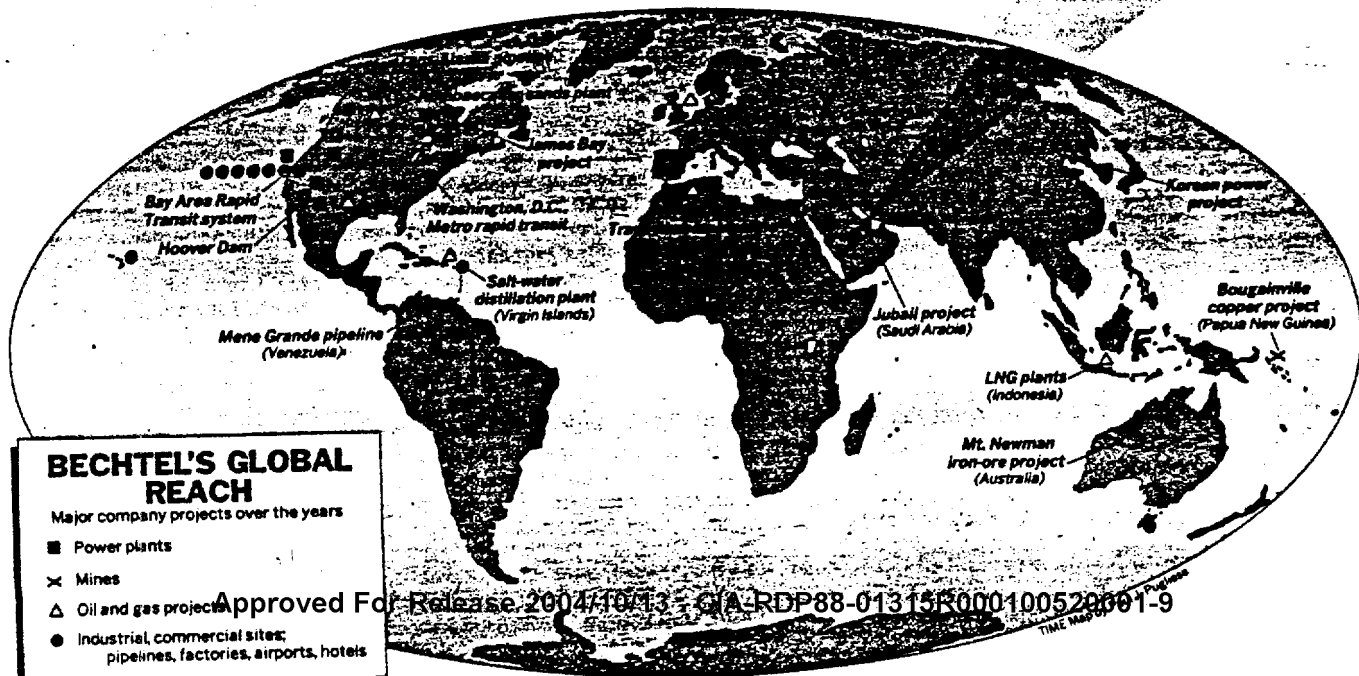
over the construction of a New Jersey pipeline. The firm was further embarrassed in 1977, when it installed a 420-ton nuclear-reactor vessel backwards at a San Onofre, Calif., power plant.

Bechtel began life virtually as a one-man operation, when a young German rancher named Warren A. Bechtel decided in 1898 to hire himself out with his mules to help construct a railroad line through Indian territory. The company established its name nationally in 1931 by helping to lead the eight-company consortium that built the Hoover Dam.

Warren Bechtel's son, Stephen Sr., prospered during World War II by building Liberty ships. At war's end, Bechtel expanded his company's pipeline work and moved into oil refineries and later into nuclear plants. In 1960 Bechtel handed control of the firm over to his only son Steve Jr., who holds the titles of chairman and chief executive officer and last week took back the title of president as well, after Shultz's resignation.

As the business has grown, the Bechtels have become one of the world's wealthiest families. Steve Sr., now 81, is said to be worth upwards of \$750 million, while Steve Jr., 57, has a personal fortune estimated to exceed \$200 million.

Last week Steve Jr. tried to belittle his firm's easy access to world leaders. Said he after returning from a fishing trip to the trout streams of Alaska: "I only feel it is appropriate to see leaders when there is business to conduct and it is worth their time." Characteristically, he merely mentioned in passing a new project, rather simple by Bechtel standards, that the company had just announced: the construction of a \$100 million company office building in downtown Oakland, Calif. —By Alexander L. Taylor III. Reported by Bob Buderl and Joseph J. Kane/San Francisco



ARTICLE APPEARED  
ON PAGE D-1

8 JULY 1982

Org 1 Bechtel

# Bechtel: A Reclusive Giant

## Shultz's Move Puts Spotlight On Builder

By THOMAS C. HAYES

Special to The New York Times

LOS ANGELES, July 7 — It started out small and unobtrusively when a resourceful German rancher named Walter A. Bechtel in 1898 hired out himself and a pack of mules to help build a railroad. From such meager beginnings, the tiny California construction company blossomed into the giant of the engineering and construction industry, its builders dotting the landscape of the world with such engineering marvels as the Hoover Dam, the trans-Alaska pipeline and the Washington subway system.

Although no longer small (only governments can pay for most of the kinds of things it builds today), the privately owned Bechtel Group Inc. has striven mightily to retain the reclusive ways that have characterized

its operations through three generations of Bechtels. It issued its first annual report only three years ago and company executives even now are hesitant to grant interviews.

Yet the cloak of secrecy that has enveloped Bechtel is expected to be lifted a bit by the appointment of George P. Shultz, its president until two weeks ago, to replace Alexander M. Haig Jr. as Secretary of State.

As conflicts in Lebanon and Iraq threaten to recast American interests in the Middle East, Mr. Shultz's activities at Bechtel involving Arab nations are expected to attract close scrutiny by the Senate Foreign Relations Committee at confirmation hearings scheduled next week.

### Shultz's International Contacts

Certain to draw fire are Bechtel's long and controversial links to Saudi Arabia, which aided the company in obtaining the construction manager job on the Saudis' big Jubail development project. As the company's president, Mr. Shultz brought vital contacts with officials of foreign governments, particularly the Middle East, when soaring oil prices gave the energy-producing nations billions of dollars to spend on construction projects.

Mr. Shultz, in fact, has publicly questioned the President's pro-Israel stand. "If I have any differences with Reagan," he said during the 1980 Presidential election campaign, "it's about Middle Eastern policy" as set forth then by Mr. Reagan in a speech before B'nai B'rith.

In his eight years with the Bechtel Group, which reported billings of \$11.4 billion last year, Mr. Shultz acquired a reputation as an effective, pragmatic executive. His familiar face and polished manner also made him a welcome and influential standard-bearer for Bechtel in the capital cities of the Middle East. Mr. Shultz is credited by associates with helping what may be the world's largest construction company to adapt to sweeping political and economic changes.

Bechtel (pronounced BECK-tuhl) is controlled and aggressively led by Stephen D. Bechtel Jr., 57 years old, who is the chairman and chief executive officer of the company, and who has also assumed the title of president. Mr. Bechtel, trained as an engineer and with a master's degree from the Stanford Business School, took control of the company in 1960, succeeding his father, Stephen Bechtel Sr. The father led the company to prosperity during World War II by building Liberty ships, and after the war, shifted Bechtel into oil refineries and the pipeline plants, while continuing to bolster its pipeline activities.

The Bechtels — who have become

one of the world's richest families as a result of their company's enormous success — control 40 percent of the concern's stock and 56 executives share the rest. The company has in recent years broadened its reach overseas, particularly in Indonesia and other developing Asian regions and the Arabic Middle East. It has partially shed the reclusive habits that occasionally invited political controversy and it has diverted portions of its mounting cash reserves into partnerships and investments outside of the engineering and construction realm.

Last year, Bechtel reorganized its corporate structure to allow firmer control of its myriad projects. At the top of the Bechtel totem pole is Sequoia Ventures, which holds the family's shares in the company (Sequoia also owns 80 percent of Dillon, Read & Company, a New York investment bank). Beneath Sequoia is the Bechtel Group, a holding company comprised of three main operating arms — in petroleum engineering, power engineering and civil engineering and mining. There is a fourth operating arm that hunts for inviting places to invest the group's money and rustles up new business.

Of Bechtel's projects valued at \$50 million and above, half are outside the United States. The company has never been involved in a project in Israel. This is partly a matter of politics and, partly, of economics. Arab states ban contracts with any American supplier that does work in Israel. Then, too, Israel's own construction technology is so advanced, and its work force so sophisticated, that the country has been able to do most major building projects within its borders on its own.

Because of its Arab ties, Bechtel has aroused the suspicions of Israeli supporters. In 1976, it became the only company accused by the Justice Department of refusing to subcontract work to companies blacklisted by the Arab League of Nations. The Justice Department suit charged that Bechtel and four of its divisions or subsidiaries had refused, at least since 1971,

CONTINUED

to subcontract work in the Middle East to American companies black-listed by the Arab league as part of their economic boycott of Israel.

The dispute was settled out of court a year later when Bechtel agreed to a consent decree stating it would not participate in an Arab boycott. Bechtel subsequently sought to change its position, arguing that the Arab boycott, being political, was beyond the scope of the Sherman Antitrust Act. A Federal judge, however, signed the consent judgment in 1979.

In 1978, Bechtel was rumored to be linked with the Central Intelligence Agency. At the time, it was rapidly expanding international activities, and it hired Richard Helms, the former Director of Central Intelligence, as a consultant for its Iranian operations. Moreover, John A. McCone, Director of Central Intelligence in the Kennedy and Johnson Administrations, also is a former Bechtel executive. Bechtel has repeatedly denied any involvement in C.I.A. activities.

Defense Secretary Caspar W. Weinberger, who has strongly criticized Israel for its siege of Beirut, was Bechtel's general counsel and reported to Mr. Shultz when he left to join the Reagan Cabinet in 1981.

Mr. Shultz, who was Treasury Secretary and, earlier, Labor Secretary in the Nixon Administration, said he would not comment on his role at Bechtel and United States interests in the Middle East until the confirmation hearings. Former colleagues at the company's sleek headquarters at 50 Beale Street in San Francisco's financial district, however, took pains to note that while the Middle East took on growing importance after Mr. Shultz's arrival in April 1974, it contributes a comparatively small portion of Bechtel's global assignments.

#### Bechtel's Middle East Ties

Last year, with projects ranging from the \$3.2 billion King Khalid International Airport in Riyadh to the industrial city of Jubail in Saudi Arabia — first estimated to cost \$9 billion, and now grown to an estimated \$20 billion — the Middle East accounted for 12 percent of the number of Bechtel contracts amounting to more than \$50 million.

That ratio is holding steady this year. In what it calls the Asia/Pacific region, the figure was higher last year at 15 percent. Bechtel officials said that while orders in both the Middle East and the Asian nations are expected to increase, the pace throughout the Pacific is rising faster. Bechtel does business in Taiwan, South Korea, Indonesia, Australia and New Guinea and has prepared several studies projects in China.

Mr. Shultz spurned the role of high-level deal maker with Saudi royalty and leaders of other nations, former associates at Bechtel said.

"It was like doing general advertising, establishing a presence," re-

called one close Shultz aide, who asked not to be identified. "There was never any hard selling. George wouldn't have anything to do with that."

But his close friendships, first developed when he was President Nixon's Treasury Secretary, with influential Middle Eastern officials were a clear asset, said David T. Mizrahi, editor of the Mideast Report, an independent newsletter based in New York. Among those friends are Sheik Ahmed Zaki Yamani, the Saudi oil minister, and Mohammed Ali Aba al-Khail, the Saudi Minister of Finance and the National Economy.

"I doubt very much if he tried to use his influence directly in acquiring contracts," said William E. Leonhard, chairman, president and chief executive of the Parsons Corporation. Parsons competes directly against Bechtel in Saudi Arabia and in other developing countries.

Until late in 1980, Mr. Shultz traveled abroad about once a month. Outside Bechtel, he was an economic adviser to Mr. Reagan during his candidacy and, following the election, as a member of his transition team. He also taught a course on public management at the Stanford Business School near his home in Palo Alto, Calif.

It was Mr. Bechtel, according to a company spokesman, Larry Thomas, who was the more peripatetic of the two. (Mr. Bechtel, who rarely grants interviews, refused requests for comment.) But, with Bechtel's shift to a holding company structure late in 1980, Mr. Shultz took a more formal role in developing international business. Since then, he has spent about half of his business time out of the country.

In addition, Mr. Shultz was given responsibility for Bechtel's low-key public and governmental affairs. It was under his direction that the annual reports began, including billings, new orders and highlights from its 11 divisions. The \$11.4 billion in billings Bechtel reported last year was up 50 percent from the year before and would put it among the 30 largest industrial companies in the nation. New orders, however, fell 9 percent to \$10.6 billion. Profits are not disclosed.

In Washington, Bechtel took a bigger role in trade associations and backed the Reagan tax cut program. However, Mr. Shultz scuttled a bid by some Bechtel managers to press for retention of Federal funding of synthetic fuels projects, according to a Bechtel source. A builder of refineries for synthetic fuels producers, Bechtel had much to gain. Mr. Shultz, however, said that along with the rest of the country, Bechtel had to sacrifice to make the Reagan plan work.

Finally, he took responsibility for Bechtel's increasing investments outside of engineering and construction.

Bechtel has especially dominated the engineering and construction of

nuclear power plants, holding more than 40 percent of the business in the United States. Projects include construction of the Diablo Canyon plant in San Luis Obispo, Calif., and the cleanup at the site of the nation's worst nuclear accident three years ago at Three Mile Island near Harrisburg, Pa.

Bechtel also leads in pipeline construction. It built the 800-mile trans-Alaska pipeline, and has also built several in the Middle East. Its first effort there, in 1947, was a 1,068-mile pipeline for crude oil from the Persian Gulf through Saudi Arabia, Jordan and Syria to the port of Sidon in Lebanon.

When new orders for nuclear power dried up in the late 1970's, Bechtel pursued new business in oil refineries, pipelines, airports and even full-scale industrial cities within the oil-producing nations in Asia, Africa, the Middle East and South America.

The restructuring in late 1980 was meant to clarify reporting lines and delegate authority into smaller corporate units. The idea was to encourage Bechtel managers to react more quickly to what Mr. Bechtel, Mr. Shultz and other top executives anticipated would be new opportunities and increased competition for Bechtel worldwide.

#### Push Toward Developing Nations

"Newly industrialized countries are capturing a bigger share of world markets, and will probably be producing 25 percent of the world's goods by the end of the decade," Mr. Bechtel told a gathering of Bechtel managers this spring. "We must identify these new areas and be more aggressive selling ourselves in these difficult markets."

It was in setting the new strategy that Mr. Shultz made his influence felt, in part through his analysis of international economics and his professorial knack of soliciting opinions and directing strategy discussions at meetings of Bechtel's seven-member executive committee, according to one member, Steven V. White.

Mr. White said that it was not Mr. Shultz's government contacts alone that caught Mr. Bechtel's eye, but rather Mr. Shultz's familiarity with international economics, labor issues and finance.

Also, Mr. Shultz's understated, pragmatic manner fit well with an organization dominated by engineers, who had worked their way to the top managing the mammoth projects that were Bechtel's staple. There was never any question, however, that it was Mr. Bechtel who was always in charge, several executives pointed out.

*CONTINUED*


**Diversifying Moves**

With Mr. Bechtel and Mr. Shultz taking a direct role, the company broke ranks from its competitors and began to parcel a portion of its growing cash reserves into fields unrelated to the construction business.

The first move came in 1977, when Bechtel acquired 15 percent of the Peabody Coal Company, the nation's largest coal company. Bechtel later bought a 10 percent interest in the undeveloped acreage owned by the Mesa Petroleum Company, and a 25 percent interest in developing oil and gas leases held by the Lear Petroleum Company.

Last year, it acquired an 80 percent interest in Dillon, Read, a move made in part to help Bechtel assemble the multimillion-dollar financing packages required to sell its engineering and consulting projects.

## Bechtel's Major Projects In the Arab World



United Press International

George P. Schultz

|  |   |   |
|--|---|---|
| <p><b>Aug. 1974</b></p> <p><b>Riyadh, Saudi Arabia</b><br/>Contracted to plan and design a \$100 million airport in the Saudi capital.</p> <p><b>Jan. 1978</b></p> <p><b>Arzew, Algeria</b><br/>Contracted to complete a liquefied natural gas project that produces 1 million cubic feet of l.n.g. a day.</p> <p><b>June 1976</b></p> <p><b>Jubail, Saudi Arabia</b><br/>Signed 20-year agreement for management and engineering services for the \$9 billion industrial project in this small fishing harbor on the Persian Gulf.</p> <p><b>March 1977</b></p> <p><b>Abu Dhabi</b><br/>Awarded a \$400 million contract for engineering, procurement and construction management of two natural gas processing plants.</p> | <p><b>Sept. 1977</b></p> <p><b>Yanbu, Saudi Arabia</b><br/>Named prime contractor to conduct engineering studies and develop cost estimates for a large petrochemical complex at this Red Sea port.</p> <p><b>Oct. 1977</b></p> <p><b>Abu Dhabi</b><br/>Shared a \$550 million contract with Chiyoda Chemical Engineering of Japan for a gas-gathering project in Das Island in the Persian Gulf. Bechtel also handled the development of gas fields at the Buhasa and Fuwais terminals in Abu Dhabi.</p> <p><b>May 1978</b></p> <p><b>Algeria</b><br/>\$826 million contract awarded to Bechtel's Canadian subsidiary to develop a gas field in the Rhourde Ness region of the Sahara.</p> | <p><b>Oct. 1978</b></p> <p><b>Riyadh, Saudi Arabia</b><br/>Saudi Arabian Bechtel awarded a construction management contract for the \$9 billion Riyadh International Airport.</p> <p><b>Aug. 1979</b></p> <p><b>Cairo</b><br/>Bechtel International commissioned to design and supervise construction of a 900-megawatt power plant near the Egyptian capital—a \$466 million project sponsored by the World Bank.</p> <p><b>Oct. 1980</b></p> <p><b>Jubail, Saudi Arabia</b><br/>Bechtel won an \$18 million contract to provide proposals and preliminary engineering for a 250,000-barrel-a-day refinery at this city on Saudi Arabia's eastern coast.</p> |
|--|---|---|

The New York Times / July 8, 1982

# RADIO TV REPORTS, INC.

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

*Orig Bechtel*

4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20815 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM CBS Evening News STATION WDMV TV  
CBS Network

DATE June 28, 1982 7:00 PM CITY Washington, DC

SUBJECT Bechtel and the Reagan Cabinet

DAN RATHER: Many of the concerns that have been voiced about the choice of George Schultz to succeed Secretary of State Haig center on future US policy toward Israel, mostly because Schultz's company, Bechtel, does so much business with Arabs.

Richard Nixon, who met in Paris today with French President Mitterand, says that he knows Schultz well from his White House days, and Mr. Nixon said that Schultz will be neither pro-Arabic nor pro-Israeli. Mr. Nixon added, in a narrow sense he's going to be pro-peace.

As for who will shape policy, Mr. Nixon had this.

RICHARD NIXON: I've noticed the conjecture with regard to what's going to happen in the Mideast, what's going to happen to the Alliance, what's going to happen on East-West relations and so forth. Is it going to be the Haig policy or is it going to be the Schultz policy. Whether it's going to be President Reagan's policy. Secretary Schultz has his views. He will express them very strongly and very firmly to President Reagan. But in the final analysis, President Reagan will call the shots.

RATHER: George Schultz's nomination as Secretary of State casts a spotlight on the low profile firm for which he's been working. Founded in California 84 years ago, quote, "to build a few miles of railroad track", the Bechtel Corporation today is a multi-billion dollar international giant. It's been called a quintessentially American plan of dam builders, mine diggers, and opens up for the wilderness. Bechtel's also been called one of the most successful and secretive companies in its business.

OFFICES IN: WASHINGTON D.C. • NEW YORK • LOS ANGELES • CHICAGO • DETROIT • AND OTHER PRINCIPAL CITIES

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Material supplied by Radio TV Reports, Inc. may be used for file and reference purposes only. It may not be reproduced, sold or publicly demonstrated or exhibited.



Now Linda Douglas looks at the privately-held concern and its contributions to the Reagan cabinet.

LINDA DOUGLAS: Here at the corporate headquarters in San Francisco there is a motto. "Bechtel Builds". And it does, as one of the nation's biggest, richest engineering and construction companies, with projects in 100 foreign countries. But some say Bechtel is more than a business. With its vast, secret holdings it is like a separate country.

FRANKLIN D. ROOSEVELT: And on behalf of the nation, who say to you, well done.

DOUGLAS: Bechtel's first giant project was purely American, the Hoover Dam, then the biggest government construction project ever done. That same year, completion of the Oakland Bay Bridge, a masterpiece of modern engineering.

Bechtel has built half of the nation's nuclear power plants, developed the Alaska pipeline, and built major subways and oil drilling platforms in the North Sea. Now Bechtel appears to be building a bridge to the Reagan Administration by contributing key executives to the cabinet.

Former General Counsel Caspar Weinberger, now Secretary of Defense; former executive W. Kenneth Davis, now Under Secretary of Energy; and former Bechtel President, George Schultz, nominated to be Secretary of State.

Bechtel is so international it almost needs its own foreign policy. Schultz's critics worry that policy may become the nation's.

For example, Bechtel has a close relationship with Saudi Arabia, building energy projects and airports, and now the most ambitious undertaking yet, a city for 300,000 to be completed in ten years.

Bechtel lobbied for the sale of AWACs radar jets to the Saudis, and in 1976 was accused of participating in an Arab embargo of Israel.

SENATOR ALAN CRANSTON: What we have to ascertain is really what his views are of Middle East policy, whether they change now that he becomes Secretary of State from the time when he was President of the Bechtel Corporation.

DOUGLAS: Because of its secrecy, Bechtel has long been rumored to have links to the CIA. A former Bechtel executive, John McCone became head of the CIA, and another CIA Director, Richard Helms, is a Bechtel consultant.

3

A Bechtel spokesman said there is not a relationship between the company and the CIA. The spokesman went on to say the Bechtel family would not grant interviews, but only because they like their privacy, not because they have anything to hide.

Linda Douglas, CBS News, San Francisco.

# RADIO TV REPORTS, INC.

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

*Bechtel Corporation*

4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20815 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM The Ron Eisenberg Show STATION WRC Radio

DATE June 25, 1982 8:09 P.M. CITY Washington, D.C.

SUBJECT Bechtel Corporation and the CIA

RON EISENBERG: This first hour, we take a look at two subjects. The first one is the Bechtel Corporation, which is, whether you know it or not, the world's largest private construction company, privately held, based in San Francisco, and they do work around the world. Now, the company's important for lots of reasons. One is our Secretary of Defense, Caspar Weinberger, came from there. And our designated Secretary of State, George Shultz, comes from there. And so Bechtel Corporation and what it does and who it does it with is of some interest.

We're also going to look at the whole question of safety. How safe are the products you use every day? And is anybody out there making sure they are safe? And what about Underwriters Lab and other testing organizations? What about the Product Safety Commission and the National Highway Traffic Safety Administration and the Food and Drug Administration? Are they doing their job or not? And how, perhaps, could our national safety effort be improved?

Well, we're going to talk about both those subjects with investigative editor for Mother Jones magazine Mark Daly, who's in the WRC studios.

Mark, welcome.

MARK DALY: Thank you.

EISENBERG: Before we get into the whole question of safety, you wrote in 1978 an investigative piece on a company that even people in San Francisco aren't real familiar with. That was the Bechtel Corporation.

OFFICES IN: WASHINGTON D.C. • NEW YORK • LOS ANGELES • CHICAGO • DETROIT • AND OTHER PRINCIPAL CITIES

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Material supplied by Radio TV Reports, Inc. may be used for file and reference purposes only. It may not be reproduced, sold or publicly demonstrated or exhibited.

DALY: That's right.

EISENBERG: Tell us a little bit about Bechtel, would you?

DALY: Well, I found, incidentally, in doing this story, that even people that worked at Bechtel weren't very familiar with the corporation. Quite high up, in fact, I was surprised by how little the workers there knew about their company.

EISENBERG: Well, why were you interested in doing a story on Bechtel?

DALY: Well, for that very reason. It was a company that was the largest construction company in the country, it had built half the nuclear power plants in the United States, and I don't know how many more overseas. It has enormous contracts from almost every department of the government, particularly the Defense Department. And we believed that it didn't deserve the secrecy that it had gained for itself. Although it is a privately owned company, it is a very public company, in that it spends an enormous amount of taxpayers' dollars and builds an awful lot of public works.

EISENBERG: Now, you've looked at Bechtel Corporation. And as it turns out -- you didn't know it at the time, but our Secretary of Defense, Caspar Weinberger, in 1981 named to that job by President Reagan, he came from Bechtel.

DALY: Well, Weinberger and Shultz had recently been hired out of the remnants of the Nixon Administration when I started doing this story. And they were almost certain to go back into the government as soon as there was a Republican Administration. They are the epitome -- they epitomize the revolving-door syndrome between government and private industry, in that respect. They both -- Caspar Weinberger was Ronald Reagan's Minister of Public Health, Secretary of Public Health in California. And Shultz has been, of course, an old friend of Republican Administrations for years.

EISENBERG: Well, we know a lot about the public George Shultz. We know that he worked in the Nixon Administration, that he was head of the Office of Management and Budget. We know that George Shultz was Secretary of Labor and Secretary of the Treasury, he's an economist, that he's 61 years old. But what is it about George Shultz in his job at Bechtel that you found of interest?

DALY: He is the President of Bechtel, and probably the most valuable player on the team. He's most valuable because of the magnitude of Bechtel's construction projects in countries

that can't afford to buy them.

EISENBERG: Like what?

DALY: Like in Saudi Arabia, who can now afford to buy it because they have so much oil cash from their oil. But when -- first of all, the infrastructure had to be put in there, and that required cash.

Indonesia, which is undergoing a similar experience in energy extraction. Nigeria, where they discovered an enormous amount of oil.

Shultz, because he is so closely tied with the bilateral and multilateral banking systems, private and public banks, the World Bank, the IMF, the Bank for International Development, and some of the private banks in New York, is able to deliver an enormous amount of finance capital to these countries, along with the offer to build the infrastructure. So he can go and say, "How would you like a refinery and the extractive mechanism to take oil, gas or coal," or whatever it is that the country has. And they'll say, "Well, we'd love to have that, but we can't afford it." And he says, "I can finance it for you."

EISENBERG: Let me ask you this. Is there any reason that anyone should be concerned about George Shultz coming into the Reagan Administration as designate for Secretary of State? And he'll be acting in that job until confirmation hearings are held. Should we be concerned that this might in some way tip government one way or the other, for example, in the Middle East?

DALY: Yes.

EISENBERG: Why?

DALY: Well, first of all, you know, I think in some respects Shultz is a better -- will be a better Secretary of Defense than Alexander Haig.

EISENBERG: Secretary of State.

DALY: I'm sorry. Secretary of State. He was seriously considered. I believe he was actually offered the job and turned it down at one point. And if Al Haig had not taken the job, there were rumors that the President was going to draft Shultz into the job. He really wanted him very badly.

I think the danger of having Shultz there is that that will be two people that will come from Bechtel Corporation, which is in the Middle East, a very Arabist corporation. At one point, the Middle East was sort of divided up by the construction

4

companies, and Bechtel took the Arab side and Kaiser took, basically, the Israel and the non-strict-boycotting Arab nations.

And so it's obvious, so far, that Weinberger is an Arabist on the Middle East. He is the Administration's Arabist. It's hard to tell what position Shultz will take on all that, but he certainly comes out of a whole world and mind-set that is strongly influenced and strongly loyal to the Arab side of the conflict over there. So I think that that could create some real danger.

EISENBERG: Mark Daly, investigative reporter for Mother Jones, investigative editor for that magazine.

Would you like to see, perhaps, in George Shultz's confirmation hearings a closer look at and public exposure of the Bechtel Corporation?

EISENBERG: Yes, I certainly would. I think that there's going to be media exposure of the Bechtel Corporation now. There just can't help but be, with two men from the same company high in the Administration.

Yes, I would. I would like to see people ask him -- and, if possible, ask Weinberger. I wish they had've when he was being confirmed -- exactly what their role vis-a-vis Bechtel Corporation is going to be. Bechtel has always done very well when their people are back in the government. They've gotten enormous contracts. They've built, as I say, many of the nuclear power plants. They've built a lot of the military infrastructure in this country, a lot of the communications, the military communications infrastructure. And historically, they've done much better when people like Shultz and Weinberger were here than they have when Weinberger and Shultz were back in San Francisco during Democratic Administrations.

So, I'd press him hard on questions like that. I really would.

EISENBERG: I'm talking with Mark Daly, who is an investigative reporter for Mother Jones magazine, a magazine in San Francisco, nationally distributed, that takes a look at things like the Bechtel Corporation and, in another series, another series that Mark Daly did, product safety and the safety of consumer products.

\*

\*

\*

JOHN: I had a question about the Bechtel Corporation, but you left the subject so quickly that I -- and I really didn't feel that I got enough information.

EISENBERG: Well, you can ask whatever you want. We have one of the only experts in the country who's done an investigative report on Bechtel sitting here, Mark Daly.

JOHN: Maybe I missed it. There was a second when I got out of my car when I was listening to the radio and went into the house, so I might have missed it. But who owns Bechtel? Where -- how much money do they profit? Not how much money do they make, but how much money, at least, do you estimate they profit? And where is the money going?

And I want to throw one thing else out. Probably 10, 15, 20 years ago, during the whole Vietnam thing, I know that Bechtel was a target of, at least, many radical organizations about fronting CIA operations, etcetera. And it's always been kind of cloaked in mystery. And I wanted to find out if your guest also knew anything about that.

DALY: First of all, Bechtel is owned primarily by the Bechtel family and about 50 of its chief executives in the company, all men...

EISENBERG: So it's not publicly held. You can't go out and buy 40 shares of Bechtel.

DALY: No. You can only buy shares in Bechtel when you're offered them by the family. It's all owned by men. The women who own stock have to give the voting power in the stock to their husbands.

EISENBERG: That's...

DALY: No one knows how much profit they make because they don't have to report that. They're a private corporation, not a public corporation, so they don't file anything with the Security Exchange Commission or any other auditing body of a government agency. That's because they're private.

As for the CIA, Bechtel, in years past, had very close ties with the CIA, through Douglas Dillon, who was one of Stephen Bechtel Senior's very good friends, through John McCone, who went from Bechtel to the CIA, and John Simpson, who went from the CIA to Bechtel. There's been a lot of interaction between Bechtel and the CIA.

The only ties, the active ties that we were able to document between Bechtel and the CIA -- they do it very well, covering their documentation. The only thing we were able to tie was Bechtel's connection with the CIA in Libya, where they made some deals there, through the CIA, in the construction of some gas pipelines.

JOHN: I understand that that means something to you,

but who is the Bechtel family? I mean I haven't heard of them, but I had heard that they were very reactionary, very right-wing. And have they been great contributors to financial [sic] candidates, like Ronald Reagan, which would make logical sense, since he's from California, and...

DALY: Yes.

JOHN: Who are these people?

EISENBERG: Who are the Bechtels?

DALY: I'm not surprised you've never heard of them. They don't want you to have ever heard of them. They're one of the more anonymous families in the country. They try their best to keep their name out of Who's Who, off the social registers, out of the press. They're a very private German-immigrant family. The company was started by an old muleskinner named Dad Bechtel. His son Stephen took over the company and turned it into what it is now. And now the third so, Stephen Jr., the grandson, Stephen Jr., is running the company, is the titular head if not the actual head. It's a toss-up between him and George Shultz. I guess they'll have to find someone to replace Shultz.

Yes, they're a very conservative family, always backing Republicans, and old friends of Reagan. In fact, Caspar Weinberger, who went from the Reagan Administration in the State of California, then to Bechtel, then to the federal government, back to Bechtel, then back to the federal government, just pretty much wherever Ron went.

JOHN: How did they get such an overriding handle on, particular, government and defense-oriented contracts? How have they been able to do that?

EISENBERG: Well, let's see what Mark Daly has to say about that, John.

DALY: How does any -- somebody had to get it. I mean the government was going to build. Somebody had to get it. Bechtel's very smart. I think the revolving door that we've been talking about in the safety story is also true in Bechtel: Shultz, Weinberger, and many, many other officials, the people who put Bechtel into the nuclear business. As I said earlier, they've built half the -- built or designed half the nuclear power plants in the United States. The people who put them into that business came right out of the Atomic Energy Commission. John McCone went from Bechtel to the Atomic Energy Commission.

I think that Bechtel has -- because they're private, they're attractive to the government. And because they...



EISENBERG: They also, by the way, have done some work on the Washington, D.C. subway system.

DALY: Yes.

EISENBERG: So there is a Bechtel connection...

DALY: They were one of the constructors of Metro. They've done -- and of BART, the subway system in San Francisco. They've done a lot of public works, as well as government works.

But you asked about the ties to the government. Because they're a very secretive organization and they've thrived on their anonymity and their secrecy, they've been very attractive to people like the CIA and the Defense Department, and have done a great deal of work for both those agencies.

EISENBERG: John, thank you for the call.

Ron Eisenberg, talking with Mark Daly. He's investigative reporter for Mother Jones magazine. We've been talking about product safety and consumer safety, and we've also been talking about the Bechtel Corporation. Bechtel is one of the companies that, in his work as an investigative reporter, Mark Daly has looked at.

\* \* \*

EISENBERG: Fred, you're on WRC.

FRED: ...last five minutes of your program, and I don't know who your guest was or who the person on the other end. I recognized your voice.

EISENBERG: Well, the guest is Mark Daly. He's investigative editor of Mother Jones magazine.

FRED: Well, I don't know what Mother Jones is. But I'll tell you what. I listened to the conversation until I just had a compulsion to call in. And it sounds like the Bechtel Corporation is some sort of sinister organization.

Now, earlier in the day I'd heard that, somehow or another, the nominee or the would-be nominee...

EISENBERG: George Shultz is currently President of Bechtel. And Mark Daly is one of the few reporters in the country who has taken a look at what is a privately-held corporation.

FRED: Well, it sounded like you and this reporter were clucking about, and it sounded like the Bechtel Corporation was a neo-Nazi organization.

EISENBERG: No, I don't think -- we certainly didn't mean to imply that. But I can let Mark Daly speak for himself.

DALY: I never said that. I never used any such epithet. I didn't say they were fascist. I said they were conservatives. And they're very conservative.

FRED: Well, don't misinterpret what I said, sir. I was just saying that it sounded like you and Mr. Eisenberg were having a rather favorable conversation between each other. And if I'd beamed in from outer space, I'd think that, you know, this Bechtel Corporation was some sort of sinister sub rosa organization that was going to gradually take over America and turn it into -- it's my expression, not yours -- some sort of a fascist state.

DALY: I didn't say that.

FRED: I just said you didn't say that.

DALY: I know. All right. And I also don't think -- I didn't say that they were sinister and that they were going to take over the country. Although I think there's people in Bechtel Corporation who would like to.

FRED: Well, who are these people that would like to, then?

DALY: Oh, start with the Bechtel family themselves.

FRED: And is there something wrong with starting as a muleskinner and gaining wealth and passing it on?

DALY: No. I didn't say that.

FRED: No, you didn't, but you implied that there was something wrong with earning your way in America. I think you have your biases and they came out in the last five minutes.

EISENBERG: Fred, I wish we had more time to talk about it. And in all honesty, in Mark Daly's defense, the discussion in no way implied or mentioned there's something wrong with making your own way in America. Mark Daly's done it and lots of us have done that.

What he was talking about, however, are some little-known facts about a company that's privately held and not a lot of people know much about it.

ARTICLE APPEARED  
ON PAGE 1-20

THE WALL STREET JOURNAL  
10 April 1979

## Big Builder

### For a Family Concern, Bechtel Group Works On Enormous Projects

But Its Secrecy Stirs Rumors,  
Like Those of CIA Ties;  
A Story of Rising Profits

Has Growth Hurt Quality?

By RICHARD D. JAMES

Staff Reporter of THE WALL STREET JOURNAL

SAN FRANCISCO—It's the stuff of fiction thrillers: a giant company, controlled by one family from a skyscraper overlooking the bay here, employing former high government officials; operating around the world and rumored to be linked to the CIA.

But the giant company, Bechtel Group, isn't fictional. And, like Greta Garbo, it is finding that what especially excites public curiosity is its own penchant for secrecy. Like the former actress, Bechtel's executives themselves have largely created their own problem—by becoming one of the stars of their industry and by being uncommunicative.

Bechtel Group is made up of three closely intertwined companies that constitute one of the world's biggest construction and engineering concerns. The group has helped build some of the largest projects on record, including Hoover Dam and the Alaskan oil pipeline. It has designed or built almost half of the nation's nuclear-power plants and built nearly three dozen oil refineries around the world. Currently, it is helping construct the Washington, D.C., rapid-transit system and a hydroelectric complex billed as the largest civil-engineering job ever undertaken in Canada. At latest count, it was involved in 115 major projects in 21 countries.

If Bechtel Group were included in a list of the nation's largest corporations, it would rank in the top 25, ahead of RCA, Kodak and Xerox.

### Shielded From Public

Yet because the group's three companies—Bechtel Corp., Bechtel Inc. and Bechtel Power Corp.—are privately owned, they aren't under any obligation to file the usual voluminous reports with the Securities and Exchange Commission or to keep thousands of stockholders informed. Unlike publicly-owned companies, the Bechtel concerns can keep much financial data private—and under the leadership of Stephen D. Bechtel Jr., 53-year-old grandson of the founder, they do so.

But in an age of widespread distrust of multinational corporations and of mounting pressure for corporate accountability, such stony silence is often seized upon as an indication of sinister doings. "Whenever I go to cocktail parties, people tell me they just know there must be something going on inside the company," a Bechtel public-relations official comments.

Moreover, the intense curiosity and wild rumors have been exacerbated by the company's employment of prominent ex-government officials, including former Treasury Secretary George P. Shultz and former Central Intelligence Agency Director Richard Helms. One rumor even pictures Bechtel as an arm of the CIA—a link that Bechtel categorically denies.

### Phenomenal Success

But amid all the rumors, one thing is sure: Bechtel has enjoyed phenomenal success. Although financial data are sketchy, information obtained from interviews with company officials and from the California Department of Corporations testifies to Bechtel's prosperity.

Over the past 30 years, earnings have increased almost every year. In 1978, revenues of the three companies totaled \$6.4 billion, up from \$4.5-billion two years earlier. Profits in 1976 were \$66.5 million (they haven't been disclosed for 1977 and 1978); Bechtel's earnings also apparently exceed construction-industry averages. Engineering News Record, a trade publication, puts the industry's pretax profits in 1976 at about 30% of stockholder equity; Bechtel's return that year was about 42%.

Bechtel's muscle shows up in its balance sheet, too. A partner in a large accounting firm, reviewing a Bechtel financial statement provided by this newspaper from state files, notes that as of about nine months ago the group held cash and other liquid current assets of \$739.8 million, which exceeded total liabilities by about \$195 million. "That is a very good ratio," the executive says. "They are extremely strong."

In recent years, however, the company seems to have developed a few weaknesses. For example, its share of nuclear-plant work has slipped a bit, and some quality control and personnel problems have cropped up.

However, some observers say the slip-page in the nuclear-power area may actually turn into a plus for the company in light of the recent accident at Pennsylvania's Three Mile Island nuclear-power plant. They reason that Bechtel won't be hurt as badly as some others by the stiffer regulatory requirements that seem certain to follow the accident.

### Tightly Knit Group

Ownership of Bechtel is held by the family and a tightly knit group of 58 officers, many of whom work for all three companies. State records show that about 40% of the common stock in each company is held by a trust of which Stephen D. Bechtel and his son, Stephen D. Bechtel Jr., chairman of the three corporations, are voting trustees. When company officers leave or retire, they must sell their holdings back to the company.

Besides getting the right to share in the profits through stock ownership, Bechtel officers are paid handsomely. Says one employee: "The talk around the office is that if you want to become a millionaire become a (Bechtel) vice president." Unlike publicly held companies, Bechtel doesn't publish its top officers' salaries, but reports filed with the state show that two years ago 26 vice presidents were making more than \$150,000 a year and four of those were earning in excess of \$200,000. Mr. Bechtel Jr. was paid \$54,225 that year.

Current salary data isn't available. In 1977 Bechtel successfully petitioned the state to seal the portion of its filings dealing with salaries. A request that corporate financial statements be sealed was denied, however.

Despite efforts to maintain a low profile, Bechtel increasingly has caught the public's eye. "When you bring in ex-Cabinet people, it's bound to attract attention," observes an executive of a competing company. Four years ago Bechtel hired Mr. Shultz and, about a year later, it added former Health, Education and Welfare Secretary Caspar W. Weinberger as general counsel. More recently, it retained Mr. Helms as a consultant.

These moves raised eyebrows not only because of the people involved, but also because they seemed out of character for an organization with a reputation for promoting from within. Were the men hired because they could win favor for Bechtel in high governmental circles? "We aren't looking for any favors from government," Mr. Bechtel Jr. says. He concedes, however, that the former officials did bring with them "their knowledge of governmental processes, and there is some benefit in knowing how the bureaucracy works."

SAN FRANCISCO CHRONICLE  
18 January 1979

# Business World

## Bechtel Answers Questions on Its Operation

By Timothy C. Gartner

In an effort to answer critics' charges that it is "unduly secretive," Bechtel released a six-page pamphlet yesterday to its 30,000 employees and the press with some information on its operations.

The giant San Francisco construction and engineering firm said its 1978 revenues were \$8.4 billion about the same as in 1977. This would place it 20th on the latest Fortune 500 list of companies, and it represents a threefold increase over 1970 revenues.

Because it is privately held, Bechtel doesn't have to divulge its profits — which "reached an all-time high last year — or any particulars it doesn't want known.

Steven D. Bechtel Jr., 53, chairman of the company and grandson of the founder, explained the report was prompted by the "unfair criticism" that has arisen recently. One publication even accused the organization of fronting for the Central Intelligence Agency.

Bechtel said, "...the fact that Bechtel is a private company gets twisted around to make us look like we are trying to hide something — which we are not."

The report said Bechtel was working on 119 projects worth at least \$25 million each in 25 countries. Of these, 61 were in the U.S., 58 elsewhere.

The firm also said that 237 of its projects involved total client expenditure of less than \$100,000. This disclosure, said the report, clears up "one misconception...that we are only interested in major projects."

Bechtel said its new work booked for 1977 was \$6.7 billion. It added, "In six of the nine years since 1970, our annual new revenue booked has exceeded our workoff."

But because customers are experiencing delays in licensing and approval of sites for all types of facilities, Bechtel said the 1975 recession has resulted in a leveling off of orders in 1977 and 1978. New work dropped to \$5.5 billion in 1978.

The company said that 50 percent of all revenue is generated by the Power Divisions and 30 percent by the Petroleum Divisions. Five of Bechtel's eight divisions are now headquartered out of San Francisco.

SAN FRANCISCO EXAMINER  
17 January 1979

# Business

## Message to employees

# Bechtel reports record profits but slumping sales

By David Dietz  
Business Editor

Bechtel, in what a company spokesman described as its most far-reaching annual report ever to employees, said today profits reached a record high last year but the organization has suffered from flat revenues for the past two years.

The company, actually a consortium of concerns that make up one of the world's largest privately held businesses, did not divulge its earnings but said revenues from work underway totaled \$6.4 billion last year, about the same as in 1977.

Bechtel blamed the revenue slowdown on the dampening effect of the 1974-75 recession on major construction projects.

In a message released to 30,000 permanent workers around the globe, Chairman Stephen D. Bechtel Jr. also said new work dropped last year to \$5.5 billion from about \$7 billion in 1977.

"Our clients are experiencing delays in licensing and approval of sites for all types of facilities," explained Bechtel, grandson of the company founder. "Other uncertainties are caused by changing energy policies and worldwide shifts in supply and demand."

Bechtel said he expected that the revenue slump would continue through this year and noted that the company had been forced to lay off an undisclosed number of workers. He added that high inflation could further impede Bechtel's growth and lamented that government regulations would "continue to frustrate new building programs."

But he believed that the rate of new work in 1979, unlike in 1978, would exceed the rate at which continuing jobs would be completed. He added, "Current indications are that 1980 and '81 will show increasing opportunities for Bechtel and positive growth."

Bechtel said the organization's net assets total more than \$400 million "and we have very little debt. We are well positioned for the future."

Previously, an abridged version of the report appeared annually in a company publication as a New Year message to workers. A spokesman explained the change as a reaction both to increased public interest in Bechtel's affairs and to employees' needs for more information about company directions.

Bechtel has divulged basic operating results to employees and regulatory agencies before, but they are not widely seen in public. The spokesman said what separated this report from others was in its wider discussion of the general state of the company and its future path.

Bechtel has been increasingly in the public spotlight in recent years as a result of delays and cost

overruns on the Alaska oil pipeline and the BART project, involvement in the Arab boycott of Israel and asserted ties with the Central Intelligence Agency.

The CIA allegations were reported in a recent issue of Mother Jones magazine, copies of which were distributed to Bechtel employees in a publicity gambit as they left the company's headquarters here. The article had noted that Bechtel employees interviewed for the story "knew little" about the organization.

In a foreword to his message, Stephen Bechtel observed that "as the company has grown, public awareness of it has also grown; and a few critics have appeared. These critics can be very vocal and at times unfair."

He said the report is "another part" of a growing communications program designed to repel criticism that Bechtel is what the chairman described as "unduly secretive." He added, "I believe the fact that Bechtel is a private company gets twisted around to make us look like we are trying to hide something — which we are not."

The report said that at the end of December, Bechtel had 119 active major projects worth at least \$25 million each underway in 26 countries. Major work finished last year, Bechtel said, included liquefied natural gas production facilities in Indonesia and Algeria; four North American power plants; a large nickel project in Sulawesi and a tar sands project in Canada.

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

ARTICLE APPEARED  
ON PAGE 2THE WASHINGTON STAR (GREEN LINE)  
18 August 1978

## Names/Faces

### Entered on the Payroll

To the names of former Treasury Secretary George Schultz and former Health, Education and Welfare Secretary Caspar Weinberger and other former high government officials on the payroll of the Bechtel Corp., one of the world's largest private corporations, you may now add that of former CIA Director and former Ambassador to Iran Richard Helms. The San Francisco Chronicle quotes an unidentified Bechtel spokesman as saying Helms will provide consulting services "relating to Iran and the Middle East."

5 September 1978

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

# "Mother Jones" takes a shot at Bechtel

STAT

By PAUL GRABOWICZ

The story of San Francisco's Bechtel Corp. has remained hidden for years behind a thick wall of secrecy. Despite its stature as one of the largest corporations in the world, and its involvement in a bevy of controversial projects from the Alaskan pipeline and the San Francisco Bay Area Rapid Transit System to nuclear power plants and uranium enrichment schemes, the construction giant has only rarely been exposed to any public scrutiny.

This is due largely to Bechtel's ability to secure the loyalty and confidence of its employees, the Bechtel family's own Howard Hughes-like shunning of publicity. "Bechtel has always valued its privacy in the extreme," a former executive told the *Berkeley Barb*. "When I worked there, everything we did was very secret, and we were told to never leave anything laying around on our desks."

It was no surprise, then, that the company was less than pleased when *Mother Jones* magazine, in its September/October issue, published a blistering, 8,000-word expose on Bechtel, detailing its mysterious links to the CIA, its deep involvement in the proliferation of nuclear technology, and its hand-in-glove cooperation with the U.S. government in expanding its engineering empire across the globe.

Bechtel has responded to the *Mother Jones* piece with all the grace of a wounded dinosaur. When the *Contra Costa Times* reprinted excerpts from the article, for example, Bechtel promptly called up the newspaper's publisher and secured a third of the paper's op-ed page to print its response to the *Mother Jones* article.

According to Mark Dowie, the author of the *Mother Jones* piece, the firm was particularly upset by the *Times*' coverage because, "There are a high number of Contra Costa County residents that work at Bechtel." Fearing the article might spawn widespread defections from within its ranks, Bechtel has launched a campaign to discredit the *Mother Jones* piece and win the hearts and minds of its own employees.

The confrontation between Bechtel and the magazine was aggravated when *Mother Jones* staff members assembled in front of the firm's world headquarters in San Francisco on Aug. 3 to pass out copies of the magazine to Bechtel employees.

Dowie says that his sources inside the company told him there was a virtual "state of chaos" at Bechtel for several days after the incident, and that the company recalled its vice-president for public relations from a cross-country trip to write a quick response to the magazine's charges.

The response, which claimed that *Mother Jones* was a "radical" magazine bothered by Bechtel's "successful and profitable" operations, was "blown up to poster size and put up on all the billboards" inside Bechtel headquarters, according to Dowie.

Despite the public-relations blitz by Bechtel, Dowie says that thus far *Mother Jones* has been winning the battle for employees' sympathy. He claims that when the magazine staff distributed the article at the Bechtel offices, "Every woman we handed it to took it." While the male executives refused the offer, Dowie said, "Later a whole bunch of secretaries came out and said they wanted copies for their bosses."

Dowie also claims that since the publication of the article, he has been contacted by a score of Bechtel employees, some of whom have provided new and valuable information about the company's operations. As a result he is planning to write several more articles on Bechtel, based both on the new leads and on the nearly 15,000 words that were cut from his original *Mother Jones* piece due to space limitations.

Other publications also are now showing an interest in investigating Bechtel's affairs after years of relative indifference. For example, the *San Francisco Chronicle* broke the story of Bechtel's hiring former CIA Director Richard Helms as a consultant—a story that appeared the day after Bechtel released a statement denying any connection to the CIA.

While it may not quite be the Fall of the House of Usher as yet, it is clear that Bechtel is finally getting some of the public scrutiny it has managed to avoid for so many years.

"There are more stories coming, and there are many that have already been written," Dowie says with satisfaction. "From the calls I've been getting, Bechtel must be being investigated by everybody."

Reprinted by permission, the *Berkeley Barb*.

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



## PHONE COMPANY TAPS ARE CHARGED IN TRIAL

### Southwestern Bell Is Accused by Ex-Executives of Listening In on Customers and Employees

Special to The New York Times

SAN ANTONIO, Dec. 11—A former high-ranking executive of the Southwestern Bell Telephone Company has testified that the company frequently wiretapped its employees and customers.

"Wiretapping is a sick obsession with the telephone company," said James Ashley, who was dismissed in 1974 as general commercial manager of Southwestern Bell in San Antonio. "They've got to listen."

The statement was made from the witness stand in a state district court in a \$4 million lawsuit for invasion of privacy charging that company executives and attorneys examined Mr. Ashley's long-distance records without his consent. The trial began last week and is expected to continue at least one more week.

The case is an outgrowth of a larger \$29.2 million libel and wrongful death lawsuit filed against Southwestern Bell by Mr. Ashley and the widow of T.O. Gravitt, vice president of Southwestern Bell for Texas, in 1974. That suit, which is still pending, produced charges by Mr. Ashley that Southwestern Bell was reaping huge profits in Texas, in part because the company was operating without the supervision of a state regulatory agency. Since then, the Legislature has created a Public Utility Commission, whose first major task is to decide on a request for a \$298.2 million rate increase by Southwestern Bell.

Mr. Ashley's testimony, alleging illegal wiretapping and examination of private telephone records, comes at a particularly sensitive time because the commission is scheduled to announce its decision on the rate request next week.

In three days of testimony, Mr. Ashley has provided a rare glimpse, often against the objections of Southwestern Bell lawyers, into the security operations and eavesdropping techniques of the company. Corporation officials have accused him of using "tactics designed with the intent to damage our reputation in the public eye."

### Company Is Upheld

From 1955 to 1966, Mr. Ashley testified, he served as a "point of contact with law enforcement agencies like the C.I.A. and F.B.I." in Arlington, Tex. He said both the Central Intelligence Agency and the Federal Bureau of Investigation engaged in wiretapping activities without court orders.

Furthermore, he said, he was responsible for "coordinating and having placed on customers' telephone equipment illegal wiretapping equipment and illegal recording equipment."

District Court Judge Franklin Spears upheld an objection by company lawyers that Mr. Ashley was not competent to make a judgement regarding the legality of the wiretapping equipment he helped the Federal agencies to place. Mr. Ashley testified that he had been ordered "to make available to law enforcement any and all telephone facilities for their use."

Private long-distance records are used to further the company's interest, according to Mr. Ashley. He testified that security dossiers were maintained on members of the San Antonio city council when the company was seeking an increase in local rates. The long-distance records of the councilmen were examined by company officials and kept in the dossiers, he said.

Earlier, William J. Jonas, security manager for the company here, testified that it practiced wiretapping only in detecting cases of toll fraud against the company. He said it was his understanding that "nothing is wrong with Bell examining long-distance records as long as they are kept in the company and are related to Bell's best interest."

At another point, Mr. Ashley testified that Southwestern Bell "can dial right into your phone conversation without you knowing it." He asserted that there was nothing to prevent widespread wiretapping by company employees other than supervision by management and "the integrity of the employees."

STAT

Executive Registry  
85- 2712

STAT

[Redacted]

85-0345


STAT

12 July 1985

[Redacted]

MEMORANDUM FOR: Deputy Director for Intelligence  
FROM: Director of Central Intelligence  
SUBJECT: Book -- The Pan, Moscow's Terrorists in Mexico

This was mailed to my home unsolicited, not only one copy but two copies mailed separately. I never thought of the Pan as a communist front, nor do I know what the New Benjamin Franklin House, the publisher, represents. I see the hand of Mr. LaRouche in the thanks extended to the Executive Intelligence Review. This appears to be an American translation of something previously published in Spanish.

  
William J. Casey

Attachment:  
Book in Subject Above

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

01291, <sup>Council of</sup> Better Business Bureau  
file



**COUNCIL OF BETTER BUSINESS BUREAUS, INC.**  
THE INTERNATIONAL ASSEMBLY OF BETTER BUSINESS BUREAUS

18 Aug 76

STAT August 10, 1976

[Redacted]

Deputy Assistant to the Director  
Central Intelligence Agency  
Washington, D. C. 20505

STAT Dear [Redacted]

As you suggested, I am putting in writing our invitation to the Director to appear as the banquet speaker at the 1976 Annual Assembly of the Council of Better Business Bureaus. The Assembly will be held in New Orleans September 27-29.

We would be honored if Mr. Bush could find time to deliver the banquet address on Monday evening, September 27. Incidentally, Richard Wiley, Chairman of the Federal Communications Commission, will be the luncheon speaker on that date.

The Assembly draws business leaders from all parts of the country. Among those to whom Mr. Bush will be speaking are:

- Herbert M. Cleaves, Senior Vice President (ret.)  
General Foods Corporation
- Paul E. Sullivan, Executive Vice President  
Bank of America
- Van Buren Thorne, Jr., Director-Public Relations  
General Motors Acceptance Corporation
- Bruce Conway, Director of Consumer Affairs  
Tenneco
- Robert Thill, Public Relations Manager  
American Telephone and Telegraph
- Benjamin I. French, Jr., Director, Consumer Relations  
RCA Corporation
- Bart Cummings, Chairman, Executive Committee  
Compton Advertising, Inc.
- A. C. Podesta, Vice President  
The Advertising Council, Inc.

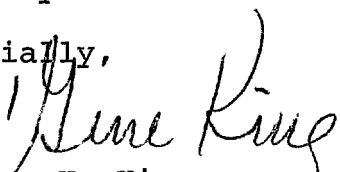
The list goes on and on; the audience will number approximately 200. The media coverage will be extensive.

[REDACTED]  
Deputy Assistant to the Director  
Central Intelligence Agency  
Page 2

On behalf of Bill Tankersley, the President of the Council of Better Business Bureaus, I must tell you how anxious we are to hear Mr. Bush, and how honored we would be to have him accept our invitation.

May we hear from you as soon as possible so that we can start publicizing Mr. Bush's appearance to our 143 Better Business Bureaus around the country as well as to our media contacts.

Cordially,



Eugene H. King  
Director of Broadcasting  
and Consumer Education

EHK:scw

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Executive Registry

76-8890

11 August 1976

STAT



I had a call from Mr. Gene King, of the National Council of Better Business Bureaus, requesting that the Director address the organization's meeting in New Orleans on 27 Sept. A letter from Mr. King should be in our hands in a day or two. (I neglected to take his phone number.)



STAT

| UNCLASSIFIED  | CONFIDENTIAL       | SECRET                       |                       |
|---|--------------------|------------------------------|-----------------------|
| <b>OFFICIAL ROUTING SLIP</b>  |                    |                              |                       |
| TO  | NAME AND ADDRESS   | DATE                         | INITIALS              |
| 1   |                    |                              |                       |
| 2   | BX-3               |                              |                       |
| 3   |                    |                              |                       |
| 4   |                    |                              |                       |
| 5   |                    |                              |                       |
| 6   |                    |                              |                       |
|   | <b>ACTION</b>      | <b>DIRECT REPLY</b>          | <b>PREPARE REPLY</b>  |
|   | <b>APPROVAL</b>    | <b>DISPATCH</b>              | <b>RECOMMENDATION</b> |
|   | <b>COMMENT</b>     | <b>FILE</b>                  | <b>RETURN</b>         |
|   | <b>CONCURRENCE</b> | <b>INFORMATION</b>           | <b>SIGNATURE</b>      |
| <b>Remarks:</b>   |                    |                              |                       |
| Attached is the letter from Mr. King which I mentioned in my note of today. |                    |                              |                       |
|   |                    | <b>TO RETURN TO SENDER</b>   |                       |
|   |                    | <b>ADDRESS AND PHONE NO.</b> | <b>DATE</b>           |
|   |                    |                              | 8/11/76               |
| UNCLASSIFIED  | CONFIDENTIAL       | SECRET                       |                       |

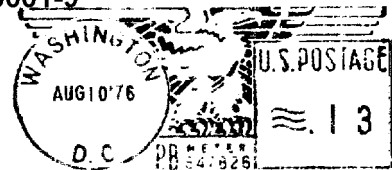
STAT

STAT



**COUNCIL OF BETTER BUSINESS BUREAUS, INC.**  
1150 17th STREET, N.W.  
WASHINGTON, D. C. 20036

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



(FOU)

[Redacted Name]

STAT

Deputy Assistant to  
the Director  
Central Intelligence Agency  
Washington, D. C. 20505



24 March 1975

Mr. John W. Hartman  
Chairman of the Board  
Bill Communications  
633 Third Avenue  
New York, N.Y. 10017

Dear Mr. Hartman,

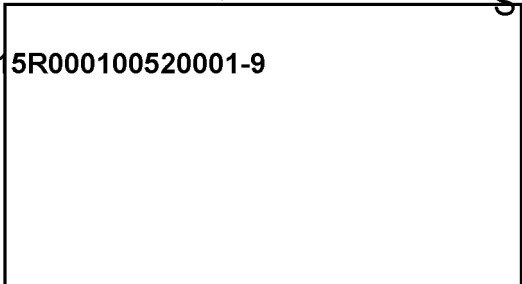
Based on the background information contained in your letter of March 10, a check of our records of the last five-year period shows no evidence that any of your correspondence was involved in the program that you mention.

Sincerely,



Angus MacLean Thuermer  
Assistant to the Director

mb



28 January 1976

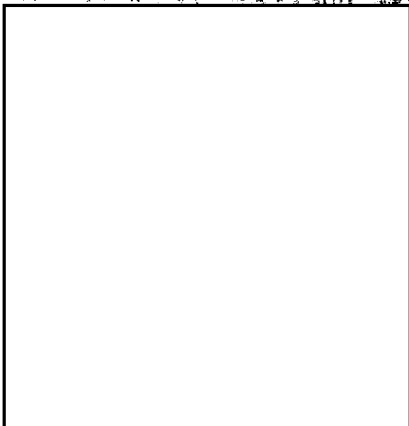
Mr. E. H. Sibert  
Birchwood Press  
P. O. Box 20055  
Denver, Colorado 80220

Dear Mr. Sibert,

I believe the book you refer to in your letter of January 21 is Where's What.

I am enclosing a memo which explains where this volume may be obtained and other information.

Sincerely,



Deputy Assistant  
to the Director

# Judge Orders Rewald's Firm into Bankruptcy

By Charles Memminger  
Star-Bulletin Writer

Discounting Ronald R. Rewald's claims that there are secret assets to cover some of the money owed investors in his company, a federal judge yesterday ordered the company into bankruptcy.

Rewald's attorney, Robert Smith, was obviously frustrated when U.S. Judge Martin Pence said he would not consider any of the secret affidavits and exhibits Smith had submitted in his attempt to account for some of the missing assets.

The secret documents apparently referred to Rewald's CIA connections in an attempt to explain why some Bishop, Baldwin, Rewald, Dillingham & Wong funds were unaccounted for and why some investments could not be discussed with investors.

For the first time yesterday, the CIA's position was stated clearly in one of the secret affidavits that was unsealed at the request of the U.S. Attorney's office.

Robert M. Laprade, attorney representing the CIA, said "the CIA did not cause Bishop, Baldwin, Rewald, Dillingham & Wong to be created nor has the agency at any time owned, operated, controlled or invested in BBRD&W... and the CIA was not aware of and has had absolutely nothing to do with Ronald Rewald's alleged appropriation to himself of the funds of BBRD&W or its investors."

PENCE MADE it clear early in the proceeding that he found nothing in any of the classified documents, which had been sealed by the court, that had any bearing on the creditors' motion that the company be forced into permanent bankruptcy.

Pence said the "classified assets" referred to in the secret documents are "pies in the sky" and have no bearing on the bankruptcy.

The judge also denied Smith's request that some of Rewald's frozen personal assets be released for use in his defense. After the hearing, Smith said he could not comment on how long he will continue to represent Rewald without being paid. He said he will appeal Pence's order to the 9th U.S. Circuit Court of Appeals.

Pence's ruling clears the way for a permanent bankruptcy trustee to be appointed and for the liquidation of company assets to begin so investors can get at least part of their money back.

INTERIM TRUSTEE Thomas Hayes said he probably will not be the permanent trustee. Trustees get paid 1 percent of all the money they handle. But with few actual assets left in the company, Hayes has said it is not feasible to continue the work needed to sort out the company's finances. It is possible he will be hired on a salary by the permanent trustee.

Smith apparently planned to rely heavily on Rewald's CIA connections to ward off the bankruptcy, but Pence issued his ruling based on a narrow aspect of U.S. bankruptcy law: Was the company paying its debts before it was forced into bankruptcy Aug. 4? Pence decided it was not.

Authorities have conceded that Rewald was a "bit player" for the CIA, but said he made more out of his involvement than there actually was.

UNABLE TO argue the CIA involvement, Smith could only point out that the situation the company found itself in at the end of July was "most irregular."

After Rewald's suicide attempt on July 29 the company shut its institution.

No financial institution can be expected to have a run," Smith said.

But Robert Smolenski, representing the group of creditors who filed the bankruptcy petition, said that did not matter.

"Investors put in funds with the understanding that they were fully accessible," he said. When they demanded their money, they did not receive it. He pointed out that at least one investor had asked for his money before the suicide attempt and did not get it.

Smolenski said Hayes has put company assets currently at about \$650,000, while investors put at least \$12 million into the company.

Don Gelber, attorney for Hayes, echoed Smolenski's remarks, saying that the debts were not paid, "and no secret affidavit can change that."

SMITH SAID that although \$12 million may have been put into the company, only about \$6 million has been claimed so far by creditors. Smith implied that the remaining money was connected to the CIA and said the fact that no one has come forward to claim the rest "ought to raise a question."

Smith argued that some of Rewald's assets should be released to pay for his defense attorney because Rewald put up his own money as a down payment on his \$1 million home on Kalaniano'ole Highway, near Kuliouou.

He said Rewald has been unable to defend himself because of the court orders freezing his assets. "In our legal system, a man is entitled to a defense," Smith said.

But Smolenski pointed out that Rewald is responsible for some creditors' not having the money needed to prosecute their claims against the company and that, in effect, Rewald is asking for a loan from them to defend himself.

"We don't like his credit," Smolenski said.

Gelber likened Rewald's request to a person who kills his parents and then throws himself on the mercy of the court because he is an orphan.

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

25 May 1976

MEMORANDUM FOR: Director of Personnel  
Executive Officer, DDS&T  
Director, EEO  
Assistant to the Director (Mr. Thuermer)  
Legislative Counsel

SUBJECT : Agency Exhibit

1. NPIC was recently tasked to prepare an unclassified exhibit for the Agency to be displayed at the Conference of the National Consortium for Black Professional Development. The purpose of the Conference was to show black youth the possible careers in science.

2. Attached is the report of the participants who manned the exhibit and represented the Agency, and a newspaper clipping about the Conference.

3. NPIC plans to exhibit the display [redacted] on its return from Chicago, and then in Headquarters Building. John Hicks, Director, NPIC, is willing to make the display available to Agency components for public relations or community involvement efforts, and modifications can be made to the exhibit to broaden the scope, or concentrate on specific areas.

4. I will call you when the exhibit is set up [redacted] in about a week, so you can see it. If you would like to make use of the exhibit, please call me on [redacted]

[redacted]  
EEO Officer, NPIC

Attachments:

a/s

Registry  
STAT  
76-9808/A

STAT

28 July 1976

STAT

Mr. & Mrs. Charles McFarren  
Missionaries-in-residence  
Board of Global Ministries  
The United Methodist Church  
475 Riverside Drive  
New York, NY 10027

Dear Mr. & Mrs. McFarren,

Thank you for your letter of July 22 to the Director of Central Intelligence.

Over the years, the Central Intelligence Agency has had relationships with individuals in many walks of American life. These relationships have reflected the desire of Americans to help their country, were maintained with the clear intent of furthering the Agency's foreign intelligence mission, and have not been aimed at improperly influencing any American institution.

Responding to genuine concern which has been expressed about CIA relations with missionaries and clergy, and in order to eliminate even the appearance of possible impropriety, on February 11 of this year the Director of Central Intelligence issued a statement to the effect that the CIA has no paid or contractual relationship with any American clergyman or missionary, and that this practice will be continued as a matter of policy. In other words, the Agency does not now nor will it in the future use American churchmen for intelligence purposes.

Executive Registry  
176-2583

Board of Global Ministries

The United Methodist Church

475 Riverside Drive, New York, N.Y. 10027. (212) 749-0700-678-6217  
Cable: missions new york

ORGI BOARD of Global  
Ministries The United  
Methodist Church

Hatfield, Mark

JUNE 16, 1976

ORGI Missionaries

Original Board  
of ...

THE HONORABLE MARK HATFIELD  
SENATE OFFICE BUILDING  
WASHINGTON, D.C. 20510

DEAR SENATOR HATFIELD:

I WRITE TO YOU FROM THE BACKGROUND OF SIXTEEN YEARS OF SERVICE AS A MISSIONARY IN CHINA, HONGKONG AND BRAZIL AND THIRTEEN YEARS AS A STAFF OFFICER OF WHAT IS NOW THE BOARD OF GLOBAL MINISTRIES OF THE UNITED METHODIST CHURCH.

IN DECEMBER OF 1975, WHEN MR. COLBY AND MR. BUCHEN MADE THEIR MUCH PUBLICIZED STATEMENT ABOUT THE CENTRAL INTELLIGENCE AGENCY'S INTENTIONAL USE OF MISSIONARIES AND OTHER RELIGIOUS PERSONNEL, MY STAFF COLLEAGUES AND I REPUDIATED SUCH A PRACTICE AS A PROSTITUTION OF THE VERY NATURE OF THE MISSIONARY VOCATION. WE SEE IT ALSO AS A VIOLATION OF THE TRUST AND CONFIDENCE WHICH IS AT THE HEART OF THE RELATIONSHIP OF RELIGIOUS PERSONNEL WITH THE PEOPLE AMONG WHOM THEY SERVE.

SUBSEQUENTLY, THE CORPS OF MISSIONARY PERSONNEL WHICH THIS BOARD OF GLOBAL MINISTRIES MAINTAINS IN SERVICE AROUND THE WORLD ALSO REJECTED IN THE MOST VIGOROUS TERMS THE UTILIZATION OF MISSIONARIES BY THE CIA AT THE INITIATIVE OF EITHER. THIS STAND HAS HAD SOLID GRASS ROOTS SUPPORT FROM THE UNITED METHODIST CHURCH, AND WAS RECENTLY AFFIRMED BY THE GENERAL CONFERENCE, ITS HIGHEST LEGISLATIVE BODY, IN SESSION IN PORTLAND, OREGON, APRIL 27 TO MAY 8.

IT WAS EVIDENT TO MY COLLEAGUES AND ME THAT LEGISLATION WAS ONE OF THE MOST IMPORTANT MEASURES FOR THE CORRECTION OF THIS ONE MORE ABUSE IN THE OPERATIONS OF THE CIA. WE WERE EXTREMELY GRATIFIED WHEN YOU TOOK SUCH VIGOROUS INITIATIVES IN INTRODUCING LEGISLATION. MANY PUBLIC STATEMENTS IN YOUR SUPPORT HAVE BEEN MADE BY CHURCH BODIES, BY MY IMMEDIATE COLLEAGUES, AND BY ME. WE HAVE ALSO SOUGHT TO SUPPORT YOU THROUGH OUR WASHINGTON OFFICE ON LATIN AMERICA.

IT IS, THEN, WITH CONSIDERABLE CONCERN AND DISAPPOINTMENT THAT I WRITE TO YOU AGAINST THE BACKGROUND OF THE UPI STORY OF JUNE 7, 1976, AND YOUR REMARKS AS PUBLISHED IN THE CONGRESSIONAL RECORD OF MAY 25, 1976. THEY INDICATE THAT YOUR SATISFACTION WITH MR. GEORGE BUSH'S "NEW CIA REGULATION" IS SUCH THAT YOU "DO NOT INTEND TO PRESS FOR COMMITTEE ACTION ON (YOUR) BILL." IT IS MORE THAN DIFFICULT, IT IS IMPOSSIBLE, FOR ME TO FOLLOW THE LOGIC FROM YOUR STRONG REPUDIATION OF THE CIA'S PRACTICE OF USING MISSIONARIES AND OTHER RELIGIOUS PERSONNEL, TO YOUR EXCHANGE OF CORRESPONDENCE WITH MR. BUSH, TO YOUR WITHDRAWAL OF YOUR PROPOSAL. THE UPI STORY SAYS THAT "IN RETURN" FOR CIA ACTIONS, YOU WILL NOT PROCEED WITH LEGISLATION. THAT PHRASE IS NOT YOURS, BUT IS THE



THE HONORABLE MARK HATFIELD  
JUNE 16, 1976  
PAGE 2

EQUIVALENT OF YOUR BEING "VERY PLEASED".

SENATOR HATFIELD, I WOULD RESPECTFULLY ASK THAT YOU EXAMINE AGAIN WHAT HAS COME FROM MR. BUSH AND THE CIA. IT IS THE OPINION OF MANY OF MY COLLEAGUES AND MY OPINION THAT IT OFFERS NO PROTECTION OR GUARANTEES AGAINST CONTINUED ABUSES BY THE CIA, ESPECIALLY IF NO REGULATORY LEGISLATION IS ENACTED. THE "NEW CIA REGULATION" MAY EVEN ALLOW THE AGENCY TO ACT WITH MORE IMPUNITY IF THE PEOPLE BELIEVE THAT CHANGES HAVE BEEN MADE.

PLEASE PERMIT ME TO POINT OUT TWO OR THREE DIMENSIONS OF THE STATEMENT THAT BEAR CLOSER EXAMINATION AND THAT SUGGEST THE UNSATISFACTORY NATURE OF THE CIA "ACTION". FIRST OF ALL, IT IS A STATEMENT THAT "NO SECRET, PAID OR UNPAID CONTRACTUAL RELATIONSHIP" WILL BE ESTABLISHED. THIS IS TIED TO A "SPECIAL CONSTITUTIONAL CONCERN" RELATED TO CHURCH-STATE RELATIONSHIPS. TO HANG THE QUESTION AROUND "CONTRACTUAL" RELATIONSHIPS IS TO MISS OR TO OBSCURE THE POINT. A CONTRACT OR NON-CONTRACT MAY BE A MATTER OF INTERPRETATION, ALL TOO SUBJECT TO THE EXPEDIENCE OF THE CASE IN POINT. THE ABUSE IS THAT THE CIA SHOULD USE MISSIONARIES OR OTHER RELIGIOUS PERSONNEL OF ANY COUNTRY, WITH OR WITHOUT PAY, OPENLY OR SECRETLY, CONTRACTUALLY OR "FREELY", IN ITS INTELLIGENCE GATHERING OPERATIONS. YOU, SIR, HAVE FULLY SPELLED OUT ON MORE THAN ONE OCCASION THE REASONS WHY THAT IS AN ABUSE.

SECOND, THE STATEMENT THAT THE CIA "WILL CONTINUE TO WELCOME INFORMATION VOLUNTEERED BY AMERICAN CLERGYMEN OR MISSIONARIES" MUST BE CAREFULLY EXAMINED. IT IS A CLEAR INDICATION THAT THE AGENCY SEES SUCH PERSONNEL AS A RICH RESOURCE AND THAT THEIR USE IS NOT AN ABERRATION. NOR CAN WE BELIEVE THAT THE CIA WILL MAINTAIN A WAITING POSTURE, HOPING THAT SOME OF THE "WELCOME" INFORMERS WILL APPEAR.

THIRD, THIS FEAR IS REINFORCED WHEN WE READ THAT THE AGENCY MAY "INITIATE CONTACT SO AS TO AFFORD AN OPPORTUNITY" IF A SENIOR AGENCY OFFICIAL CONSIDERS A CLERGYMAN OR MISSIONARY TO BE A PARTICULARLY RICH LODE. IN OTHER WORDS, THE GREATER THE CONFIDENCE WHICH THE MISSIONARY MIGHT BETRAY, THE GREATER THE PROBABILITY THAT THE CIA WILL TAKE THE INITIATIVE TO HELP IT OCCUR.

FINALLY, BECAUSE WE DO NOT DOUBT MR. BUSH'S INTELLIGENCE OR ASTUTENESS, WE SEE THE CYNICISM OF THE FINAL SENTENCE OF THE REGULATION WHICH STIPULATES THAT "SUCH INITIATIVES SHALL NOT BE TAKEN ABROAD." I NEED NOT ELABORATE FURTHER ON THE UNETHICAL NATURE OF AN ATTEMPT TO THE MORALITY OF THE AGENCY. WHY SHOULD IT BE

THE HONORABLE MARK HATFIELD  
JUNE 16, 1976  
PAGE 3

MORE ETHICAL OR CONSTITUTIONALLY LEGAL TO "PROSTITUTE THE CHURCH"  
(TO USE YOUR OWN PHRASE) WHILE STANDING ON ONE SOIL THAN WHILE  
STANDING ON ANOTHER?

I DO NOT MEAN TO TIRE YOU WITH THE LENGTH OF THIS LETTER.  
MY INTENT IS TO ASK THAT YOU RE-EXAMINE THE "NEW CIA REGULATION",  
BECAUSE I BELIEVE A CAREFUL STUDY WILL LEAD YOU ONCE MORE TO  
PRESS FOR THE ENACTMENT OF LEGISLATION WHICH WILL HELP TO CONTROL  
A SERIOUS ABUSE IN CIA OPERATIONS.

SINCERELY YOURS,

L. M. MCCOY  
EXECUTIVE SECRETARY

LMM:YF  
CC : PRESIDENT GERALD FORD  
MR. GEORGE BUSH  
SENATOR CLIFFORD CASE  
SENATOR HARRISON WILLIAMS

HOME ADDRESS:

STAT

## Boeing Reviews Controls on Secret Data Of U.S.; Pentagon to Press Such Action

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON—Boeing Co. is reviewing its controls on classified government data and the Pentagon plans to encourage other defense contractors to do the same.

As reported in yesterday's Wall Street Journal, the Pentagon suspended the security clearances of six Boeing employes after finding that several of them obtained facts from a secret memo defense officials were drafting for President Carter.

Although the Boeing employes had security clearances that allowed them to deal with certain classified information, the Pentagon officials say they didn't have authority to see the facts contained in the memo, which discussed programs to modernize a strategic missile system.

The incident has triggered concern, both at Boeing and in the Pentagon, over enforcement of safeguards designed to prevent the unauthorized disclosure of sensitive defense data. Some Pentagon officials believe classified data may be treated too casually in the close relationships that often develop between military and corporate experts who cooperate in the development of new weapons.

Even before Pentagon investigators learned the full facts of the Boeing case, a number of government officials had been worried about the security of defense information used by corporations.

William Webster, Director of the Federal

Bureau of Investigation, says that defense contractors are a prime target of Soviet intelligence operations in the U.S. Over a year ago the Central Intelligence Agency intensified its program for monitoring the security operations of companies with which it deals.

In a letter sent last Friday, T. A. Wilson, Boeing's chairman, told the Defense Department that the company has taken a number of steps "to reemphasize to employes their obligations and responsibilities for safeguarding classified information."

Among other things, Boeing spokesman Peter Bush said, Mr. Wilson has warned Boeing employes that they shouldn't "solicit or accept classified matter" unless they need to know the information. The need to know is one of the standards the government uses in determining who gets access to classified data.

Boeing also said it expects all employes to cooperate with government-security investigations. Pentagon investigators say several Boeing employes tried to block them from learning the facts behind the leak.

Mr. Wilson also told defense officials that Boeing plans to hold a round of management seminars on security rules.

A defense official said the Pentagon plans to urge all defense contractors to reexamine their security procedures.

# Pentagon Studies How Boeing Got Secret Information

\* \* \*  
Leak of Memo on MX Missile, Possibly Helpful to Firm, May Also Benefit Russians

By KENNETH H. BACON

Staff Reporter of THE WALL STREET JOURNAL  
Major defense contractors frequently prowled the halls of the Pentagon and Congress, working to protect and increase their share of the \$59 billion the military spends annually on arms and supplies.

But last spring, Boeing Co. of Seattle, the nation's fourth-largest defense contractor with some \$1.6 billion a year in Pentagon business, apparently went too far.

Pentagon investigators assert that several Boeing officials violated national security restrictions by gaining unauthorized access to information classified top secret. They then handled the sensitive material in such a way that Pentagon officials believe it probably was intercepted by Soviet intelligence agents.

The information came from a document the Pentagon was preparing last March for President Carter. The draft memo discussed whether the administration should build a new land-based intercontinental ballistic missile, called the MX, or proceed with one of several less-costly alternatives for modernizing the nation's strategic arsenal.

That question, still unanswered, is one of the most important military issues President Carter faces. It is also of vital concern to Boeing. Depending on the decision, Boeing could win or fail to win billions of dollars of business over the next decade.

### Pentagon Probe Completed

A Pentagon investigation completed last Friday alleges that several Boeing officials successfully obtained facts from the top-secret draft and then conspired to prevent defense agents from discovering the story behind the unauthorized disclosure.

It wasn't until early this year, some 10 months after the Pentagon investigation began, that James L. O'Rourke, a Boeing employe testifying under a Justice Department grant of limited immunity from criminal prosecution, gave the history of the leak.

Mr. O'Rourke, a marketing representative in the Washington office of Boeing's Boeing Aerospace Co. subsidiary, told investigators that he had read the secret draft memo and made notes. He then prepared a summary that was transmitted by telecopier from Boeing's Washington office to its Seattle headquarters last March 27. Pentagon officials presume that the information, transmitted over a normal telephone line, was routinely collected by Soviet agents, who they say monitor telephone lines to and from defense contractors.

The Pentagon is referring the case to the Justice Department for possible criminal prosecution.

Meantime, the Pentagon has suspended the security clearances of six Boeing employes, including Mr. O'Rourke and Ben T. Plymale, currently marketing vice president of Boeing Aerospace and formerly deputy assistant secretary of defense for strategic and space systems. In addition, the government temporarily barred two Pentagon officials, Lt. Col. Kenneth Van Dillen and Stuart Rubers, a civilian strategic analyst, from access to classified information for alleged roles in the security breach.

### Boeing's Statement

Boeing isn't anxious to discuss the matter. In response to a query, a Boeing spokesman read a statement saying that "six Boeing employes—two of whom are secretaries—have had their security clearances suspended temporarily. Restoration of the clearances depends on the outcome of the investigation by the Department of Defense into an incident of handling classified information without appropriate safeguards."

Richard Albrecht, Boeing's general counsel, wouldn't discuss the case directly, but he said through a company spokesman that Boeing has always demanded of its employes strict adherence to security regulations. He insisted that Boeing cooperated as fully as possible with Pentagon investigators and asserted that the investigation doesn't involve an attempt by Boeing to gain a competitive advantage on any government program.

Mr. Plymale confirms that his security clearance has been suspended but says he doesn't want to comment further on the

matter. Mr. O'Rourke couldn't be reached for comment.

Defense officials say the incident underscores some of the problems inherent in the comfortably symbiotic relationships that develop between military planners and major contractors. They must exchange information while designing weapons, and they come to share a commitment to promoting their projects over competing alternatives.

The movement of weaponry experts between industry and government jobs, frequently on the same project, facilitates the easy flow of information and tends to blur the distinction between national security and corporate goals. Several of the principals in the Boeing case have alternated between jobs with the government and with the giant aerospace firm.

As a result, "this type of thing goes on all the time," one defense official says, referring to the Boeing case. But "nobody gets caught," partly because such security breaches rarely come to light. Thus, defense officials jumped on the Boeing case as a way to issue a warning, even though the secret that may have been compromised wasn't a major one.

Based on interviews with about 50 people, many under oath, agents from the Pentagon's Defense Investigative Service produced an account of the leak. It shows the interplay between Capitol Hill, industry and the Pentagon as well as the sometimes-byzantine politics within the Pentagon.

The saga began last March 20, investigators say, when the staff of Seymour Zeiberg, deputy under secretary of defense for strategic and space systems, began work on a memo entitled "MX and Alternatives" for President Carter. A day or two later, Peter Hughes, a former Boeing employe currently on the staff of the House Armed Services Committee, told Boeing's Mr. O'Rourke that he understood the report had gone to the President.

Over the next few days Mr. O'Rourke learned that the report was still being drafted and that one of the alternatives, if adopted, could sharply reduce the amount of new business potentially available to Boeing.

The MX is a big new ICBM with up to 10 nuclear warheads. The Air Force wants to deploy the MX to modernize its current force of 1,000 smaller Minuteman missiles, which are stationary in underground silos. Because defense officials believe these silos will become vulnerable to attack from increasingly accurate Soviet missiles, they want to make the MX missiles mobile. A mobile MX system would cost about \$20 billion to build and deploy.

CONTINUED

At the time of the incident, Boeing was competing to become the prime contractor Minuteman. In a decision unrelated to the security investigation, the Air Force subsequently selected Martin Marietta Corp. to supervise development and construction of the missile. But Boeing still might win large contracts for aircraft or construction if the administration proceeds with plans for mobile deployment.

#### The Pentagon's Reconstruction

Pentagon investigators reconstruct the Boeing case this way:

While checking the tip from Mr. Hughes about the draft memo, Mr. O'Rourke discovered that one of the MX alternatives that Pentagon civilians were preparing for the President involved placing the Lockheed Corp. Trident missile, an ICBM designed for launch from submarines, into existing Minuteman silos. Such a move (which now seems highly unlikely) would sharply reduce Boeing's opportunities to participate in the program.

Then Mr. O'Rourke visited some Air Force officers to discuss the memo for the President. Although the officers were involved in the MX project, they apparently lacked detailed knowledge of what was being drafted for Mr. Carter. Mr. O'Rourke suggested that the Air Force should make some contribution to the memo.

On March 23, Major Gen. Charles Kuyk, then the head of operational requirements in the Air Force Research and Development Office, got what defense investigators call a "bootleg" copy of the closely held memo from Hua Lin, a Boeing employe on leave to work in the Pentagon's Weapons Research and Development Office. Gen. Kuyk gave the copy to Lt. Col. Kenneth Van Dillen, one of the officers Mr. O'Rourke had already told of the draft, with instructions to analyze it for top Air Force brass.

#### Taking Notes

On the same day, Mr. Plymale, the Boeing aerospace marketing vice president, discussed the memo with Mr. Hughes, the Hill staffer who had initially tipped Boeing officials to the report. The next day, Mr. Plymale asked Mr. O'Rourke to get a copy of the memo.

Several days later, Mr. O'Rourke asked Col. Van Dillen for a copy of the memo. The Air Force officer refused to hand one over, but he did allow the Boeing man to read it and take notes. From these notes, Mr. O'Rourke wrote the report that was transmitted by telecopier to Mr. Plymale in Seat-

tle. (Col. Van Dillen declines to comment about the case.)

On March 28, Mr. Plymale talked to Mr. Zeiberg, whose office had written the memo, at a conference in California and discussed aspects of the memo in such great detail that the Pentagon official concluded that Mr. Plymale had read the memo. When Mr. Zeiberg asked how the Boeing man had obtained his information, Mr. Plymale said he had found on his desk a telecopied report in a brown envelope delivered by an unknown source.

Pentagon officials say that Mr. Plymale's "fabrication" about receiving the information from an unknown source was the first step in a concerted campaign to impede the investigation of Mr. Zeiberg's report of a suspected leak.

The efforts—which in one way or another involved Mr. Plymale and an assistant, William H. Jacaway; Charles Welling, the Boeing aerospace marketing manager in Washington; and Mr. O'Rourke—included the destruction of evidence and other steps to hinder the inquiry, investigators say. Messrs. Jacaway and Welling are among the six Boeing employes to have their security clearances suspended.

Ironically, the memo Boeing obtained was never sent to President Carter. "It was too technical," a defense official says. "A simpler one went."

ARTICLE APPEARED  
ON PAGE 2

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

THE WALL STREET JOURNAL  
1 March 1977

## CIA May Have Encouraged Firms to Pay Foreign Political Figures, Probe Shows

By JERRY LANDAUER

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Government investigators are assembling "strong indications" that the Central Intelligence Agency knew about and probably encouraged the flow of under-the-table cash from leading American corporations to certain political figures abroad.

The implications of the data being gathered about CIA involvement in the corporate payments are these: Not all the many million of dollars paid by American companies to foreign government officials constituted commercial bribery; some of the cash was intended to buy intelligence information for the U.S. government or to reward pro-American politicians.

Thus, as one investigator suggests, certain corporations making seemingly corrupt payments to foreign officials were actually acting in the U.S. government's interest, though not necessarily at the government's behest.

The latest indication of this developing thesis emerges in the still-secret list of consultants who quietly collected millions of dollars in sales commissions from Boeing Co. Boeing is under investigation for bribery by the Securities and Exchange Commission, but, with strong support from the State Department, the aircraft maker has resisted identifying the agents who collected company cash over the years.

However, it's known that one Boeing agent in the Middle East is Kamal Adham, a relative by marriage to the royal family of Saudi Arabia and a frequent friendly contact for the CIA. Mr. Adham also runs the Saudi internal security service.

In Iran, according to several sources, Boeing retained as sales agent an uncle of the empress, and in London the company paid huge commissions to another Middle East power broker considered friendly to the U.S. He is Mahdi Tajir, the United Arab Emirates' ambassador to Britain; Mr. Tajir ostensibly was paid for arranging to finance the sale of Boeing aircraft to other nations in the Middle East.

In Kuwait, Boeing's agent is the brother of Jassim Y. al-Marzouk, managing director of Kuwait Airways and head of the evaluation committee that recommended purchase of Boeing 747s. Happily, too, the Boeing agent's sister is married to Faisal S. al-Fulaij, who recently resigned as chairman of Kuwait Airways.

In engaging such influential figures, Boeing was pursuing its business interests. But at the same time, the company was funneling cash to political personalities whom the U.S. was eager to reward.

"I don't know how much the government knows about our commission payments,"

says J. E. Prince, secretary of Boeing and a senior vice president. "In our overseas commercial sales activities we operate entirely as a private enterprise entity and not as an arm of American policy or diplomacy," the company asserts. "Occasionally, we seek and receive advice from U.S. embassy staffs in various parts of the world to help us market our products. But the support we receive is not greater than would be extended to any other American firm whose sales help the nation's balance of payments. . . . We refuse to concede that any of our commission payments were illegal."

Perhaps the clearest merger of corporate and government interests abroad involves Lockheed Aircraft Corp. As a Senate subcommittee discovered last year, Lockheed secretly had paid as much as \$7 million since the late 1950s to Yoshio Kodama, the company's agent for the sale of military aircraft to the government of Japan and for the sale of commercial aircraft to Japanese airlines.

What wasn't emphasized then was Mr. Kodama's covert associations with the CIA, or his role as political financier for the ruling Liberal-Democratic Party. By paying its agent all those millions, with the full knowledge of the U.S., Lockheed wasn't merely expediting aircraft sales. As government investigators note, the company—whether by coincidence or design—was also promoting U.S. interests, by helping to keep the conservative liberal-democrats in power. In turn, the ruling party rearmed Japan, as Washington wanted, and Lockheed sold the Japanese government F104 fighter-bombers worth hundreds of millions of dollars.

One indication of the U.S. government's benign interest in the flow of corporate payments to helpful agents cropped up in little-noted testimony last year to the Senate Subcommittee on Multinational Corporations by James Akins, the former U.S. ambassador to Saudi Arabia. Among other things, Mr. Akins testified that the U.S. "concealed" agents' fees in contracts for government-to-government sales of military aircraft. "At least we're (currently) identifying the agent's fees, instead of concealing them," Mr. Akins said.

Indeed, Mr. Akins told the Senate subcommittee that State Department superiors in Washington once asked him to intervene for Adnan Khashoggi, the Saudi businessman who represents several U.S. arms manufacturers. Mr. Khashoggi regards himself as a bridge-builder between the Arab world and the West, particularly the U.S.

"About two weeks after I arrived in Saudi Arabia," Mr. Akins told the Senators, "I got a telegram from the State Department that asked me in general terms to take up with the Saudi minister of defense the matter of an agent's fee to be paid to Mr. Khashoggi. I was surprised because I was not supposed to do this, and I informed the department. They agreed that I shouldn't do this."

Despite these tantalizing tidbits, Frank Church (D., Idaho), chairman of the subcommittee, didn't pursue the subject, and the Senate Select Committee on Intelligence Activities, also headed by Sen. Church, didn't dig into any aspect of CIA cooperation with big business.

In a three-volume report last year the select committee provided details on CIA plots to assassinate some foreign leaders but the report didn't delve into acknowledged CIA payments to companies such as Ashland Oil Inc. for providing cover for CIA operatives. To some, this avoidance of the corporate-government relationship is the best indication of its sensitivity.

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

ARTICLE APPEARED  
ON PAGE 1THE WALL STREET JOURNAL  
1 March 1977

# What's News

## *World-Wide*

CORPORATE PAYMENTS abroad often have served CIA interests, data showed.

Government investigators are finding strong indications that the CIA may have known of and encouraged corporate payments to foreign politicians. Those receiving payments from Boeing, for instance, include a number of well-connected and pro-U.S. people in the Mideast. In addition, the State Department is backing Boeing's effort to avoid identifying the recipients of its payments.

*The implication of the data federal investigators are gathering is that some corporate payments ostensibly designed to promote sales were also intended to buy intelligence information or reward pro-American politicians.*

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



3  
Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9ST. LOUIS, MISSOURI  
POST-DISPATCHE - 298,515  
S - 494,496

SEP 25, 1975

## A CIA Pretense

At a press briefing in St. Louis Director William E. Colby of the Central Intelligence Agency indicated that by such appearances he is trying to repair the damage to his agency done by adverse publicity stemming from congressional investigations. If success depended only on a cool and urbane manner, Mr. Colby accomplished his purpose here.

But the press has an obligation to look behind the friendly smile and the smooth answer. At one point Mr. Colby was asked to comment on testimony before the House intelligence committee by Samuel A. Adams, former principal CIA analyst of Viet Cong troop strength, to the effect that the agency, yielding to military and political pressure, had underrated the adversary's strength just before the 1968 Tet offensive. Mr. Colby replied that there had simply been a disagreement between Mr. Adams and others in the agency over categories of Viet Cong forces and that there was no deception or changing of figures.

This answer just does not square with the evidence provided by Mr. Adams, both in his House testimony and in a detailed article in

the May issue of *Harper's magazine*. He reported that in 1966 he had found that the Pentagon was using an estimate of Viet Cong guerrilla strength (103,573) that had been thought up by the South Vietnamese and that had remained unchanged for two years. After studying reports from the field, Mr. Adams estimated as early as 1966 that *total* Viet Cong troop strength was 600,000 rather than the 270,000 figure used by the American command.

Yet despite strenuous protests by Mr. Adams, the only CIA analyst on this assignment, the agency, under orders from Director Richard Helms, accepted the American command's figure of 270,000 as late as 1968.

The deceptive figure, put out in response to pressure from Ambassador Ellsworth Bunker and Gen. Creighton Abrams, was only changed after the disastrous Tet offensive, which cost heavy U.S. casualties, made clear that the military estimates had been wrong.

By pretending that the only issue here was a difference of opinion between Mr. Adams and his colleagues, Mr. Colby is not helping the CIA's image.

# Hearings Hurt U.S. Intelligence Work,

## Colby Says Here

By RICHARD K. WEIL JR.

Of the Post-Dispatch Staff

Congressional hearings on the Central Intelligence Agency are necessary, CIA Director William E. Colby says, but those being held are having "a very adverse effect" on the agency.

Colby, soft-spoken and friendly in a 45-minute press briefing in St. Louis yesterday, said the hearings "are taking a large part of my time, and that's time I'm not able to spend on problems of intelligence in the future — what we're going to need in the 1980s."

Furthermore, Colby said, recent revelations about the agency have caused the CIA's sources of information around the world to begin "drying up, one by one."

He said CIA sources are worried that their participation in this country's intelligence effort will be disclosed.

"We're very much like journalists," he told reporters. "The sources of your information have to be sacred. If you expose them, you won't be able to use those sources anymore."

Colby was in the area at the personal invitation of G. Duncan Bauman, publisher of the Globe-Democrat, and was a guest of honor at a dinner attended by about 40 of Bauman's friends at the Bogey Club, 9236 Clayton Road. Colby and Bauman met at a publishers' convention in April.

The CIA director appeared eager to repair his agency's image, which has been hurt by recent disclosures.

The CIA has been accused, among other things, of: spying in the United States, in violation of its charter; experimenting with drugs, causing the death of at least one employee; spending \$11,000,000 on covert operations to topple a government in Chile; harboring lethal poisons against orders from the White House; and participating in assassination plots against foreign heads of state, most notably Fidel Castro of Cuba.

Colby said he had made similar visits to Los Angeles, New York and Chicago. Next on his schedule is Boston.

But Colby denied that he was spending a disproportionate amount of time on public relations. He said he had given speeches only 10 times in the last year or year and a half.

Colby said repeatedly that the CIA must "do away with the old idea of intelligence being total secrecy."

Washington sources have said that Colby's refusal to cover up CIA abuses in testimony before the Senate Intelligence Committee has earned him the bitter enmity of Richard M. Helms, former CIA director and now ambassador to Iran. Under Helms's leadership, from mid-1966 until January of 1973, many of the abuses took place.

But Colby denied that he and Helms were at odds. Some of the apparently illegal acts when Helms was director occurred "because we thought it was the right thing to do," Colby said.

Of his renunciation of some former CIA tactics, Colby said, "I'm sure that my successor will look back on my regime and find things he wouldn't agree with."

Colby said one reason he had come to St. Louis was that, "it is essential to create an understanding of what intelligence is all about."

But he would not disclose anything about the CIA budget, which former agents have estimated at \$750,000,000 a year.

He would not discuss specific clandestine operations or answer questions about allegations that President John F. Kennedy had been involved in CIA discussions of a plot to assassinate Castro.

But Colby noted that although the CIA had been set up in 1947 as an intelligence agency, "other functions and duties as the National Security Council directs."

A prime example of such "other functions," Colby said, was the CIA's part in planning the ill-fated Bay of Pigs invasion of Cuba in 1961.

But Colby said he expected the nonintelligence functions of the CIA to diminish in future years.

"Last year," he said, "Congress turned down by a 3-to-1 margin a bill that would have barred the CIA from any function other than pure intelligence work."

But he said that Congress had passed a bill allowing other projects "only if the President finds it in the interest of national security." Even at that, Colby said, the new law requires information about such activities to be passed on to congressional committees.

Colby, a graduate of Princeton University and Columbia University's law school, was an espionage agent in World War II. After a brief practice of law, he joined the CIA in the Korean War.

His most controversial tour of duty was in the late 1960s, when he was responsible for operation Phoenix, a program aimed at killing key Viet Cong members in Vietnam.

The Phoenix program is said to have been responsible for the killing of more than 20,000 Vietnamese over a period of years that started before Colby took over.

In testimony before the Senate Foreign Relations Committee in 1970, Colby admitted there had been some abuses in the program.

In other remarks during and after the press briefing yesterday, Colby:

(1) Confirmed he had offered to help the Department of Justice investigate a report that E. Howard Hunt, a Watergate burglary conspirator and a former CIA agent had told associates that a senior White House official in the Administration of former President Richard M. Nixon had instructed Hunt to assassinate columnist Jack Anderson. I knew nothing about it until Sunday when I read it in the Washington Post," Colby said.

(2) Said the CIA office in downtown St. Louis had only two functions: to keep in touch with Americans who have business or professional relationships abroad and to interview job applicants and CIA contractors.

(3) Called for strengthening a law that prohibits government agents or former agents from leaking intelligence information.

(4) Complained that the free society in the United States made intelligence gathering easy for Communist nations. "The Soviet military attache can go to the street corner and pick up a copy of Aviation Week," Colby said. "And just by thumbing through it, he can learn that our country spends billions of dollars to find out about his country's activities."

(5) Said the CIA, which once was said to have owned five airlines, was getting out of that business. He said the agency might still have one air company but added, "We don't need it anymore. We have a different kind of operation, now." Colby said he had flown to St. Louis on a commercial airliner.

Colby defended his contentions that the CIA had been set up in 1947 as an intelligence agency, "other functions and duties as the National Security Council directs."

Continued

# Inquiries have hobbled CIA, Colby says

By LES PEARSON

Globe-Democrat Staff Writer

Recent investigations of the Central Intelligence Agency have seriously hampered intelligence-gathering activities of the agency around the world, CIA Director William E. Colby says.

But the agency's work must continue for the good of the country, he said here Tuesday.

"THERE IS much intelligence that is accessible that we can't get now because the other side is aware of our method of operation," Colby told newsmen at a press conference in the St. Louis Club.

Colby said there is some loss of information because "they have been alerted to the fact that we're able to obtain it."

And he said foreign agents who have helped the CIA now are saying, "I'm sorry. I can't continue to do this," because of pressures produced by recent exposure of the agent's methods.

But, he said, "We live, even here in St. Louis, within 30 minutes of a nuclear missile, and we have to know what kind of missiles to expect in the future."

COLBY SAID the CIA needs to maintain up-to-date information on such things as weaponry in order to maintain adequate U.S. defenses.

Colby refused to say whether the CIA has an annual



William E. Colby

budget of \$750 million.

"I have taken the position I can't comment on that. To do so would provide the starting information from which all other information could be obtained," he said.

On the need for secrecy, Colby said: "We don't take the position that nothing can be revealed, but we also don't believe that everything should be revealed."

Colby explained that his trip to St. Louis to meet informally with a group of St. Louis leaders was part of his responsibility to make sure Americans know the nature of the CIA's intelligence-gathering efforts and the importance of continuing them.

COLBY, WHO has taken a

new, open stance as CIA director, said he has not done much traveling, and has been out of his office in Langley, Va., perhaps 10 or 12 times during the last year or year-and-a-half.

(Richard M. Helms and other former CIA directors have been somewhat inaccessible to newsmen, and efforts have been made to mask the agency's budget and even the agency's physical location in the Washington, D.C., area.)

Colby said there are "many necessary secrets in our business," but added: "We have a lot of secrets in America and we respect them.

"We have secrecy of the ballot, secrecy in grand jury testimony. We are a lot like you newsmen. We must protect the sources of our intelligence just like a newsman. If you expose those sources, you won't be able to use them anymore."

COLBY DENIED any knowledge of a report that E. Howard Hunt was ordered to assassinate syndicated columnist Jack Anderson when Hunt was a CIA agent.

"I never heard anything about that until Sunday morning when I read it in the Washington Post," he said.

Colby said he looked into the report within the CIA, but could find no one to substantiate the allegation.

Hunt reportedly told his former CIA associates that

the order to kill Anderson was canceled at the last minute, but only after a plan had been devised to make the columnist's death appear accidental.

Colby, when asked about a CIA office in St. Louis, replied that it has two functions — to stay in touch with area informants and to "investigate applications of contractors who want to do business with us."

COLBY WOULD not say who the contractors were,

other than to indicate that might be doing business with the government in an intelligence-gathering capacity.

He said the CIA's domestic activities, which have brought charges that the agency has been spying on citizens, have diminished considerably.

The agency has been doing "other things than pure intelligence" and all have been within federal laws governing the CIA, Colby said. STAT

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 2 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

**St. Louis Globe-Democrat**

12TH BOULEVARD AT DELMAR  
ST. LOUIS, MO. 63101

G. DUNCAN BAUMAN  
PUBLISHER

September 11, 1975

Dear Mr. Thuermer:

We are enclosing a current guest list.

I assume that you may be accompanying Mr. Colby. So that there is no misunderstanding, we do want you to be our guest at the dinner. If there will be other staff members with Mr. Colby, please let me know so that we can provide places for them at the dinner.

Sincerely,



Mr. Angus Thuermer  
Assistant to the Director  
Central Intelligence Agency  
Washington, D.C. 20505

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 2 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

26 August 1975

MEMORANDUM FOR: Director of Central Intelligence  
SUBJECT : St. Louis Trip

On the 25th, I talked to Mr. Bauman in St. Louis. We are finally all of one mind. He agrees that there is really no problem with your coming out quietly and privately for a dinner chat with his friends and an equally unpublicized meeting with newspaper men at lunch.

He agrees that anything that would give the impression of a "cover story" should be avoided; he didn't mean to give that impression.

He said he plans no publicity in his paper and if it does come out, the situation is quite straightforward: you are his guest talking privately to his friends and chatting with St. Louis editors.

In your talk before the members of the Bogey Club, you should probably take advantage of the nature of the group to stress our future needs for patriotic businessmen to continue to help their country

/s/ Angus MacLean Thuermer

Angus MacLean Thuermer  
Assistant to the Director

cc:

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

**St. Louis Globe-Democrat**

12TH BOULEVARD AT DELMAR  
ST. LOUIS, MO. 63101

G. DUNCAN BAUMAN  
PUBLISHER

August 12, 1975

Dear Mr. Thuermer:

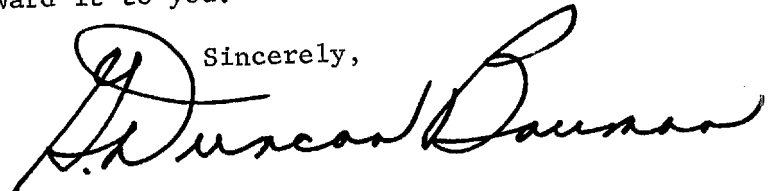
We are enclosing a list of guests who are being invited to our dinner for Mr. Colby.

The dinner will be on Tuesday, September 23 at the Bogey Club, 9266 Clayton Road. Cocktails will be at 6:30 P.M. and dinner at 7:30 P.M. The Bogey Club is located in Ladue and has a membership of only fifty persons. The custom of the Club is that when a member engages the Club for an affair only those members invited, along with guests, are present.

It occurs to me that perhaps Mr. Colby might have friends in the St. Louis area who he would like to have present. If you will please advise me of these, I will be happy to extend an invitation. The maximum accommodation at the Club is about fifty-four to fifty-six persons.

We plan the Press Luncheon for 12:30 P.M. on September 23 in the Tiara Room of the Chase-Park Plaza Hotel. As soon as we have compiled a guest list for this function, we will forward it to you.

Sincerely,



Mr. Angus Thuermer  
Assistant to the Director  
Central Intelligence Agency  
Washington, D. C. 20505

cc:  8/15/75

STAT



STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 2 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

11 August 1975

MEMORANDUM FOR: Director of Central Intelligence  
SUBJECT : St. Louis Trip

Mr. Bauman, publisher of the *St. Louis Globe Democrat*, will have from 35-50 top city leaders at your off-the-record dinner talk and Q&A on 23 September at the exclusive Bogey Club.

He said it would be self-defeating, from our point of view, to appear to be in St. Louis these days solely for this private, elite, off-the-record session. We should accept his assessment.

I suggested that the answer might be a luncheon meeting with newspaper people such as you have had in New York, Los Angeles and Chicago. You should chat there pretty much on-the-record. He would even invite someone from the *St. Louis Post Dispatch*. He said that would give him some wry satisfaction.

Mr. Bauman said that he would hope that you would have a little time to greet his good friend and neighbor. She is the widow of Admiral Souers. I said I knew you would be delighted to see Mrs. Souers.

If the luncheon idea seems to be too much of a day being spent in St. Louis, perhaps Mr. Bauman would consider an informal afternoon meeting as an alternate.

I recommend the luncheon plan. It would give you the afternoon to spend with our people in St. Louis.

Mr. Bauman is clearly big-time stuff in St. Louis and equally clearly he is enthusiastic about your visit. I gather he considers it something of a personal coup as well as blow for God and country.

/s/ Angus MacLean Thuermer

Angus MacLean Thuermer  
Assistant to the Director

11 Aug 75

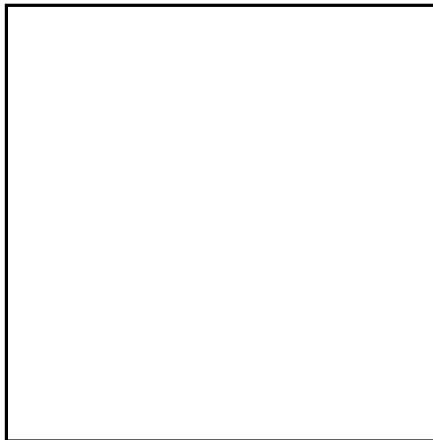
Executive Registry  
75-64013

STAT



STAT

I hadn't seen any problem here. It seems straight forward to me: you are the guest of Mr. Bauman, prominent citizen, who has invited you to talk to his friends, and you are also happy to seize the chance to meet news executives in St. Louis, also.



STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

UNCLASSIFIED CONFIDENTIAL SECRET

**OFFICIAL ROUTING SLIP**

| TO | NAME AND ADDRESS | DATE | INITIALS |
|----|------------------|------|----------|
| 1  | DCI              | 8/22 | WCC/blp  |
| 2  |                  |      |          |
| 3  |                  |      |          |
| 4  |                  |      |          |
| 5  |                  |      |          |
| 6  | A/DCI            |      |          |

|                          |                    |                          |                     |                          |                       |
|--------------------------|--------------------|--------------------------|---------------------|--------------------------|-----------------------|
| <input type="checkbox"/> | <b>ACTION</b>      | <input type="checkbox"/> | <b>DIRECT REPLY</b> | <input type="checkbox"/> | <b>PREPARE REPLY</b>  |
| <input type="checkbox"/> | <b>APPROVAL</b>    | <input type="checkbox"/> | <b>DISPATCH</b>     | <input type="checkbox"/> | <b>RECOMMENDATION</b> |
| <input type="checkbox"/> | <b>COMMENT</b>     | <input type="checkbox"/> | <b>FILE</b>         | <input type="checkbox"/> | <b>RETURN</b>         |
| <input type="checkbox"/> | <b>CONCURRENCE</b> | <input type="checkbox"/> | <b>INFORMATION</b>  | <input type="checkbox"/> | <b>SIGNATURE</b>      |

Remarks:

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO. DATE

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

UNCLASSIFIED CONFIDENTIAL SECRET

Executive Registry  
15-6401/L

11 August 1975

MEMORANDUM FOR: Director of Central Intelligence  
SUBJECT : St. Louis Trip

Mr. Bauman, publisher of the *St. Louis Globe Democrat*, will have from 35-50 top city leaders at your off-the-record dinner talk and Q&A on 23 September at the exclusive Bogey Club.

He said it would be self-defeating, from our point of view, to appear to be in St. Louis these days solely for this private, elite, off-the-record session. We should accept his assessment.

I suggested that the answer might be a luncheon meeting with newspaper people such as you have had in New York, Los Angeles and Chicago. You should chat there pretty much on-the-record. He would even invite someone from the *St. Louis Post Dispatch*. He said that would give him some wry satisfaction.



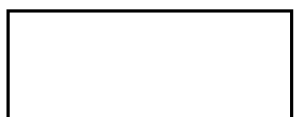
STAT

Mr. Bauman said that he would hope that you would have a little time to greet his good friend and neighbor. She is the widow of Admiral Souers. I said I knew you would be delighted to see Mrs. Souers.

If the luncheon idea seems to be too much of a day being spent in St. Louis, perhaps Mr. Bauman would consider an informal afternoon meeting as an alternate.

I recommend the luncheon plan. It would give you the afternoon to spend with our people in St. Louis.

Mr. Bauman is clearly big-time stuff in St. Louis and equally clearly he is enthusiastic about your visit. I gather he considers it something of a personal coup as well as blow for God and country.



Angus MacLean Invermer  
Assistant to the Director

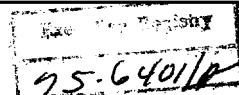
STAT

STAT

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



20 May 1975

Mr. G. Duncan Bauman  
Publisher  
St. Louis Globe-Democrat  
12th Boulevard at Delmar  
St. Louis, Missouri 63101

Dear Mr. Bauman:

Thank you so very much for your letter of May 16th. You are very kind to take the time to say those nice things. I would indeed be delighted to meet your friends in St. Louis and would consider it a great honor to be hosted by you. Please let me keep the date a little vague for the next couple of months but perhaps get back in touch with you early in August for a possible time. It will be a great pleasure to be among the friends of Admiral Souers.

Sincerely,

/s/ W. E. Colby

W. E. Colby  
Director

CFM/E/11-11

N3

WEC: jlp (20 May 1975)

Distribution:

- Original - Addressee
- 1 - DCI w/basic
- 1 - Asst. to DCI w/cy basic
- 1 - ER

75c  
Exemption Registry  
75 6401

STAT

St. Louis Globe-Democrat

12TH BOULEVARD AT DELMAR  
ST. LOUIS, MO. 63101



G. DUNCAN BAUMAN  
PUBLISHER

May 16, 1975

Dear Mr. Colby:

It was my privilege to be in the audience at the American Newspaper Publishers Association meeting recently in New Orleans when you spoke. Seldom have I been so impressed with the character, ability and strength of a government executive as I was after your encouraging and inspiring presentation.

My reaction then, and it still is, that if opinion makers and leaders in America had an opportunity to hear a personal presentation from you the result would be to eliminate 95% of the doubt, where it exists among such persons, about the values for America in the CIA. I came away from the ANPA meeting determined to try to induce you to come to St. Louis as my guest to make an appearance before a relatively small group of my friends, and yours.

It is not my purpose to build a base for a news story in the Globe-Democrat. A decision whether there would be media coverage of your appearance would be entirely up to you. Certainly, at the very least, I would prefer that there not be media coverage of the meeting which I would host.

I do hope that you might be able to fit a visit to St. Louis in your calendar early in the fall, perhaps in September, or subsequently. I leave the date entirely up to you. It would be my plan to have dinner in your honor at the Bogey Club, which is a golf club with a membership of fifty-five persons -- all of them community leaders of long standing.

I assure you that your audience will be a congenial and friendly one. A clue for you to the historical appreciation for the CIA among most of those who would be present is the fact that nearly everyone knew Admiral Sidney W. Souers, now deceased, who was one of those delegated by President Truman to put the CIA together during the Truman era. Admiral Souers enjoyed a tremendous affection and respect from everyone in St. Louis who knew him.

I do hope that it would be possible to present you in St. Louis.

Sincerely,

Mr. William E. Colby  
Director  
Central Intelligence Agency  
Washington, D. C. 20505



ARTICLE APPEARED  
ON PAGE 23

THE DAILY SENTINEL  
Grand Junction, Colorado  
13 January 1977

Agency 'alive and well'

## No. 2 CIA man optimistic

By JOHN ARRABITO  
Sentinel staff writer

It was evident before the fact, that a basically middle-aged audience of the Bookcliff Knife and Fork (dinner) Club would hold a more-than-receptive ear to anything that the deputy director of the Central Intelligence Agency would care to say to them.

And if they weren't primed for the speech of E. Henry Knoche before they arrived Wednesday night, a standing ovation for the man before he uttered a single syllable did no damage toward building their enthusiasm and receptiveness.

Before Knoche took the podium, the audience of about 500, was informed that earlier in the day in Washington, he had been named a recipient of the President's Award for distinguished public service, the highest civil service award that can be bestowed on a U.S. citizen. Hence the standing ovation.

### Many Colorado ties

His rapport with Colorado and the Western Slope in general (his wife is from Craig, a married son lives there now and another son is a freshman at the University of Colorado in Boulder) put his audience at ease like he was one of their own local boys made good.

He is a big, husky man with a powerful body that gives testimony to his undergraduate days at C.U. where he played both baseball and basketball. Murmurs in awe of his size rippled through the audience when he first rose for introduction making it hard to believe that a security agent is necessary to accompany him wherever he goes. "We don't like to call them bodyguards," he explained later.

His voice and delivery accentuate his size, but his speech on such a grave topic as national intelligence gathering is punctuated with just enough comic relief to make it all sound plausible.

### Aura of truth

Thus his physicalness, identification with Colorado and a saturation of his professional credentials that span 23 years in the CIA combine to give the effect that everything he is about to say is the whole truth and nothing but the truth.

As he started to speak, Knoche slipped immediately into a defensive position when talking about the CIA. In the second paragraph of his prepared text (made available to the press), he says "We've seen flashy headlines and sensationalized stories about the CIA in the newspapers — many of them taken completely out of context and blown all out of proportion."

Midway through his speech, he again touches on the topic of the bad press received by the CIA, most of it since 1975 after revelations by Idaho Sen. Frank Church's Select Committee on Intelligence. "All too often only the accusations and the allegations make the headlines. The denial and the truth of the matter never seem to be heard," said Knoche.

### Examples bizarre

He cites as examples past headlines claiming "The CIA once captured three beings from outer space...put them in a freezer to make them talk and instead they died." Another example he used is a claim the CIA "found and pilfered the remains of Noah's Ark on a mountainside in Turkey, and that the artifacts are somewhere in the basement of our headquarters."

Knoche claims "you have heard a lot about intelligence failures." Then he goes on to list successes of the CIA including the discovery of Soviet nuclear missiles being delivered to Cuba in 1962, seven years' warning on the development of the Moscow anti-ballistic missile systems, and the design of two Soviet aircraft carriers well before the first one put to sea.

### Touches on experiments

During a question-and-answer session following his speech, Knoche answered inquiries into topics including CIA experimentation on humans with LSD and other mind-bending drugs, or allegations involving the CIA in the assassination of one of its own presidents.

Of drug experimentation which led to one scientist jumping out of a hotel window to his death, Knoche said first, "I wish to hell I'd never heard of it." But then he explains the action in the context of "a feeling in this country at the time of the early 50s...we were very panicky...we had information at the time that the communists had developed new techniques of brainwashing through the use of these drugs...we were badly in need of research in the area, and to find out how the drugs affected humans we had to experiment on humans."

### Discounts probes

Of the recently reopened investigations into the John F. Kennedy and Martin Luther King assassinations, Knoche said he knew of no CIA involvement in either, other than Lee Harvey Oswald being under CIA observation in Mexico City where he visited the Cuban embassy. Even with the reopened investigations, Knoche doubts "either assassination will ever be solved to the satisfaction of the majority of the American people."

Pressed privately about revelations concerning former CIA operatives like Phillip Agee and Victor Marchetti, who have come out with books critical of the CIA and its operations, Knoche says, "They're out to make some money at it. We're fair game."

Knoche has his own theories concerning Agee, but offers them only off the record, saying "I'm off the record because I don't want to give him (Agee) any more publicity."

ARTICLE APPEARED  
ON PAGE D-1

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

THE PHILADELPHIA INQUIRER

14 August 1977

# In New Jersey at 1-

## CIA acted repu

By Art Carey  
*Inquirer Staff Writer*

When the news broke, it stirred haunting visions of George Orwell's "1984."

Here was the CIA, bent on developing the ultimate means of mind control, secretly passing out funds to researchers so that they could study drugs, hypnosis, shock treatment and even magicians.

Among those whose work the CIA funded were several New Jersey scientists who, in the early 1960s, conducted LSD experiments on inmates at the Bordentown Reformatory.

For those with active imaginations, the disclosures of the last few weeks have brought forth chilling scenarios — trench-coated CIA operatives slipping envelopes full of cash to nervous scientists in dark parking lots; researchers lacing the food of unwitting prisoners with powerful doses of illicit, mind blowing drugs.

Great stuff for a movie or TV drama, no doubt, but the reality of the experiments was far less dramatic and sinister, according to those who worked on the project 15 years ago at the New Jersey Bureau of Research in Neurology and Psychiatry.

First, the experiments were conducted with scrupulous care and followed established and ethical procedures, they say. The subjects were all adult volunteers who gave their informed consent, and the results of the studies were published at the time in national scientific journals.

What's more; the project was undertaken at a time when both LSD and the CIA were regarded as being far more benign than they are today.

"In today's post-Watergate climate, everybody is paranoid about everything," said Dr. Bernard S. Aaronson, 53, a California psychologist who took part in the experiments. "But in those days, the CIA had a very good reputation. I don't believe anybody at the Bureau of Research was a CIA agent or was acting with any sort of improper or unethical motives."

tist knew that the CIA was involved, and that was Dr. Carl C. Pfeiffer, then chief of the bureau's neuropharmacology section.

It was Dr. Pfeiffer who conceived of the LSD project, sought research funds and invited colleagues in other scientific disciplines to collaborate.

Highly respected in his field, Dr. Pfeiffer is now director of the Brain Bio Center in Princeton. In a statement released after the disclosures (he has refused to be interviewed), Dr. Pfeiffer labeled recent reports about the experiments "a witch-hunt" and insisted that the project met modern ethical standards.

This claim is confirmed by state officials and by Dr. Pfeiffer's former colleagues. From them, a picture of the project—its aims, scope and operation—has emerged. And it is a picture far less lurid and iniquitous than the headlines and early news accounts may have suggested.

At the time of the experiments—from 1962 to 1964—the Bureau of Research, which closed in 1973, was in a building on the grounds of the New Jersey Neuropsychiatric Institute in Skillman. Five days a week, inmates from the Bordentown Reformatory reported to the institute for an experiment session for which they were paid 50 cents.

Scientists at the bureau invited the inmates to be subjects in an experiment involving LSD that, among other things, was aimed at exploring how the drug works and how it affects perception and behavior.

After careful screening to weed out those with possible psychotic or violent tendencies, ages of 21 and 25 were chosen, and each signed a consent contract before participating.

The project was approved by three state agencies as well as the reformatory's board of managers. A report submitted to the State Department of Corrections estimated that the project would cost \$35,000 and would be funded by the U.S. Public Health Service and a number of private agencies. There was no mention of the CIA, however.

"There is indicate at Corrections said. Appar fer's secret

### Utmost cure

Scientists who worked with Dr. Pfeiffer say that he supervised the experiments with the utmost care and precision and that he took the drug himself 17 times.

"There was no surreptitious administration of drugs; no one was slipping Mickey's into someone's drink" said Dr. Henry B. Murphree, 49, then assistant chief of the bureau's neuropharmacology section and now acting chairman of the psychiatry department at Rutgers University Medical School.

"The LSD was given only after fully informed consent, and the subject could drop out any time he pleased, including in the middle of the experiment."

With one exception—and even that is questionable—none of the subjects seem to have suffered any ill effects from the LSD. "The doses were too minimal to have had any effect," said Dr. Aaronson, who has written a book on LSD.

The one case in which LSD may have emotionally damaged a subject was reported by Frances E. Cheek, 53, a sociologist who studied four of the inmates for the effects of the drug on social interaction.

"One inmate began to develop suspicions that his wife had taken a lover and threatened to break out and murder her," she wrote later in the *Journal of Nervous and Mental Disease*.

But the drug produced favorable results with another inmate, Dr. Cheek said recently. Through LSD, he envisioned himself killing someone at some future date. Apparently, the experience was so frightening that he abandoned a career as an armed robber, "went straight" and became a responsible family man, she said.

"LSD is a very powerful drug that cuts both ways," said Ms. Cheek, who is now a modification program at the Neuropsychiatric Institute. "It can have both positive and negative effects."

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Continued

Executive Registry  
75-8410/3

40 Mt. Vernon Street  
BOSTON, MASSACHUSETTS 02108  
Area Code 617 - 227-7990

*[Handwritten mark]*

Executive Committee

- THARD WAIT  
Chairman
- MCLEAN GRIFFIN
- BERT HAYDOCK, JR.
- WARD H. LADD
- DERICK M. MACDOUGALL
- AN R. MOOR
- ARLES D. POST

Affiliated with the  
COUNCIL ON FOREIGN RELATIONS, INC.  
NEW YORK, N.Y.

FRED O. HERO  
Secretary

*November*  
November 3, 1975

Mr. William Colby  
Director  
Central Intelligence Agency  
McLean, VA 22101

Dear Mr. Colby:

We hope very much that the scheduled meeting here for you on 10 December will take place whether or not you are at that time in your present position. If your transportation and related expenses would not be covered by governmental sources we would find a way of covering them ourselves.

We will assume that our meeting with you is on, unless you inform us to the contrary.

We look forward to seeing you here at 5:15 p.m. on December 10.

Cordially,

*[Handwritten signature]*  
Alfred O. Hero, Jr.

AOH/ssg

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Mr. Colby:

The Boston Committee on Foreign Relations gives you two choices for your visit with them. Their preference, which includes dinner, results in your missing the last flight back to Washington (at 8:43). The alternate plan, omitting dinner, would permit you to catch the 8:43 flight back.

They offer to pay for your hotel to stay over. There is a flight the next morning at 7:00, arriving here at 8:17.

STAT If  were to fly you up, you could stay for the dinner and still come back that night.


Will stay for dinner  Will not stay for dinner   
Will stay overnight  Would like Mr. Bing to fly me there

(7 Oct 75)

STAT

P. S. They ask for title of your talk; if you agree, I'll ask Mr. Thuermer to tell them it is "Foreign Intelligence for America."

*h/B also*  
*thus*



STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Executive Registry  
15-8410/1

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9  
BOSTON COMMITTEE ON FOREIGN RELATIONS

40 Mt. Vernon Street  
BOSTON, MASSACHUSETTS 02108  
Area Code 617 - 227-7990

*Executive Committee*

RICHARD WAIT  
*Chairman*

T. McLEAN GRIFFIN  
ROBERT HAYDOCK, JR.  
EDWARD H. LADD  
RIGHT REV. MSGR. FRANCIS J. LALLY  
JOAN R. MOOR  
CHARLES D. POST

ALFRED O. HERO  
*Secretary*

*Affiliated with the*  
COUNCIL ON FOREIGN RELATIONS, INC.  
NEW YORK, N.Y.

October 2, 1975

Mr. William E. Colby  
Director  
Central Intelligence Agency  
McLean, VA 22101

Dear Mr. Colby:

We were very pleased to learn from the Council on Foreign Relations that you will be able to meet with its Boston affiliate Thursday, 11 December, 1975. As you are undoubtedly aware, meetings of Council affiliates are entirely off-the-record; we have known of no breaches of this rule.

Dean Edmund Gullion of the Fletcher School will serve as Chairman of this session.

We would prefer a regular dinner meeting beginning with an informal reception at 5:15 p.m. here at 40 Mt. Vernon Street. The Chairman would open the substantive meeting promptly at 5:30, at which time you would lay out, in a half hour or so, the substance to which you would like to devote the evening. Your presentation would be followed by a comment or several questions posed in two or three minutes by one of our members or a specially invited guest particularly interested in your subject. We would then adjourn for drinks and dinner, followed by discussion until 8:45.

Another feasible alternative, should you need catch the last plane to Washington at 8:43 p.m., would be to dispense with the dinner and thereby adjourn the meeting at roughly 7:30. However we find that the informality over cocktails and dinner results in mutually more satisfactory exchanges of ideas and points of view, and therefore prefer, whenever possible, the first alternative.

Mr. William E. Colby

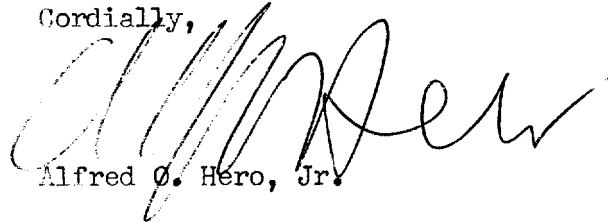
October 2, 1975

Page 2

We would be pleased to make a reservation for you as our guest at the Parker House or another nearby hotel.

If you have a particular title for your subject, please send it on to us.

Cordially,



Alfred O. Hero, Jr.

AOH/ssg

CC: Edmund Gullion

cc: -10/7/75

STAT



Executive Registry  
2404  
R000100520001-9

22 July 1975

MEMORANDUM FOR: Director of Central Intelligence  
SUBJECT : Speaking Engagement in Boston

Mr. Bushner of the New York Council on Foreign Relations says that the Boston Committee (and a Rotary Club, as well) mustering ~~about~~ about 200-250 persons, would be more than delighted to have you speak in late Fall or Winter.

Mr. Bushner is the man whom you met in New York. He also arranged for the Foreign Relations date in San Francisco.



Angus MacLean Thuermer  
Assistant to the Director

STAT

mb

Second week Dec  
alternately  
Jan

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

22 July 1975

MEMORANDUM FOR: Director of Central Intelligence  
SUBJECT : Speaking Engagement in Boston

Mr. Bushner of the New York Council on Foreign Relations says that the Boston Committee (and a Rotary Club, as well) mustering ~~to~~ about 200-250 persons, would be more than delighted to have you speak in late Fall or Winter.

Mr. Bushner is the man whom you met in New York. He also arranged for the Foreign Relations date in San Francisco.

/s/ ANGUS MacLean Thuermer

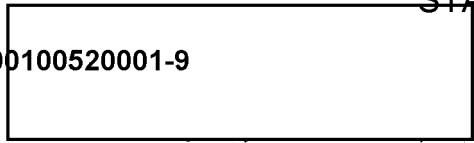
Angus MacLean Thuermer  
Assistant to the Director

mb

ARTICLE APPEARED  
ON PAGE 3

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

BOSTON HERALD AMERICAN  
10 AUGUST 1977



# LSD's 'icicle-like' feeling told by CIA test participant

By JIM MORSE  
Staff Writer

*"The feeling became a sense of pain at the very top of my head. It was ice cold. It was like a pointed icicle pressing against my head. And then the icicle melted."*

Dr. J. Sanbourne Bockoven of Lincoln, describing his reaction to LSD

At about 8 a.m. on a day in the early 1950s, Dr. J. Sanbourne Bockoven swallowed a glass of water laced with LSD.

He was participating in an experiment at Boston Psychopathic Hospital. He wasn't sure the glass of water had LSD in it because the experiments were run so that some participants got plain water.

Neither did he know, he insists, that the experiments, which involved some 200 persons, including doctors, nurses, hospital attendants and students from area colleges, were being financed by the CIA as part of a mind-control project.

Dr. Bockoven was both a researcher and subject of the experiments. Today he is a regional service administrator for the Mass. Dept. of Mental Health at

Metropolitan State Hospital in Waltham. IN AN INTERVIEW with The Herald American yesterday, Bockoven described his LSD experience.

"It was either 1953 or 1954, and to put it mildly, it was an interesting day.

"For the first half hour, there was no reaction at all. Then I began to get a clue . . . a faint feeling that was uncomfortable. It was a buzzing, tingling feeling in my fingers. It wasn't my imagination."

It was then that he felt the icicle against his head. Later he felt a sharp stomach ache.

"I found myself saying, 'Well, that's enough of this.' The feeling thawed out. I found myself rather charmed. It was fascinating. I felt a warm glow. I was in control.

"When the feeling of pain returned, I could think it away. It was there when I didn't want it to be, but it would go away when I wanted it to. I was beginning to sense enjoyment.

"I recall looking at the tiled square floor. It seemed to tip. And the wall seemed to sail like the wind was billowing it. All of this was rather entertaining."

"The 10 to 12 hours I was under the effect of the drug did have its comical side, but it's something I wouldn't want to go through again.

"DID I LOSE my self control? Hell, no. But I did learn about the unconscious part of my own mental process.

"I would think of something important, but just as I was about to make a

The Herald American is interested in talking to persons who participated in LSD experiments at area institutions during the 1950s. Anyone with such information should call Charlotte Hall, assistant managing editor, at 426-3000, ext. 461.

note about it, the idea would leave me. This was both pleasing and disappointing. I almost grasped the meaning of the universe.

"But then I'd go blank, with no thought. It was a serene, restful thing. But there was also a sense of uneasiness."

continued

Orig Boston Psychopathic  
Hospital

(orig under Morse)

# Researchers Say Students Were Among 200 Who Took LSD in Tests Financed by C.I.A.

By JOSEPH B. TREASTER

Special to The New York Times

WASHINGTON, Aug. 7—Students at Harvard University, the Massachusetts Institute of Technology and Emerson College were among some 200 persons who received LSD in experiments secretly financed by the Central Intelligence Agency at the Boston Psychopathic Hospital in the early 1950's, researchers who worked on the studies said today.

The students, both young men and women, were said to have seen paid \$20 each to drink a tall glass of water with the mind-altering drug added and then for 10 to 12 hours to participate in a series of psychological tests. They had been told they were getting LSD and that their reactions would vary.

Some doctors, nurses and attendants at the hospital, now known as the Massachusetts Mental Health Center, also served along with the students as volunteer subjects in the experiments, which ranged over four years and were among some of the earliest studies of LSD in the United States, the researchers reported.

The research was done under grants from the Society for the Investigation of Human Ecology, a funding mechanism created by the C.I.A. in a 25-year project to develop ways of manipulating human behavior.

## Documents and Interviews

The intelligence agency's sponsorship of the work was uncovered by a team of New York Times reporters, sifting through more than 2,000 agency documents and interviewing dozens of past and present intelligence officials and researchers around the country.

Among the data reviewed were newly disclosed C.I.A. documents that discuss at length research on "knock-out type agents." The documents refer to the "'K' [unconscious producing] problem" and the "production of voluntary sleep."

"There exists within the agency," one 1960 document says, "a continuing requirement from the operations divisions for a substance or substances that will render an individual or animal helpless and immobile, either consciously or unconsciously, until definite control measures can be instituted.

"The instances and situations where such an advantage can be utilized are so numerous to be mentioned."

## For Studying Thiols Effects

Another document indicates that the agency paid \$100,000 in the fiscal year 1957 for a study that included an investigation of the "curare-like effects of certain thiols," or chemical compounds analogous to the alcohols.

In 1956, other documents indicate, the agency directed that 60 percent of one \$40,000 contract be devoted to studying "the feasibility of utilizing aerosols as a delivery system for the various psychochemicals" such as LSD. In the end, the C.I.A. decided that spray cans of LSD would not make an effective weapon.

Dr. Max Rinkle, who initiated the LSD research at the Boston Psychopathic Hospital, died five years ago. But others who participated in the work, including Dr. J. Sanbourne Bockoven, now a regional services administrator for the Massachusetts Department of Mental Health, say they did not know that the intelligence agency was paying for their research and receiving their reports.

In a Senate hearing last week, Adm. Stansfield Turner, Director of Central Intelligence, said that freshly uncovered financial records showed that 86 hospitals and academic institutions had done research under the agency's mind control project, many of them apparently unwittingly. So far, only a handful of them have been publicly identified.

At the hearing, Senator Edward M. Kennedy, Democrat of Massachusetts, urged Admiral Turner to notify officials of the hospitals and universities involved that their institutions had done research for the C.I.A. Admiral Turner said that he would consider doing so but that he was "torn" by the question.

"I've tried to put myself in the position of the president of one of those universities," he said. "If he was witting, he has access to all this information. If he was not witting, I wonder if the process of informing him might put his institution in more jeopardy than letting him go on as now."

Apparently like much of the work the C.I.A. paid for, the LSD research at Boston was conceived by a doctor who then went looking for financial support.

Dr. Bockoven said he and the others had studied the psychochemical as a possible tool for treating schizophrenia. As pioneers with LSD, they had documented some of the basic reactions and provided the C.I.A. with raw material for use in evaluating a substance the agency thought might be useful as a weapon.

After the LSD study in Boston, which ran from 1952 to early 1957, according to Kyio Morimoto, a sociologist who was

part of the research team and is now associate director of the Bureau of Study Counseling at Harvard, some of the investigators moved as a group to Butler Hospital, a private psychiatric facility in Providence, R. I.

## With Alcohol and Tranquilizer

At Butler, among other things, the research team conducted an experiment on staff members with alcohol and the tranquilizer chlorpromazine that was also financed by the C.I.A.'s Society for the Investigation of Human Ecology.

For years, the documents indicate, the agency tried to find ways in which agents could drink large amounts of alcohol without getting drunk and to produce with a pill that could make a drunken agent sober.

Dr. Bockoven said he considered the LSD work at the Boston Psychopathic Hospital to have been "a model of superb, excellent research."

He said the students and staff members who participated had been explicitly recruited as test subjects, had been told they would receive LSD and that reactions varied greatly among individuals from "pleasant" to "unpleasant."

Mr. Morimoto said "a couple of people" had gone into psychotherapy as a result of having participated in the experiments. But Dr. Bockoven said he did not recall anyone who had suffered any untoward consequences from the LSD.

He said test subjects were interviewed "a week or a month"—he wasn't sure which—after the experiments. But as in the other experiments with LSD and a wide range of psychiatric and pseudo-psychiatric techniques under C.I.A. sponsorship, there was no follow-up to determine whether complications had developed.

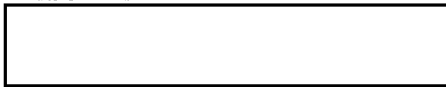
STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



30 August 1976

Mr. Kevin Anderson



Dear Kevin,

Attached as we promised is a photograph from your meeting with Mr. Bush, as well as some speeches that I thought you might find interesting.

It was really a pleasure meeting with you and I hope you found your visit to the Agency interesting and fun.

Sincerely,



Office of the  
Assistant to the Director

mb  
Encs.

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

July 1, 1976

MEMORANDUM FOR: Director of Central Intelligence  
FROM : Andrew T. Falkiewicz  
Assistant to the Director  
SUBJECT : Meeting with Boys and Girls Nation

Recommend that you or Hank Knoche spend a few minutes on the afternoon of August 3 with the representative from Boys and Girls Nation. If you agree, we will arrange for a photographer to get some pictures of you.

STAT [redacted] will squire the representative for a brief tour of the building.

**SIGNED**

Andrew T. Falkiewicz

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

126-2-1024

0201 Boys & Girls Nation



# AMERICAN LEGION AUXILIARY

WASHINGTON OFFICE · 1608 K STREET, N. W. · WASHINGTON, D. C. - 20006  
(202) 393-4811

July 28, 1976

The Honorable George Bush, Director  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Bush:

Today the Bicentennial Joint Session of Boys Nation/Girls Nation held its Election of Officers and the victors have appointed its administrative officials. This enables us to give you the name of the young person appointed to your counterpart office at Boys and Girls Nation this year. That is:

KEVIN G. ANDERSON

Enclosed is a biography for conversational background information preparatory to your proteges' appointment to visit your office on Tuesday, August 3, 1976.

We appreciate the plans you have made for receiving this young person and thus helping to make this training in the processes of federal government a memorable experience for each of its participants.

Sincerely,

MRS. ALAN M. SCHANEL  
National President

LS/rms  
Enclosure - 1



Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

*Asst/Sec*

EXECUTIVE SECRETARIAT  
Routing Slip

| TO: |    | ACTION    | INFO | DATE | INITIAL |
|-----|----|-----------|------|------|---------|
|     | 1  | DCI       | ✓    |      |         |
|     | 2  | DDCI      |      |      |         |
|     | 3  | D/DCI/IC  |      |      |         |
|     | 4  | S/MC      |      |      |         |
|     | 5  | DDS&T     |      |      |         |
|     | 6  | DDI       |      |      |         |
|     | 7  | DDA       |      |      |         |
|     | 8  | DDO       |      |      |         |
|     | 9  | D/DCI/NIO |      |      |         |
|     | 10 | GC        |      |      |         |
|     | 11 | LC        |      |      |         |
|     | 12 | IG        |      |      |         |
|     | 13 | Compt     |      |      |         |
|     | 14 | D/Pers    |      |      |         |
|     | 15 | D/S       |      |      |         |
|     | 16 | DTR       |      |      |         |
|     | 17 | Asst/DCI  | ✓    |      |         |
|     | 18 | AO/DCI    |      |      |         |
|     | 19 | C/IPS     |      |      |         |
|     | 20 |           |      |      |         |
|     | 21 |           |      |      |         |
|     | 22 |           |      |      |         |

SUSPENSE \_\_\_\_\_  
Date

Remarks:  
*Pat has copy → PLS return PT  
- 8/3 at 1400*

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

30 JUL 1976  
Date

STAT

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Executive Registry  
119 - 2700/2

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001

July 1, 1976

MEMORANDUM FOR: Director of Central Intelligence  
FROM : Andrew T. Falkiewicz  
Assistant to the Director  
SUBJECT : Meeting with Boys and Girls Nation

Recommend that you or Hank Knoche spend a few minutes on the afternoon of August 3 with the representative from Boys and Girls Nation. If you agree, we will arrange for a photographer to get some pictures of you.

[redacted] will require the representative for a brief tour of the building.

Andrew T. Falkiewicz

Executive Registry  
76 - 2700/3

Have scheduled the Director to meet at 2:00 p.m. on August 3rd with the representative of the above group. They will send name and bio information around the 28th of July. Will forward you a copy of same as soon as we receive it.

[redacted]

JUL 1976

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



# AMERICAN LEGION AUXILIARY

WASHINGTON OFFICE . 1608 K STREET, N. W. . WASHINGTON, D. C. - 20006

(202) 393-4811

June 24, 1976

The Honorable George H. Bush, Director  
Central Intelligence Agency  
Washington, D.C. 20505

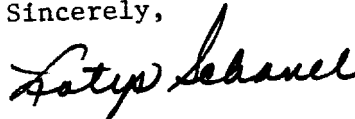
Dear Mr. Bush:

Among the 297 young men and women who will participate in the Bicentennial Joint Session of Boys Nation and Girls Nation this summer will be one appointed to an office comparable to yours in federal government. On behalf of The American Legion's National Commander, Harry G. Wiles, and myself, I am writing to ask if, as a climax to this program, you would be willing to receive this young person for a few minutes on Tuesday afternoon, August 3rd, and then perhaps assign a member of your staff to show him or her around your headquarters and explain how some of the more important and interesting of its functions are carried out. Our objective is to make this a "living experience" in the processes of federal government and your contribution could be a truly memorable experience for your counterpart.

In a program of this complexity, I regret that we are unable to offer you a choice of dates for this appointment, but we can offer you a choice of hours. For example, we can deliver your counterpart to you at 2:00 p.m., or at 2:30 p.m., or at 3:00 p.m., whichever best suits your schedule. In the event that you simply cannot be available that afternoon, then we ask that you appoint a personal representative to act in your behalf.

I have asked my secretary, Mrs. Rita Schneiders at this address, to provide you with the name, address and short biography of your counterpart as soon as the Boys/Girls Nation election is held and appointments are completed in the week preceding the date of this office visit. I thank you in advance for your help and interest and would be glad to hear from you at your earliest convenience. A brief fact sheet and history of this program is enclosed for your complete information and files.

Sincerely,



MRS. ALAN M. SCHANEL  
National President

LS/rms  
Enclosure - Fact Sheet



## AMERICAN LEGION AUXILIARY

### BOYS AND GIRLS NATION

In observance of the nation's Bicentennial Celebration, The American Legion and the American Legion Auxiliary have pooled resources to present, in 1976, the first Joint Session of Boys Nation and Girls Nation. Larger than any in the past, this session will bring citizenship training in the processes of federal government to 297 high school juniors and seniors (147 boys and 150 girls) composed of one "Senator" and two "Representatives" from each Boys or Girls State held earlier this summer. Convening on the campus of The American University as in the past, this Bicentennial Session will be lengthened from the usual week to 18 days (July 21 to August 7) and will include field trips to Annapolis, Colonial Williamsburg, Philadelphia and Valley Forge. Five years of planning and one quarter million dollars have been invested in this program by the two national organizations.

Delegates to Boys State and Girls State are chosen, with the help of high school principals, for qualities of potential leadership, to represent their schools in sessions held each June or July in state capitals or on centrally located campuses in each of the 50 states and in the District of Columbia. There they set up their own city, county and state governments and learn to operate them according to the rules and procedures set by actual state and local law. They learn by "doing it". Each session selects its own Congressional Delegations and approves them with proposed bills to be enacted at Boys and Girls Nation.

This year the delegations will convene on the campus of The American University as a miniature Congress, complete with a Senate and a House of Representatives. Through committee action and twelve Congressional Sessions, they will deal with this proposed legislation.

Once their legislative sessions are launched, they will organize their political parties called the "Federalists" and the "Nationalists", stage national conventions for the adoption of platforms and selection of candidates. They will be climaxed with campaigns and finally an election and inauguration.

The winning candidates will then form their administration with each citizen appointed to some office in the executive or judicial branches of government. These exercises will be illustrated with field trips to the actual sites of government activity including orientation briefings at the White House, the Departments of State and Defense and on Capitol Hill. Guest speakers also will address them on campus. Finally each "official" will have the opportunity to visit the office of his or her own actual counterpart in the federal government.

Throughout the coming year, these youthful citizens will share with their school-mates, families and friends what they have learned at Boys or Girls State and in their 1976 Bicentennial Joint Session of Boys and Girls Nation.

BRIEF HISTORY OF BOYS AND GIRLS NATION

Back in the depression ridden days of the early 1930's, The American Legion grew concerned over public statements to the effect that Democracy was "on the skids". How, it wondered, could America train its young people in the processes of self government as effectively as Fascist Italy and Nazi Germany seemed to be training their youth in the promulgation of totalitarian forms of government? Deciding that the best way to learn something was by practicing it, American Legionnaires in Illinois began, in 1935, to gather teenage representatives of high schools together for a few days each summer in a citizenship training program on the processes of city, county and state government. They called this program "Boys State".

As this program succeeded and spread throughout the United States, the American Legion Auxiliary began providing similar opportunities for girls of high school age. Thus "Girls State" was founded. The first Girls States were conducted in 1938 and since 1948 have been a regular part of the Auxiliary's better citizenship program. In 1976, Girls State sessions are being held in each of the 50 states as well as in the District of Columbia. Boys State is held in all of these except Hawaii.

Boys Nation, an equivalent exercise in the processes of FEDERAL government, was founded in 1946, Girls Nation in 1947. Convening in the nation's capital in late July or early August, each is peopled by two "Senators" from each of the Boys or Girls State programs held earlier in the summer.

Boys and Girls State are staffed by Legionnaires and American Legion Auxiliary members who volunteer their time and effort to these enterprises. The administrative costs are defrayed by their Department (state) organizations. All costs for Boys and Girls Nation, including national transportation, are financed by The American Legion and American Legion Auxiliary national organizations.

Delegates to Boys and Girls State are selected with the help of high school principals on the basis of potential leadership qualities. Most are between their Junior and Senior years in high school. Through these programs, it is estimated that each summer The American Legion and its Auxiliary are adding 28,000 boys and 19,000 girls trained in the processes of government to a group that by the end of 1975 totaled well over one million.

92-44247-2 US NRP  
Both Boys Nation and Girls Nation have received top Americana Awards from the Freedoms Foundation at Valley Forge. The National Association of Secondary School Principals has placed both programs on its Advisory Lists of National Contests and Activities for 1975-76, and for 1976-77.

|  |            |              |        |
|--|------------|--------------|--------|
|  | CLASSIFIED | CONFIDENTIAL | SECRET |
|--|------------|--------------|--------|

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

**EXECUTIVE SECRETARIAT**

**Routing Slip**

| TO:      |           | ACTION           | INFO | DATE | INITIAL |
|----------|-----------|------------------|------|------|---------|
| 1        | DCI       |                  |      |      |         |
| 2        | DDCI      |                  |      |      |         |
| 3        | D/DCI/IC  |                  |      |      |         |
| 4        | S/MC      |                  |      |      |         |
| 5        | DDS&T     |                  |      |      |         |
| 6        | DDI       |                  |      |      |         |
| 7        | DDA       |                  |      |      |         |
| 8        | DDO       |                  |      |      |         |
| 9        | D/DCI/NIO |                  |      |      |         |
| 10       | GC        |                  |      |      |         |
| 11       | LC        |                  |      |      |         |
| 12       | IG        |                  |      |      |         |
| 13       | Compt     |                  |      |      |         |
| 14       | D/Pers    |                  |      |      |         |
| 15       | D/S       |                  |      |      |         |
| 16       | DTR       |                  |      |      |         |
| 17       | Asst/DCI  | X                |      |      |         |
| 18       | AO/DCI    |                  |      |      |         |
| 19       | C/IPS     |                  |      |      |         |
| 20       |           |                  |      |      |         |
| 21       |           |                  |      |      |         |
| 22       |           |                  |      |      |         |
| SUSPENSE |           | _____ Date _____ |      |      |         |

**Remarks:**

For recommendation to DCI. Background re last year's meeting with former DCI Colby is attached.

D/Executive Secretary  
30 Jun 70

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



CENTRAL INTELLIGENCE AGENCY  
Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9  
OFFICE OF THE DIRECTOR

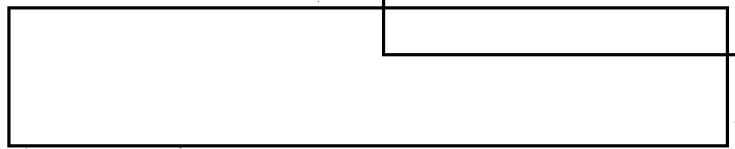
76-2700/1

BEN:  
Please have someone check this  
out with reccommendation.

GB 6-28

Executive Registry  
75-2536/5A

STAT



14 October 1975

STAT

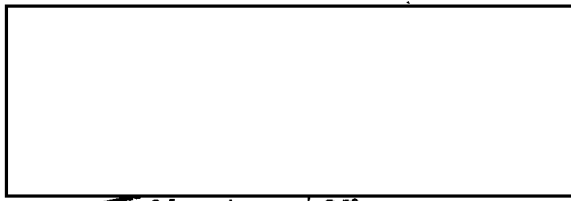


Your letter to Mr. Colby has been referred to me since I am responsible for the Agency's Summer Intern Program.

I have enclosed a flyer on our program and a set of application forms. You will note that one of the requirements is that you must have finished your senior year and be committed to graduate school in the fall following the Internship. If this applies to you, please complete the application forms and return them to me as soon as possible but no later than 1 January 1976.

We appreciate your interest in the Agency and our program and thank you for the time and effort you took to write us.

Sincerely yours,



Coordinator for  
Cooperative Programs

STAT

Enclosures:

(EXECUTIVE REGISTRY FILE *Colby Affair*)



Executive Registry  
10/5/75

Noted by DCI  
10/7/75



STAT

September 30, 1975

Mr. William Colby  
Director  
Central Intelligence Agency  
Washington, D.C.

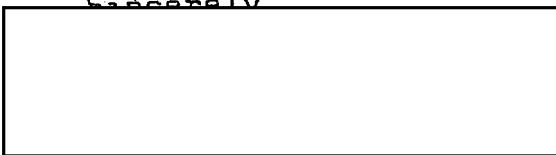
Dear Mr. Colby:

I wanted to drop you a note to let you know I haven't forgotten you and to thank you both for my most pleasant visit at the CIA and for the lovely pictures taken while I was there. They will contribute to making my week at Girls' Nation a memorable one. You may be pleased to know that one of the photos will soon be hanging in our city hall here.

Also, could you please take a minute and send me some information concerning the job of interning we spoke about this past summer. My graduation will be this June and I am sincerely interested in the possibility of working there. Maybe you could tell me what my chances are, etc. There is an enormous possibility that you will get a visit from me and maybe we can talk then.

Once again thank you for your time and consideration. Please extend my greetings to Mr. Thuermer.

Sincerely,



Girls' Nation  
Director of the CIA

*Pat Alford*

STAT

TO:

|    |           | ACTION | INFO. |    |          | ACTION | INFO. |
|----|-----------|--------|-------|----|----------|--------|-------|
| 1  | DCI       |        |       | 11 | LC       |        |       |
| 2  | DDCI      |        |       | 12 | IG       |        |       |
| 3  | S/MC      |        |       | 13 | Compt    |        |       |
| 4  | DDS&T     |        |       | 14 | Asst/DCI |        | ✓     |
| 5  | DDI       |        |       | 15 | AO/DCI   |        |       |
| 6  | DDA/S     |        | ✓     | 16 | Ex/Sec   |        |       |
| 7  | DDO       |        |       | 17 | D/PERS   | ✓      |       |
| 8  | D/DCI/IC  |        |       | 18 |          |        |       |
| 9  | D/DCI/NIO |        |       | 19 |          |        |       |
| 10 | GC        |        |       | 20 |          |        |       |

SUSPENSE \_\_\_\_\_

Date

Remarks:

WEC/SIP  
 DCI/DCI  
 10/7/75



# AMERICAN LEGION AUXILIARY

WASHINGTON OFFICE • 1608 K STREET, N. W. • WASHINGTON, D. C. - 20006  
(202) 393-4811

*Pub Affairs 26 Jul 75*

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

July 31, 1975

MEMORANDUM FROM: 1975 Girls Nation

In the interest of time, we are taking this means of thanking you for your invaluable help in making the 29th Girls Nation, our annual youth citizenship training course in the processes of federal government, a marked success.

During its week in Washington, July 12th to 19th, Girls Nation convened as a Senate, with two "Senators" from each of 50 Girls State sessions held earlier in the summer. Then it progressed through conventions of the "Federalists" and "Nationalists" parties to a spirited campaign which the "Federalists" won. Installed as Girls Nation President was Miss Alma Washburn of Greensboro, North Carolina. Presiding over the Senate as Girls Nation Vice President was Miss Lindy Delaney of Brea, California.

In addition to their exercises in legislation (63 bills were presented of which twenty reached the final stage of enactment) and in judicial proceedings, the girls received appointments to the enclosed list of administrative offices and each made a personal visit to the office of her actual counterpart in government.

All were deeply impressed by the numbers of dedicated federal officers who were willing to take time from their busy schedules to help make this a "a living experience in government". To their gratitude can be added the warm personal thanks of the American Legion Auxiliary's National President, Mrs. Maurice Kubby; of its Girls Nation Director, Mrs. John J. Roethel, and every member of the Girls Nation staff.

Each Girls Nation Delegate now has returned to her home community where, as a high school senior during the coming year, she will be sharing what she learned with her schoolmates, her neighbors and organizations throughout her state. She thus joins 540,866 to whom the American Legion Auxiliary has given experience thus far through the Girls State-Girls Nation program. We are proud of their accomplishments. We hope that you are too.

*Layton Hurst*  
LAYTON HURST (Mr.)  
Program Coordinator

Enclosure

*(Pub Affairs)*

KOL, OIP

TO: Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

|    | ACTION    | INFO. |    |          |  |   |
|----|-----------|-------|----|----------|--|---|
| 1  | DCI       |       | 11 | LC       |  |   |
| 2  | DDCI      |       | 12 | IG       |  |   |
| 3  | S/MC      |       | 13 | Compt    |  |   |
| 4  | DDS&T     |       | 14 | Asst/DCI |  | X |
| 5  | DDI       |       | 15 | AO/DCI   |  |   |
| 6  | DDM&S     |       | 16 | Ex/Sec   |  |   |
| 7  | DDO       |       | 17 |          |  |   |
| 8  | D/DCI/IC  |       | 18 |          |  |   |
| 9  | D/DCI/NIO |       | 19 |          |  |   |
| 10 | GC        |       | 20 |          |  |   |

SUSPENSE

Date

Remarks:

DCI/DCI

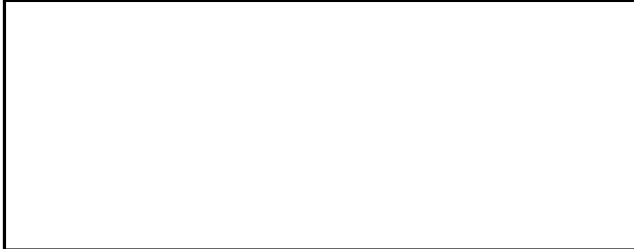
8/1/25

Executive Registry  
000100520001-9  
75-25363

*Basic filed  
Pub Affairs*

26 July 1975

STAT



It was a great pleasure to have you visit us here and to give you a glimpse of the job you undertook in Girls Nation. I attach a copy of the photographs we took at the time and hope that the other material gives you the answers you need about CIA. We were most impressed with your poise, questions and interest, plus, of course, your exceptional record at school. Perhaps we will hear from you again some day after you finish your education.

Best regards.

Sincerely,

*/s/*

W. E. Colby  
Director

WEC:blp

Distribution:

- Original - Addressee
- 1 - Assistant to the Director
- 1 - ER
- 1 - DCI

(four photos attached; one photo had inscription: "From one CIA Director to another, with best wishes - W.E. Colby 18 July 75")

EXECUTIVE REGISTRY FILE

*Pub Affairs*

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



**EXECUTIVE SECRETARIAT**

**Routing Slip**

TO:

|    |           | ACTION | INFO | DATE | INITIAL |
|----|-----------|--------|------|------|---------|
| 1  | DCI       |        | ✓    |      |         |
| 2  | DDCI      |        |      |      |         |
| 3  | S/MC      |        |      |      |         |
| 4  | DDS&T     |        |      |      |         |
| 5  | DDI       |        |      |      |         |
| 6  | DDA       |        |      |      |         |
| 7  | DDO       |        |      |      |         |
| 8  | D/DCI/IC  |        |      |      |         |
| 9  | D/DCI/NIO |        |      |      |         |
| 10 | GC        |        |      |      |         |
| 11 | LC        |        |      |      |         |
| 12 | IG        |        |      |      |         |
| 13 | Compt     |        |      |      |         |
| 14 | D/Pers.   |        |      |      |         |
| 15 | D/S       |        |      |      |         |
| 16 | DTR       |        |      |      |         |
| 17 | Asst/DCI  |        | ✓    |      |         |
| 18 | AO/DCI    |        |      |      |         |
| 19 |           |        |      |      |         |
| 20 |           |        |      |      |         |
| 21 |           |        |      |      |         |
| 22 |           |        |      |      |         |

SUSPENSE \_\_\_\_\_ Date \_\_\_\_\_

Remarks:

*JSC*  
 Executive Secretary  
 7/17/75  
 Date

3437 (P.75)

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

75-2536/1

*Emb. Affairs*

# AMERICAN LEGION AUXILIARY

WASHINGTON OFFICE • 1608 K STREET, N. W. • WASHINGTON, D. C. - 20006  
(202) 393-4811

June 26, 1975

The Honorable William E. Colby  
Director of Central Intelligence  
Washington, D.C. 20505

Dear Mr. Colby:

This is pursuant to our letter of May 29 informing you that the 29th annual session of Girls Nation, our youth citizenship training course in the processes of Federal Government, will be held at The American University from July 12 to 19, 1975.

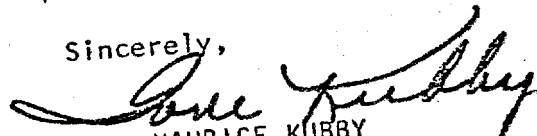
As we wrote you in our first letter, it is hoped that each Girls Nation citizen will have the opportunity to visit with the person in government who holds the office comparable to the one for which she has been chosen by Girls Nation. This would give her an invaluable insight into the Executive function of government and it will be a personal challenge to the girl appointed to this position to learn as much about it as possible in the short time at our disposal. In that aim, I am hopeful that she may have an opportunity to visit your office.

The hour of 2:00 p.m., Friday, July 18 has been set aside for each of our young ladies to pay a call on her counterpart. Could you possibly receive your young protegee personally at that time? It would be meaningful for her to meet with you briefly, then perhaps you could assign a staff member to show her around your office and answer her questions. If you will not be free to receive her in person, could you please designate a representative to see her in your behalf? (In that case, we will need the name and office number of that person.)

Programming is being coordinated by Mrs. Rita Schneiders of this office. For advance details please call her at 393-4811, Ext. 61, 62 or 63. By Wednesday, July 16, (following the Girls Nation election on Tuesday) she will be able to provide you with the name and background of your Girls Nation Counterpart.

As in former years, we will be grateful for any aid you can give us in making 1974 Girls Nation an exciting "living experience" in the processes of American Government.

Sincerely,



MRS. MAURICE KUBBY  
National President

IK/rms

| TO: |           | ACTION   | INFO             | DATE | INITIAL |
|-----|-----------|----------|------------------|------|---------|
| 1   | DCI       |          |                  |      |         |
| 2   | DDCI      |          |                  |      |         |
| 3   | S/MC      |          |                  |      |         |
| 4   | DDS&T     |          |                  |      |         |
| 5   | DDI       |          |                  |      |         |
| 6   | DDA       |          |                  |      |         |
| 7   | DDO       |          |                  |      |         |
| 8   | D/DCI/IC  |          |                  |      |         |
| 9   | D/DCI/NID |          |                  |      |         |
| 10  | GC        |          |                  |      |         |
| 11  | LC        |          |                  |      |         |
| 12  | IG        |          |                  |      |         |
| 13  | Compt     |          |                  |      |         |
| 14  | D/Pers    |          |                  |      |         |
| 15  | D/S       |          |                  |      |         |
| 16  | DTR       |          |                  |      |         |
| 17  | Asst/DCI  | ✓        |                  |      |         |
| 18  | AO/DCI    |          |                  |      |         |
| 19  |           |          |                  |      |         |
| 20  |           |          |                  |      |         |
| 21  |           |          |                  |      |         |
| 22  |           |          |                  |      |         |
|     |           | SUSPENSE | _____ Date _____ |      |         |

Remarks:

*JL*  
 D/Executive Secretary  
6/27/75  
 Date

3637 (1-75)

*Pub Affs*

Executive File  
75-25

29

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF THE DIRECTOR

2 June 75

Mrs Kubby -

His title is as

I have edited it.

Don't hesitate to  
call for any info.  
maintain.



Asst to Director

EXECUTIVE REGISTRY FILE

*Pub Affs*

## AMERICAN LEGION AUXILIARY

WASHINGTON OFFICE • 1608 K STREET, N. W. • WASHINGTON, D. C. - 20006

EXecutive 3-4811

May 29, 1975

The Honorable William E. Colby, Director  
Central Intelligence Agency  
Washington, D. C. 20505

Dear Mr. Colby:

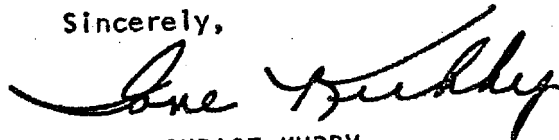
Girls Nation, our annual youth training course in the processes of Federal Government, will be held at The American University from July 12 to 19, 1975.

These 100 high school juniors will convene as a miniature U.S. Senate. After they have mastered the procedures of the Senate, they will hold party conventions, campaigns and an election, and the winning party will form an administration in which there will be an office comparable to yours. The girl who holds this office will want to learn its primary functions as well as possible in the limited time available. It's our challenge to help her.

Before we print the official list of counterparts in the Girls Nation Handbook, we would like to be certain that we have all names, offices, titles and addresses in the correct form. If the inside address of this letter is in any way incorrect, would you please let us know as soon as possible.

Your cooperation in this endeavor will be greatly appreciated.

Sincerely,



MRS. MAURICE KUBBY  
National President

IK/rms

Enclosure: Girls Nation Fact Sheet

EXECUTIVE REGISTRY FILE *Pub Affs*

UNCLASSIFIED CONFIDENTIAL SECRET

**EXECUTIVE SECRETARIAT**

**Routing Slip**

| TO:      |           | ACTION     | INFO | DATE | INITIAL |
|----------|-----------|------------|------|------|---------|
| 1        | DCI       |            |      |      |         |
| 2        | DDCI      |            |      |      |         |
| 3        | S/MC      |            |      |      |         |
| 4        | DDS&T     |            |      |      |         |
| 5        | DDI       |            |      |      |         |
| 6        | DDA       |            |      |      |         |
| 7        | DDO       |            |      |      |         |
| 8        | D/DCI/IC  |            |      |      |         |
| 9        | D/DCI/NIO |            |      |      |         |
| 10       | GC        |            |      |      |         |
| 11       | LC        |            |      |      |         |
| 12       | IG        |            |      |      |         |
| 13       | Compt     |            |      |      |         |
| 14       | D/Pers    |            |      |      |         |
| 15       | D/S       |            |      |      |         |
| 16       | DTR       |            |      |      |         |
| 17       | Asst/DCI  | ✓          |      |      |         |
| 18       | AO/DCI    |            |      |      |         |
| 19       |           |            |      |      |         |
| 20       |           |            |      |      |         |
| 21       |           |            |      |      |         |
| 22       |           |            |      |      |         |
| SUSPENSE |           | Date _____ |      |      |         |

Remarks:

*D. J. S. C.*  
 Executive Secretary  
 6/2/75  
 Date

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



# DEA Was Offered

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

# Explosive Devices

By Lawrence Meyer  
Washington Post Staff Writer

An Alexandria "electronics" firm attempted to sell an official of the Drug Enforcement Administration "assassination devices" designed to carry explosives in such unlikely places as a telephone handset, a cigarette pack or a flashlight.

The official, Lucien Conein, had gone to the firm last spring to inspect electronic surveillance equipment that DEA wanted to purchase, according to an agency spokesman, Robert H. Feldkamp. Conein and a second DEA official, Cyril Frank, also observed a demonstration of the explosive equipment but did not buy any of it, according to Feldkamp.

A catalogue of equipment apparently sold by the company, B. R. Fox, describes several devices designed to carry explosives triggered by time, movement, mechanical pressures, light, or audio mechanisms.

The catalogue states, "The devices have been designed and manufactured for sale to authorized agencies of the United States government, specifically intended for application outside of this country . . . The information contained herein is classified by the manufacturer for U.S. government use only. The handling and storage of this material should be done so mindful of its sensitive nature."

Feldkamp said that Conein and Frank observed a demonstration of "several" devices although Feldkamp said he did not know which devices they saw. Conein, a former employee of the Central Intelligence Agency, is acting chief of special operations and field support for the DEA's office of intelligence. Feldkamp said that Conein's office is the operational arm of the intelligence division and devises ways to penetrate illegal drug operations.

Conein was not available for comment. Feldkamp said that Frank "said emphatically that the demonstration was not requested."

Conein's reaction to the demonstration, Feldkamp said, was, "Very interesting. However, that's not why I'm here." Asked why the demonstration was made by the salesman, whom Feldkamp said he could not identify, Feldkamp replied, "Like any good salesman, the guy was trying to make a sale. He was told DEA has not, will not, does not purchase that type of equipment."

The DEA did buy "a hundred bucks worth" of electronics surveillance equipment, which Feldkamp said is "frequently used [by the DEA] under court order."

Asked why Conein watched the demonstration, Feldkamp said, "You'd probably do the same thing out of curiosity or whatever."

Conein, a longtime employee of the CIA, left the agency in 1968 and joined the Bureau of Narcotics and Dangerous Drugs, DEA's predecessor, as a

to use Conein as part of an effort to discredit Daniel Ellsberg publicly.

According to Sen. Lowell P. Weicker Jr. (R-Conn.), who released information about the incident, Conein speculated that the Fox firm may have thought that Conein was still at the CIA.

Conein apparently did not report the demonstration of the equipment to anyone at the DEA. Weicker said he told DEA Administrator John R. Bartels about the matter on Monday and Bartels "was as shocked and aghast as most people would be." Weicker commented, "Things have come to a pretty sorry pass when people start peddling this stuff to law enforcement agencies and nobody thinks it strange. Bugging equipment can be used legally. There's no way this equipment can be used legally."

Feldkamp said "it wouldn't be within the purview of DEA as a narcotics agency" to review the legality of the explosive equipment.

A cover memo dated June 10, 1974, written on B.R. Fox stationery by a person Weicker identified as Mike Morrissey to Mitchell WerBell III, a Georgia armaments dealer, states that equipment in an accompanying catalogue of explosive equipment "was demonstrated to Lou in this office about three weeks ago . . . I bring this to your attention in case you have not yet seen the material. It is a listing of equipment that is available and planned for Lou up here."

WerBell, who said he made and sold silent automatic weapons to foreign countries with the approval of the federal government, said he had never seen Morrissey's memo because a former employee had intercepted it before WerBell could see it.

WerBell said that he had talked yesterday to both Morrissey and Conein. Conein, WerBell said, told him the equipment had never actually been made. "Lou's not in the assassination business and neither am I," WerBell said.

Morrissey could not be reached for comment.

Barbara Fox Spindel, whose home address is listed as the address for B.R. Fox Laboratories, said in a telephone interview last night that she had served as president of the company, founded by her late husband, but that she had disassociated herself from it last March because she and Morrissey could not get along. She said Morrissey withheld information from her about the firm's business.

Mrs. Spindel said that B. R. Fox is no longer functioning, that she knew nothing about the explosive devices and that she had never seen the catalogue describing them. "We never made explosive devices," Mrs. Spindel said. "We were making surveillance devices. That was our field."

WASHINGTON Post

24 JAN 1975 STAT

LANDSLIDE IN CANADA—This is all that remains of a street in Asbestos, a mining town

## Cuba Seeking Trade For 'CIA Agent'

United Press International

Cuba is willing to release an alleged CIA agent in exchange for a woman who has been in an American jail for 29 years after taking part in a shooting spree by Puerto Rican nationalists in Congress, officials said yesterday.

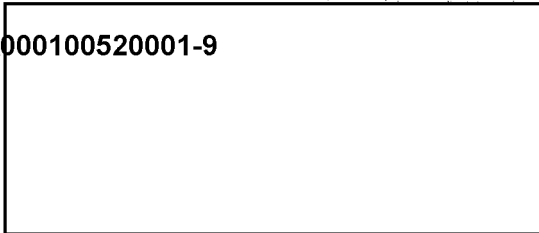
So far, the officials said, there is no indication as to how the administration will respond to the offer by Cuban Premier Fidel Castro.

Castro's offer was interpreted as a deliberate effort to ingratiate himself with Puerto Rican nationalists, who are opposed to continued U.S. possession of the island.

The woman, Lucinda Lebron, 55, was one of four Puerto Rican nationalists who fired pistols at random from a spectators' gallery in the House in March, 1954.

The alleged CIA agent Castro is offering to trade for her freedom is Lawrence Lunt, who went to Cuba in the early 1960s. He was arrested in 1965, was convicted of espionage and was given a 30-year prison

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



*over*  
*with part*  
A PLAN OF "ATTACK"

FOR

THE CENTRAL INTELLIGENCE AGENCY

March 1, 1976



23 MAY 1979

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

# The Washington Star

## Braniff Chief Loses Deregulation Fears

By Thomas Love  
Washington Star Staff Writer

Braniff President Russell Thayer was worried last year that under deregulation his relatively small company would be swamped by the giants in the industry.

He needn't have worried.

Then Braniff was the nation's ninth largest airline. Now it's the sixth. Then Braniff flew 38,000 route miles. Now it flies 61,000. Then it was flying at an annual rate of 9 million passengers. Now it's 12 million.

"We were afraid the big man in bar-room would win the fight," he explained. "United is enormous —



many, many-times bigger than Braniff. They have more mechanics on strike that we have total employees in our worldwide system.

"We were pleasantly surprised when they only took one city pair when they were No. 1 in line" to claim additional routes, he said.

He told the Aero Club here yesterday that he also feared there could be re-regulation brought about by complaints from communities losing service.

Again, this doesn't seem to be coming about, he said.

"BRANIFF ONLY withdrew from two cities which are now receiving better service from local carriers than (they did) from our larger planes," he said.

"Our fears (of deregulation) are fading away," the president of the nation's fastest growing airline added.

Although the changes in Braniff really began only five months ago, on Dec. 15, when the airline moved into its first new route under deregulation, the seeds were planted about eight years ago," Thayer said.

While most airlines were switching to wide-bodied jets, Braniff decided to stick with Boeing 727s. "With our hub-and-spoke route structure, we did not have the concentration for wide-bodies," he said. "So we decided to simplify our fleet with only one type of plane in the 48 states. We're the only airline with just one type."

The results were even better than predicted, "especially in utilization and efficiency of our most expensive assets — our flight crews. Flying one type of airplane allowed us to get full utilization with minimal crew downtime. Any crew can take any flight from any place to anywhere.

The company bought about 10 new planes a year, selling five to seven of the older ones, which modernized the fleet and reduced maintenance expense.

"This set the stage for us to be able to take advantage of deregulation," Thayer said.

The company's route structure was based on the three central hub cities of Kansas City, Dallas-Fort Worth and Houston.

"All of the routes we have picked up under deregulation had been applied for previously," he said. "We were able to telescope 20 years of growth into the early spring of 1979."

The needed additional planes "were rather easy to come by," Thayer said. "We increased utilization from 9 hours 25 minutes to 10 hours 30 minutes a day — this gave us plus 14 airplanes; we had 10 on order from 2½ or three years before as a part of our normal cycle (which) gave us 24; we leased three others, which gave us 26 airplanes very quickly."

Many people were worried about finding ground facilities, Thayer said, but this turned out to be no problem. At Kansas City, for instance, Braniff already had 12 gates, "so it was an easy operation to pick up the Ohio Valley and northeast operation from there. We also had good facilities in Houston. Timing was very important. In Philadelphia, we moved in when National was pulling out (and ended with) two adjacent center middle gates.

"At the other extreme, in Reno, we started service in one afternoon from a trailer. We received authority about noon and were in operation by 5 p.m.," he continued.

"One of most interesting fallouts of deregulation has been the reaction of our personnel," he said. "It made all the difference. All our union contracts go to October 1981. For the second time around, we have a no-strike pilots' contract."

He credits this to deregulation, which led to a "shift in peoples' feelings from being members of an industry and a union to being members of a company. And (they felt) whether the company was successful or failed was largely up to what they did."

Perhaps the most-noticed move Braniff has made lately was starting Concorde service between Dulles International Airport and Dallas-Fort Worth.

"It wasn't all that easy," Thayer said. "We had been working on Concorde 2½ years. I doubt if we could have achieved it if we hadn't tried to achieve both parts at some time — the British and French. It's still a question mark whether I could have brought either to final negotiations unless the other was involved.

A year and half ago, he said, he was sitting at Heathrow Airport in London with the managing director of British Airways, trying to get the agreement.

"He said it was too new a departure and he couldn't possibly sign it," Thayer recalls. "He looked at me and asked what I planned to do next. I said I would jump on an airplane and go right across the channel and get the French to sign."

"Do you think they will?" he asked. Having never met with them, I said, "Yes, I'm sure they will." He said, "Give me the paper. I'll sign it now."

Braniff continues the Air France and British Airways flights from Virginia to Texas and back again with its own crews, changing the nationality letter on the registration number with a CIA-developed special tape which can withstand the heat of supersonic flight.

The agreement has been highly profitable, Thayer said. They have been operating with a 70 percent load factor, when the company could be making money at 50 percent.

One interesting sideline to the Concorde situation, he said, is that Customs was charging the company with a \$3 million import each time a Concorde was switched to Braniff operation.

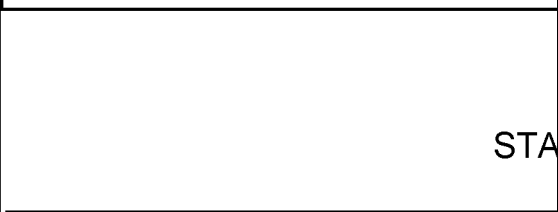
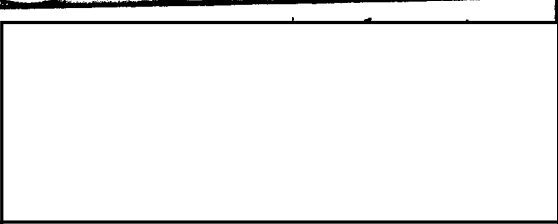
The company received a Customs exemption and legislation is pending to change the law, Thayer added.

# evergreen

STAT

EVERGREEN PUBLISHED WEEKLY

*Evergreen Review*  
*April 1968*



STAT

## EXCLUSI



**Soviet  
master agent  
Kim Philby  
tells his  
own story**

ARTICLE APPEARED  
ON PAGE 98

THE NEW YORK DAILY NEWS  
8 November 1979

## Here is it—mission invisible

By DON GENTILE

Good evening, Mr. Phelps. Here is your mission should you choose to accept it. All the copies of a certain spy thriller have seemingly self-destructed. Where did they go? What mysterious force has infiltrated the book stores of America?

The case was solved with an emphatic "What's all this 'ere?" when none other than the giant British Petroleum Co. confessed that it had indeed forced an American publishing company to recall a spy book that traces the coup which restored the Shah of Iran to power in 1953.

The McGraw-Hill Book Co. confirmed that it has called back all copies of "Countercoup," written by former Central Intelligence Agency operative Kermit Roosevelt, grandson of President Theodore Roosevelt.

In the tell-it-all book, Roosevelt recounts the CIA-inspired countercoup that toppled the regime of Iranian Premier Mohammed Mossadegh, who had nationalized Iran's oil wells. Roosevelt, who called the coup a joint British-American intelligence operation, was said to have slipped into Iran secretly and masterminded the coup—which left the shah once again in complete control of the country—from a basement hiding place.

### Where the sticky wicket lies

But where the sticky wicket lies as far as the British oil firm is concerned is Roosevelt's mention of the secret activities of the Anglo-Iranian Oil Co., British Petroleum's predecessor company.

As explained by McGraw-Hill, the CIA checked over Roosevelt's manuscript before it was published and asked that references to the British intelligence unit called MI 6 be deleted. The British apparently do not even acknowledge the existence of such an organization.

So Roosevelt substituted the Anglo-Iranian Oil Co., which 25 years ago became BP, for all his references to MI 6.

A spokesman for McGraw-Hill could not say why Roosevelt chose to substitute that specific oil company's name and the author could not be reached for comment. But the Anglo-Iranian Oil Co. was one of the group of foreign-run oil companies that Mossadegh nationalized.

### 'Quite wrong and quite libelous'

"Our corporate lawyers, needless to say, got quite upset about this," said Charles Cook, a London spokesman for BP. "It implied that we helped organize the coup, which is quite wrong and quite libelous."

McGraw-Hill agreed and sent out a recall notice on Aug. 17. The book had been sent to about 80 reviewers and several hundred copies had gone to bookstores.

"We've gotten about 85% back," said Donald Rubin, a McGraw-Hill spokesman.

The book will be revised by Roosevelt and the book company is shooting for a mid-January redistribution date.

"We think the changes will improve the quality of the book," Rubin said.

THE WALL STREET JOURNAL  
 6 November 1979

## The Coup Against 'Countercoup': How A Book Disappeared

\* \* \*

### The Strange Story of a Fight Involving Spies, Oil Firm And a New York Publisher

By DAVID IGNATIUS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—The plot—a quarrel involving a major multinational oil company, a gaggle of British and American spies, and a big New York book-publishing concern—sounds like an espionage thriller gone haywire.

The intrigue surrounds a book called "Countercoup," written by a former Central Intelligence Agency operative named Kermit Roosevelt. The book heroically recounts Mr. Roosevelt's adventures supervising a 1953 coup in Iran. This countercoup, as Mr. Roosevelt calls it, had been organized by British and American intelligence to topple an allegedly pro-Soviet regime.

"Countercoup" was published in August by McGraw-Hill Book Co., a unit of McGraw-Hill Inc. Copies were in the hands of reviewers several months ago, and the book was on sale late last week in some Washington-area bookstores.

But it wasn't supposed to be on sale anywhere; the entire first edition of 7,500 copies has been "scrapped," according to Victor DeKeyserling, director of publicity for the McGraw-Hill book-publishing concern. Mr. DeKeyserling says he sent telegrams to about 70 reviewers and to book distributors informing them that the book had been withdrawn, and would be destroyed, because of "defective production and errata." He says a revised edition will be "reissued" next spring.

What sort of mistake could be so awful that it would cause a publisher to recall an entire first edition? And why would a major oil company put pressure on the publisher to take such drastic action?

#### Mr. Roosevelt's Story

Our story gets a bit murky here, and we must rely on the account that has been offered by Mr. Roosevelt to a number of his old CIA friends. Mr. Roosevelt has confirmed the basic details.

It seems that in writing his book, Mr. Roosevelt faced a touchy problem in describing the activities of a British intelligence unit—MI 6—that doesn't even like to acknowledge its existence, let alone its role in planning Mideast coups.

The CIA, to which Mr. Roosevelt submitted his manuscript for prepublication review, insisted that any direct references to British intelligence would have to go. Mr. Roosevelt then decided to alter such passages so that they referred, instead to Anglo-Iranian Oil Co., a predecessor of the multinational giant, British Petroleum Co. Ltd. (BP is 51% owned by the British government and among other things, is the parent of Standard Oil Co. of Ohio, or Sohio.)

Sticky wicket for BP. Mr. Roosevelt's editorial change suggested either that BP's predecessor had been providing cover for intelligence operations in Iran or that it had maintained a covert action program of its own. When BP executives learned what was in the book, they raised what Mr. Roosevelt has described to friends as a "huge protest."

#### "Wrong" and Maybe "Libelous"

BP promptly contacted both Mr. Roosevelt and McGraw-Hill and told them that statements in the book that Anglo-Iranian had helped organize the coup were "wrong, inaccurate and thought to be libelous," according to BP spokesman Rupert Hodges. McGraw-Hill, after doing some checking of its own, moved to recall the book.

Alas, BP's indignant protest was a bit late. In August, some books had arrived at bookstores, and a few booksellers promptly displayed them. A retired CIA official reports that "a whole stack of them" could still be found last week at a bookstore in McLean, Va., only a few miles from the CIA's headquarters.

"Something went awry," one former intelligence officer observes.

McGraw-Hill estimates that only 400 copies of Mr. Roosevelt's book actually got into the hands of bookstores and reviewers, and that 85% of these have been returned to the company since the recall notice went out Aug. 17. The recall hasn't been publicized. And as for the copies that remain in Washington-area bookstores, "if people don't want to return them, they don't have to," says Donald Rubin, director of public affairs for the parent McGraw-Hill Inc.

Before the last remaining copies of the first edition are snapped up, here's a brief summary of what readers weren't supposed to read:

Mr. Roosevelt states, on page three, that "the original proposal for Ajax (the code name for the coup) came from the Anglo-Iranian Oil Company (AIOC) after its expulsion from Iran nine months earlier." Odd, perhaps, for an oil company to propose overthrowing a foreign government, but read on.

Mr. Roosevelt explains on page 107 that it was in November 1952 that "the AIOC ap-

proached me as I passed through London. It seems the British oil magnates, led by someone named John Cochran, proposed to Mr. Roosevelt "nothing less than the overthrow of Mossadegh," who was at that time prime minister of Iran. Later that year, Mr. Roosevelt says on page 119, "the British-AIOC—journeyed to Washington... purely for operational discussions." Finally, on page 154, the reader discovers that "unknowingly, AIOC and the CIA shared an agent—we called him Rosenkrantz..."

McGraw-Hill officials won't discuss the revisions that are being made in "Countercoup." "We think the changes being made in the book will only improve it. That's the long and short of it," the company's Mr. Rubin says.

Despite gossip around Washington that BP had offered at one point to help finance the reissue of "Countercoup," both Mr. Rubin of McGraw-Hill and Mr. Hodges of BP categorically deny that any such proposal was made. "In no case is McGraw-Hill going to accept money directly or indirectly from any third party," Mr. Rubin says.

Mr. Rubin also insists that there hasn't been any "pressure" from the CIA or any other U.S. agency. Nobody at McGraw-Hill has even talked with the CIA about the book, he adds.

At the CIA, spokesman Herbert Hetu confirms that there weren't any discussions with McGraw-Hill. The agency did object to Mr. Roosevelt's initial plan to mention British intelligence, he says, but it didn't suggest the unfortunate choice of Anglo-Iranian as a substitute. "We would normally take out references to activities with other intelligence services," Mr. Hetu says. "Anonymity is part of the game."

It's all very embarrassing, of course. Tales of the "Countercoup" fiasco have been making the rounds among CIA alumni for several weeks. One particularly embarrassing miscue in the book is a photograph that supposedly shows Iranians demonstrating during the 1950s in favor of the since-deposed shah; the photograph is captioned, "Crowds fill the streets in support of the shah."

If the reader looks closely at the placards that the demonstrators are carrying, they clearly picture—not the shah at all—but Joseph Stalin. And some of the banners carried by these supposedly pro-shah demonstrators actually say things like "Down with the shah."



1657 North California Boulevard • Walnut Creek, California 94596 • (415) 933-5600

March 15, 1976

Central Intelligence Agency  
Washington, D. C. 20505

Gentlemen:

I would like to have a member of the CIA (or retired former member) speak to the Contra Costa Board of Realtors, 111 Wiget Lane, Walnut Creek, California, at 8:00 a.m. on one of the following dates: May 7, May 14, or May 21, 1976.

I have recently read "The Service" by General Rinehart Gehlen, "Spy of the Century" by Cookridge (also about Gehlen), "CIA and Other Occult Services" and a few other books.

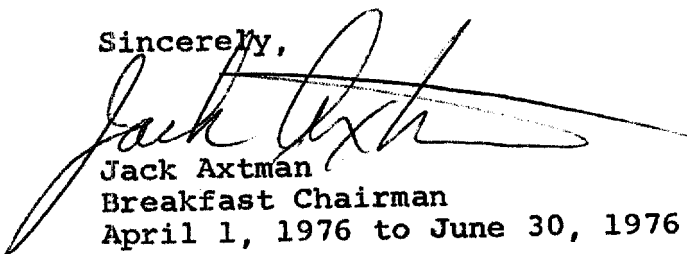
I feel that it is essential for the United States to know what other nations are doing and I believe that our realtor members should have some idea of the necessity for intelligence.

If possible, I would like the speaker to speak on the subject of the necessity of intelligence and the method of recruiting spies as used by the United States, Russia and China.

Also the use of propaganda by foreign agents and our own nationals to incite riots and revolutions in various nations around the world, and the use of misinformation in books and newspapers to persuade nations to oppose their own governments.

The time allotted for a speaker is 20 to 25 minutes. If the above subjects are too varied and lengthy for one speech, I would like to talk to the speaker about making a speech that would fit into the allotted time. There should be about 10 to 15 minutes after the speech for questions from the audience.

Sincerely,

  
Jack Axtman  
Breakfast Chairman  
April 1, 1976 to June 30, 1976

ILLEGIB

P.T. Spoke to his secretary  
3/24. Regretted.  
Suggested

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9





BROADCAST INFORMATION SERVICES, INC.

5303 East Evans Avenue - Denver, Colorado 80222  
(303) 753-0043

25 East Frisco Avenue - St. Louis, Missouri 63119  
(314) 961-4113

PRICE LIST

TRANSCRIPTS

NEWS BROADCASTS .....\$ 15.00/100 lines  
.20/line after 100

PUBLIC AFFAIRS PROGRAMS .....\$ 50.00/15 minutes  
\$100.00/30 minutes  
\$150.00/60 minutes

AUDIO TAPES .....\$ 15.00/15 minutes  
\$ 30.00/30 minutes  
\$ 45.00/60 minutes  
*(Audio tapes charged per news item on cassette at \$15.00 per segment)*

VIDEO CASSETTE.....\$ 75.00/15 minutes  
\$100.00/30 minutes  
\$150.00/60 minutes  
*(Video tapes are charged at \$25.00 each news item after first segment on a per-day basis, e.g., two items \$100.00)*

KINESCOPE.....\$ 25.00/minute b&w  
\$ 30.00/minute color

STORYBOARDS .....\$ 20.00/board/b&w  
\$ 30.00/board/color

*Retainer fees determined individually.*



OUR  
10TH  
YEAR

**BIS**  
BROADCAST INFORMATION  
SERVICES, INC.

**A PRESS CLIPPING SERVICE IS NOT ENOUGH**

Monitoring the media is an important element of your company or clients' public relations and marketing plans — A PRINT PRESS CLIPPING SERVICE CANNOT GIVE YOU THE COMPREHENSIVE COVERAGE YOU NEED.

- You need BIS to complete your media monitoring and give your company or clients the benefit of 100% of what was broadcast and how it was reported.
- You need BIS to let you know what was said, how it was said and when it was said so you can respond quickly and accurately to the news media with your side of the story.
- You need BIS to let you know what your competition or opposition is saying and how much broadcast time he has received so that you can receive your equal share of time as stated in the Fairness Doctrine.
- You need BIS to find out what legislators, regulatory agencies, consumer organizations, the public or other groups are saying about you, and how and why they are saying it.
- You need BIS to make sure the information you release is broadcast accurately.
- You need BIS as a record of which media said what and when they said it.
- You need BIS as a source of reference information.
- You need BIS to keep management informed of what is being said about its company or about its competition or opposition.
- You need BIS to keep an historical record of your organization's coverage in the electronic media.

**COVERAGE**

BIS video and audio tapes network and local news, public affairs programs, and commercial announcements on every major T.V. and Radio station in Denver and St. Louis.

A BIS professional can discuss a specific coverage program designed to meet any or all of your company's needs.

**WHAT BIS CAN DO FOR YOU**

Experienced BIS professionals offer a wide variety of services. Newscasts, talk shows, public affairs programs and commercial announcements about your company, your clients' company or competing organizations can be provided in several ways:

- **Video Tapes** - Betamax & 3/4" cassette, color or black and white audio/visual accounts of a television broadcast.
- **Audio Tapes** - Cassette or reel-to-reel accounts of the actual broadcast.
- **Broadcast Transcripts** - Verbatim accounts of broadcast information transcribed for your permanent record.
- **Kinescopes** - Color or black and white 16mm optical track film and audio sound track of a transmitted TV program or commercial announcement.
- **Storyboards** - A 16mm film strip account of a broadcast with a verbatim script of commercials and/or news reports.
- **Teletypewriter** - BIS can notify you of a broadcast, have the information transcribed immediately, teletype it to your office, send it by messenger or mail it to you depending on your needs.

**CAN YOU AFFORD IT?**

YOU CANNOT AFFORD NOT TO USE BIS. Without a permanent record from BIS you are missing the public's major source of news information.

BIS annual retainer fees begin as low as \$200 per month depending on your organization's or clients' needs. Fees are based on how many stations and how much information a client would like monitored. On an annual fee basis you know about stories you have not anticipated and stories about what your competition is doing. Our retainer clients also receive stories related to their industry which have positive or negative implications at no additional charge.

An annual subscriber has a considerable advantage in that he is assured of receiving all the broadcast information he needs on a quicker and continuous basis.

BIS service fees on a per transcript basis are \$12 to \$15. With this particular fee schedule BIS can be alerted — by phone, mail or teletypewriter — that a story has been released. Even if you do not alert BIS to pick up the information on the day of the broadcast, a coding and filing retrieval system of TV and radio station tapes is kept for two weeks. (Video for one week.) This system is used daily, actually assuring the recovery of a message you need to have for your records.

Prices for audio tapes, video tapes, lengthy program transcripts, kinescopes and storyboards vary according to length and whether black and white or color.

**HOW TO USE BIS**

BIS is perhaps the most successful and effective tool for our clients' total marketing and public relations programs. As your personal media watch, BIS is advantageous to your company or clients on a continuous basis or on a per transcript basis, depending on how often you are in the news or how many stations you wish to monitor.

On the per transcript basis, just call or send us a release on the information you want transcribed and BIS will have its staff process it and mail or teletype it immediately to your office.

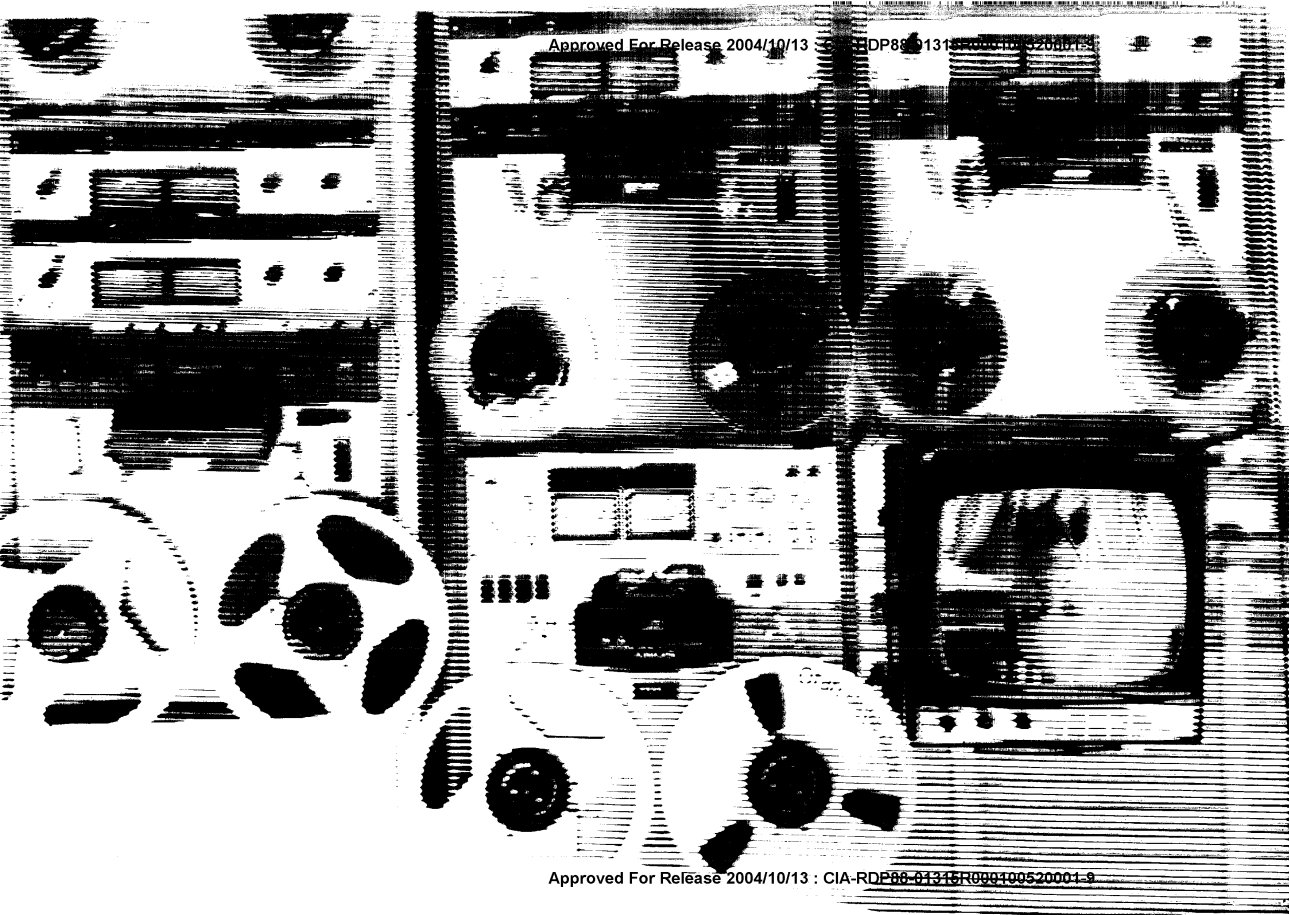
For further information regarding our services contact:



2500 E. Evans, Suite 100  
Denver, Colo. 80222  
(303) 753-0043

Broadcast Information Services, Inc.  
25 East Frisco Avenue  
Missouri 63119  
(314) 661-4113





At any given moment a reporter could be talking about your company or organization ... but would you know it?

The chances are you wouldn't. There are hundreds of thousands of networks and local newscasts, public affairs programs and commercials broadcast daily over radio and television stations reaching 65 million U.S. households.

According to a study conducted by the Roger Organization, 75 percent of people in the United States rely on TV and daily rely on radio as their main source of news.

Formotion On Any Day, 10% rely on newspapers and 10% rely on TV.

media millions of people receive information and formate opinions about different people place issues events and most importantly YOUR company or organization.

Can you be sure your company is being reported in hundreds of thousands of news stories in your city? Have you heard of them? Even if you HEARD THAT STORY, CAN YOU CALL ALL OF WHAT WAS SAID AND EXPLAIN HOW IT WAS SAID AND MEMORABLE? YOU DON'T KNOW IT.

BIS is the professional monitoring and recording service of radio and television news programs, talk shows, public affairs programs and commercials.

BIS is the professional monitoring and recording service of radio and television news programs, talk shows, public affairs programs and commercials.

BIS can provide your organization with the right information on a regular basis and respond to what is being reported. Just how critical it is for you to know about professional monitoring service we know LOCAL television. As an experienced professional monitoring service we know and respond to what is being reported.

BIS can provide your organization with the right information on a regular basis and respond to what is being reported.

Can you be sure your company is being reported in hundreds of thousands of news stories in your city? Have you heard of them? Even if you HEARD THAT STORY, CAN YOU CALL ALL OF WHAT WAS SAID AND EXPLAIN HOW IT WAS SAID AND MEMORABLE? YOU DON'T KNOW IT.

BIS is the professional monitoring and recording service of radio and television news programs, talk shows, public affairs programs and commercials.

BIS can provide your organization with the right information on a regular basis and respond to what is being reported.

Can you be sure your company is being reported in hundreds of thousands of news stories in your city? Have you heard of them? Even if you HEARD THAT STORY, CAN YOU CALL ALL OF WHAT WAS SAID AND EXPLAIN HOW IT WAS SAID AND MEMORABLE? YOU DON'T KNOW IT.

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

6 June 1977

Mrs. Patricia V. Fogarty  
Public Information Director  
Bryant College  
Smithfield, Rhode Island 02917

Dear Pat,

Please forgive my tardiness in expressing sincere thanks for all you did to make our visit so pleasant and successful. I particularly appreciated your outstanding efforts on behalf of the "60 Minutes" camera crew. I know it was an extremely busy time for you but you handled the extra burden of having us around in a seemingly effortless and in a totally professional manner. The news conference was also a total success due to your hard work.

Many thanks again for everything and best wishes to both you and Joe.

Sincerely,

Herbert E. Hetu  
Assistant to the Director  
Public Affairs

A/DCI/PAO/kgt/6 June 1977

Distribution:

Orig - Addressee  
1 - HEH Chrono  
~~1~~ - A/DCI/PAO/CM

PROVIDENCE SUNDAY JOURNAL  
22 MAY 1977

ARTICLE REPEATED  
ON PAGE 15-16

# Stansfield Turner urges graduates at Bryant to scrutinize government

RICHARD C. DUJARDIN  
Special-Bureau Staff Writer  
SMITHFIELD — Calling the  
United States "the largest and  
most important public organiza-

tion in the world," the chief of  
the CIA urged graduates at Bry-  
ant College's commencement exer-  
cises yesterday to get involved  
in government and to take a

keen interest in its affairs.

Admiral Stansfield Turner issued the call in a commencement address heard by an estimated 7,000 persons, including 950 graduates, on the lawn of the Bryant campus and just after receiving one of the college's six honorary degrees.

Throughout his speech, Turner barely mentioned the CIA and spent his time depicting government as an exciting and rewarding career.

He suggested that this year's class, having studied in comparatively peaceful times, was luckier than those that went to school in the late 1960s and early 1970s.

"While your predecessors were understandably and justifiably concerned with the social and political wrongs they saw around them," he said, "in some measure they became the victims of their own crusades.

"In their day participation in causes was viewed as either black or white. You were either for them or against them. If you were a moderate you were coping out. The pressure on college students to choose sides was intense, and the pressure to choose the side against that amorphous mass known as the government was intense indeed."

Turner said this year's graduates, having avoided those "unnatural pressures," can now "go forward with a more objective

outlook and conduct an objective scrutiny of the activities of government" for the rest of their lives.

"Only by having you and our other citizens do this can we be insured against excesses such as Watergate."

Yesterday's commencement, held under partly sunny skies, was the 114th in the college's

history. The graduates included 569 baccalaureate, 265 associate and 116 graduate degrees.

Other honorary degree recipients included Connecticut Gov. Ella Grasso, who arrived earlier in the morning by helicopter; U.S. Rev. Thomas R. Peterson, O.S.A. president of Providence College; Demetrios Haseotes, chairman of the board of the Curablar

Farms store chain; Judge Joseph R. Weisberger, presiding justice of the Rhode Island Superior Court, and Charles J. Wielguis, 1947 Bryant graduate and now senior vice president of Dunwoody Street.

The event was also highlighted by the investiture of Dr. William T. O'Hara, who became Bryant College's fifth president last September.

Turner, a former commander of the United States Second Fleet and NATO Striking Fleet Atlantic in 1974 and commander in chief of Allied Forces Southern Europe in 1975, was president of the Naval War College in Newport five years ago. Today he receives an honorary degree from Salve Regina College.

# CIA chief mum on issue of Korea pullout

By RICHARD C. DUJARDIN  
Journal-Bulletin Staff Writer

SMITHFIELD — Adm. Stansfield Turner, director of the Central Intelligence Agency, declined last night to discuss whether he thinks President Carter's plans for withdrawing U.S. troops from South Korea will lead to war.

Turner, speaking at a press conference at Bryant College, where he will receive an honorary degree today, said the question of what would happen if the United States did pull out of Korea depended heavily on "what the reactions of the South Koreans would be and of course the other countries in the area."

He said he already has passed on his assessments to what their

reactions would be to his superiors in the Executive Branch, "but I am not at liberty to discuss them here."

His remark came just a day after it was announced that President Carter had ordered the recall of Maj. Gen. John Singlaub from his post of chief of staff of U.S. forces in South Korea. The recall is in apparent response to Singlaub's criticism of Mr. Carter's proposal on withdrawal.

"You don't want me to stay here till tomorrow to get my degree?" Turner joked. "Do you want me recalled?"

Asked about apparent discrepancies in his own recent comments that seemed to indicate that President Carter had not yet made a final decision on withdrawing troops, Turner said, "That question would have to be referred to the White House."

The CIA director indicated also that he was not bothered by former President Nixon's recent comments in the television interviews conducted by David Frost that the CIA had "dropped the ball" on a number of occasions while Nixon was President.

"Other than looking backward to be sure the possibility of errors in intelligence operations do not recur, I'm out here looking to tomorrow. I'm not here digging into the past other than when I absolutely have to," Turner said.

He praised Mr. Carter's proposal for legislation to require court authorization for CIA wiretapping, saying that while the bill would limit CIA operations to some extent, "We will still be able to do wiretaps under very controlled conditions."

He suggested that the measure would "prevent abuses of

power in our collecting of intelligence material" and in the end probably would restore confidence in the agency.

The Central Intelligence chief also dismissed speculation that he plans to return in a year or two to a post in the military, such as chief of naval operations or chairman of the Joint Chiefs of Staff. He said he "absolutely would not seek out any military position such as that."

"I feel I have my hands full and that this job is as important as one I can fill in the United States at this time," he said.

Turner also declared he has "no designs" for seeking legislation to punish journalists who publish secret classified material, but that he is concerned about the flow of classified information that reaches the public from CIA members through unauthorized channels.

"What we want to do is encourage people not to do this," he said. "We're not interested in punishing them."

He said the "encouragement" could come in a variety of ways, such as by reducing the total amount of classified material, thereby increasing respect for what is classified, and by strengthening or replacing administrative, civil and criminal sanctions.

Turner said he has no intention of breaking any laws to gather intelligence information and "I am scrupulous in watching that we do not."

10B

Minneapolis Tribune  
Thurs., April 14, 1977

## CIA will send 20 'students' to area

Associated Press

The CIA will send about 20 people to study management practices in Minneapolis-St. Paul area companies as part of its training courses for CIA employees.

A spokesman for the intelligence agency said it has sent middle-management executives on such trips around the country for several years.

The names of the participating firms were not disclosed by CIA sources, although it was learned that Control Data Corp. and Burlington Northern Railroad are among them.

A spokesman for Control Data said the computer company would explain theory and practice of human resources development

techniques. These would explain methods used in classroom instruction, multimedia and computer presentations and textbooks.

Among Burlington Northern officials who will speak to the CIA group will be about half a dozen corporate executives, including Louis Menk, chief executive officer.



2

Executive Registry  
95-9859

STAT

REGINALD M. CRAM  
THE ADJUTANT GENERAL

PHILLIP A. ALLICON  
DEPUTY



STATE OF VERMONT  
OFFICE OF THE ADJUTANT GENERAL  
CAMP JOHNSON  
WINOOSKI  
05404



25 February 1976

Lieutenant General Vernon A. Walters  
Deputy Director  
Central Intelligence Agency  
Washington, D.C. 20505

Dear General Walters:

Once again, let me express personally, and on behalf of the Burlington Rotary Club, deep appreciation for your outstanding talk on 23 February 1976. Many of the people who heard you have complimented you most highly. The concensus in the group is that your was the best program was have had in many years.

Enclosed, for your information, is the story which appeared in ~~the Burlington Free Press~~ the day after your visit. I wish it had given a little more coverage to what you had said but I believe it is about as much as one could expect in view of the overall treatment given the CIA by the public media. You were also covered on both local television and radio programs though much more briefly than you were in the Free Press. I think you struck a fine blow for the intelligence community as a whole by informing many of our opinion-makers of the importance and true role of intelligence-gathering agencies.

With best personal regards,

R. M. CRAM  
Major General  
The Adjutant General

RMC/w

1 Enc  
as

24 Feb 76

BURLINGTON VT FREE PRESS

# CIA Official Defends Agency Operations

By FREDERICK W. STETSON  
Free Press Staff Writer

Despite an unparalleled "bombardment" of public criticism, the Central Intelligence Agency can perform its mission and meet Congress's demands for review of its activities, the CIA deputy director said Monday.

In remarks to the Burlington Rotary Club, Lt. Gen. Vernon A. Walters defended the agency against its critics and said the CIA could justify its budget "in greatest detail" to the Ford Administration and the Congress.

"We ourselves can live with any kind of oversight the Congress wishes," he said, speaking to Rotarians and their guests from other service clubs at the Ramada Inn in South Burlington.

While he generally refrained from strong criticism of the media's coverage of CIA activities, Walters criticized one columnist's

suggestion that President Ford's proposals for overview of the nation's intelligence gathering community were misguided.

Tom Wicker of The New York Times said the Ford Plan would give greater protection to CIA officials who abused their statutory powers while providing for the prosecution of those who disclosed the abuses.

Walters described the notion as an "Alice in Wonderland — black-is-white-white-is-black" interpretation. He added, however, that it is "just impossible" to ensure completely against further CIA abuse, although there will be efforts to "minimize."

The 59-year-old intelligence official said the CIA staff is operating with a sense of "reassurance," even though it has been subjected to a "bombardment," I think, without parallel in American history.

Walters drew upon a Russian proverb to describe the attitude of the CIA staff in the face of this criticism. The proverb says, "If you fear

wolves do not go out into the forests." And, then the deputy director added, "We have a lot of people who do not fear wolves."

In presenting what he said was "our side" of the controversy that has swirled around the agency for the past several months, Walters said the CIA's covert operations have been overemphasized.

"This part of our activities has gotten all out of proportion in peoples' minds," he said.

Walters did not discuss, nor was he questioned, on the agency's assassination plots against foreign political leaders reported by the Senate Intelligence Committee headed by Sen. Frank Church, D-Idaho.

However, he downplayed the scope of all covert operations, saying they account for 5 to 6 per cent of the agency's budget, and to his knowledge, no member of the CIA staff has been indicted in the past 27 years.

Walters didn't provide dollar figures on the CIA's budget but he said less than 1 cent of all

federal tax dollars are spent on intelligence gathering by all agencies.

About 50 per cent of the CIA's operations involve "overt" gathering of intelligence and information from public sources such as foreign newspapers and other publications, he said.

Another large share of the CIA's time is spent conducting "technological" intelligence gathering, presumably through radio broadcast monitoring and interception or decoding of other broadcast signals.

Walters emphasized that strong intelligence is essential to the nation's protection against unexpected enemy actions, especially at a time of international terrorism, nuclear proliferation, Soviet weapons build ups and expansionary actions into nations such as Angola.

"We have to be better informed than at any time in our history," he said. "Knowledge is power."

Despite United States efforts to achieve a relaxation of relations with Russia and China, Walters said accurate predictions of these countries' military, technical and political changes are needed.

And, he said he's also mindful of another Russian proverb which says, "When you make friends with the bear do not let go of your axe."

He depicted intelligence operations as a "force for peace" and said, "We recovered from a naval Pearl Harbor; could we recover from a nuclear Pearl Harbor?"

"We cannot afford to be surprised. History will not forgive us if we are."

REGINALD M. CRAM  
THE ADJUTANT GENERAL

PHILLIP A. ALLICON  
DEPUTY

STAT



STATE OF VERMONT  
OFFICE OF THE ADJUTANT GENERAL  
CAMP JOHNSON  
WINOOSKI  
05404



6 February 1976

Mr. Angus MacLean Thuermer  
Assistant to the Director  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Thuermer:

You might be interested in the enclosure which states that the Burlington Lions Club will join with the Rotary Club on 23 February 1976 to hear Lieutenant General Vernon Walters speak. This will provide a broader audience and will assure that the Deputy Director's message is well disseminated through the opinion makers in the area.

I would appreciate knowing what General Walters' travel plans are so that I may be sure to meet him and provide any local accommodations or arrangements he might desire.

We are looking forward enthusiastically to General Walters' visit.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. M. Cram".

R. M. CRAM  
Major General  
The Adjutant General

RMC/w

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

REGINALD M. CRAM  
THE ADJUTANT GENERAL

PHILLIP A. ALLICON  
DEPUTY



STATE OF VERMONT  
OFFICE OF THE ADJUTANT GENERAL  
CAMP JOHNSON  
WINOOSKI  
05404

*Handwritten:* All right  
Thurmer  
DIT

19 January 1976

Mr. Angus MacLean Thuermer  
Assistant to the Director  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Thuermer:

The local television station, WCAX-TV, would like an interview with Lieutenant General Vernon Walters for a program called "You Can Quote Me". The program is quite parallel to the nationally known "Meet the Press". It is a half-hour interview with the "victim" being questioned by a panel of three members of the public media.

I told Mr. Charles Lewis, the Program Director, that I was not sure of General Walters' itinerary but that I would inquire as to his availability either on Monday, February 23, 1976, or, if he were to arrive on Sunday, about the possibility of his being interviewed at that time. Mr. Lewis said that if by any chance General Walters were here on Sunday, 22 February, in time to be at the studio by 5:30 P.M., he would be on the program live as it is broadcast at 6:30 P.M. immediately preceding "60 Minutes". If he were interviewed on Monday, it would be taped and broadcast the following Sunday, 29 February 1976.

I believe that the appearance of General Walters on "You Can Quote Me" would be well publicized and, therefore, seen through most of Vermont, some of northern New York State and eastern New Hampshire. It might even result in some national publicity as the local station is an affiliate of CBS.

I would very much appreciate your thoughts on this matter and your advice as to whether General Walters would be willing to appear on "You Can Quote Me", and if so, when it would be most convenient for him.

Sincerely,

*Handwritten signature of R. M. Cram*

R. M. CRAM  
Major General  
The Adjutant General

RMC/w

*Handwritten:* requested by phone  
2 Feb 76  
that  
DDEI  
could  
not  
do  
TV  
Spot.  
AT

REGINALD M. CRAM  
THE ADJUTANT GENERAL

PHILLIP A. ALLICON  
DEPUTY



STATE OF VERMONT  
OFFICE OF THE ADJUTANT GENERAL  
CAMP JOHNSON  
WINOOSKI  
05404

18 December 1975

~~Mr. Angus MacLean Thuermer~~  
Assistant to the Director  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Thuermer:

The Burlington Rotary Club is delighted that Lieutenant General Vernon Walters, Deputy Director, CIA, has consented to address the club on February 23, 1976. For your information, the club meets at the Ramada Inn in South Burlington, Vt, at noon each Monday and the meetings end at 1:30 P.M. Speakers are usually allotted about thirty minutes, including a question and answer period, if desired.

I will take care of ground transportation and will personally meet General Walters when he arrives in Burlington. I would, therefore, appreciate knowing what his travel plans are. Please also let me know of any other arrangements you would like to have me make on this end.

Incidentally, I think it would be good if General Walters chose to bring a Regional representative of the CIA with him as a means of establishing a sense of some local flavor to the organization.

To assist in getting some good advance publicity, a photo (two would be better) of General Walters would be most appreciated. If the General would like a press conference, either before or after the meeting, I will see that it is arranged.

Sincerely,

R. M. CRAM  
Major General  
The Adjutant General

RMC/w

|| no

STAT

cc: DDCI

STAT

| UNCLASSIFIED   |                  | CONFIDENTIAL |      | SECRET         |  |
|--|------------------|--------------|------|----------------|--|
| <b>OFFICIAL ROUTING SLIP</b>   |                  |              |      |                |  |
| TO   | NAME AND ADDRESS |              | DATE | INITIALS       |  |
| 1  | AMT              |              |      |                |  |
| 2  |                  |              |      |                |  |
| 3  |                  |              |      |                |  |
| 4  |                  |              |      |                |  |
| 5  |                  |              |      |                |  |
| 6  |                  |              |      |                |  |
| ACTION   |                  | DIRECT REPLY |      | PREPARE REPLY  |  |
| APPROVAL   |                  | DISPATCH     |      | RECOMMENDATION |  |
| COMMENT  |                  | FILE         |      | RETURN         |  |
| CONCURRENCE  |                  | INFORMATION  |      | SIGNATURE      |  |
| <b>Remarks:</b>  |                  |              |      |                |  |
| <p>Nancy called with following info: DDCI does not want any advance publicity nor press conference. Publicity to the Rotary members is OK.</p> <p>We should say that DDCI will be accompanied by someone from here (meaning a security type) but right now we know of no one else attending.</p> <p style="text-align: center;">mb</p> |                  |              |      |                |  |
| <b>FOLD HERE TO RETURN TO SENDER</b>   |                  |              |      |                |  |
| FROM: NAME, ADDRESS AND PHONE NO.  |                  |              |      | DATE           |  |
| UNCLASSIFIED   |                  | CONFIDENTIAL |      | SECRET         |  |

11 December 1975

Major General R. M. Cram  
The Adjutant General  
Camp Johnson  
Winooski, Vermont 05404

Dear General Cram,

Thank you for your friendly inquiry of December 1.

I am more than pleased to tell you that Lt. Gen. Vernon Walters, our Deputy Director, will be pleased to address the Burlington Rotary Club sometime next February or March.

General Walters has spent his adult life as a professional intelligence officer. As Deputy Director of Central Intelligence, he has, of course, worked at the very highest intelligence levels in our country.

In addition to this, he is an inspiring public speaker. I know this from having heard him in action. I personally am ever so glad that his schedule will permit him to visit with your Rotarians.

Will you be good enough to drop me a note or give me a phone call  so we can narrow down the precise speaking date? I have taken the liberty of enclosing a biographic sheet about General Walters.

Sincerely,

/s/ Angus MacLean Thuermer

Angus MacLean Thuermer  
Assistant to the Director

mb  
Enc.

cc:   
DDCI



REGINALD M. CRAM  
THE ADJUTANT GENERAL



PHILLIP A. ALLIGON  
DEPUTY

STATE OF VERMONT  
OFFICE OF THE ADJUTANT GENERAL  
CAMP JOHNSON  
WINOOSKI  
05404

*Handwritten notes:*  
MR  
Alligon  
12/1/75

1 December 1975

Mr. Angus M. Thuermer  
CIA Headquarters  
Washington, D.C. 20505

Dear Mr. Thuermer:

The Burlington Rotary Club, Burlington, Vermont, would like to invite a representative of the Central Intelligence Agency to speak at one of our meetings next February or March. Our meetings are held on Monday noons at the Ramada Inn in South Burlington, Vermont.

Many of us feel that the adverse coverage of CIA operations and policies has been one-sided and distorted. In any case, we would like to have the opportunity to hear the views and positions of the CIA. I have been given your name as the man to contact in the hope of arranging for a speaker.

There are just over 150 members in the Burlington Rotary Club which is the largest in the Rotary District which embraces parts of Vermont, New Hampshire and two cities in Quebec. Among our members are many prominent businessmen, doctors, lawyers, members of college faculties and members of the public media including the Managing Editor and Editorial Editor of Vermont's largest newspaper, and the president of the local TV station. Accordingly, the local Rotary Club would provide an excellent forum for coverage throughout the State of Vermont.

Mr. Angus M. Thuermer  
Page 2

We do not normally pay the expenses of speakers so I would appreciate being advised if this creates a problem. I do hope your agency will be able to honor our request.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. M. Cram".

R. M. CRAM  
Major General  
Immediate Past President  
Burlington Rotary Club

RMC/w

|   | UNCLASSIFIED       | CONFIDENTIAL             | SECRET                |
|---|--------------------|--------------------------|-----------------------|
| <b>OFFICIAL ROUTING SLIP</b>  |                    |                          |                       |
| Executive Registry<br>75-9759   |                    |                          |                       |
| TO  | NAME AND ADDRESS   | DATE                     | INITIALS              |
| 1   | DDCI               | 9 Dec                    | W                     |
| 2   |                    |                          |                       |
| 3   |                    |                          |                       |
| 4   |                    |                          |                       |
| 5   |                    |                          |                       |
| 6   | A/DCI 1FO4         |                          |                       |
| <input type="checkbox"/>  | <b>ACTION</b>      | <input type="checkbox"/> | <b>DIRECT REPLY</b>   |
| <input type="checkbox"/>  | <b>APPROVAL</b>    | <input type="checkbox"/> | <b>DISPATCH</b>       |
| <input type="checkbox"/>  | <b>COMMENT</b>     | <input type="checkbox"/> | <b>FILE</b>           |
| <input type="checkbox"/>  | <b>CONCURRENCE</b> | <input type="checkbox"/> | <b>INFORMATION</b>    |
| <input type="checkbox"/>  |                    | <input type="checkbox"/> | <b>PREPARE REPLY</b>  |
| <input type="checkbox"/>  |                    | <input type="checkbox"/> | <b>RECOMMENDATION</b> |
| <input type="checkbox"/>  |                    | <input type="checkbox"/> | <b>RETURN</b>         |
| <input type="checkbox"/>  |                    | <input type="checkbox"/> | <b>SIGNATURE</b>      |
| <b>Remarks:</b> Dick<br>I would like to<br>reply yes in principle<br>and then work out<br>details. Pls. say<br>BY |                    |                          |                       |
| <b>FOLD HERE TO RETURN TO SENDER</b>  |                    |                          |                       |
| <b>FROM: NAME, ADDRESS AND PHONE NO.</b>  |                    |                          | <b>DATE</b>           |
| W   |                    |                          | 8 DEC 1975            |
|   | UNCLASSIFIED       | CONFIDENTIAL             | SECRET                |

STAT

Basic to these staff efforts are the BI research libraries and documentation centers located in New York, Geneva, Tokyo, Hong Kong and major country offices. BI's own resources are multiplied by its constant contact with information sources—libraries and government officials throughout the world, international and regional agencies, and hundreds of corporations, banks, law and accounting firms. These contacts are kept constantly alive by the reporting requirements and quality standards demanded by BI's global publishing services. Similarly, constant contact is maintained with technical organizations and experts around the world for technical input when this is required.

BI's research facilities are used by clients as a money-saving alternative to or a highly specialized extension of their own staffs. BI's unique resources save them time of their own personnel, and expensive travel. In many cases, BI gets prompt and accurate information that clients might not be able to get for themselves or prefer not to seek in their own name. Foreign governments and international agencies as well as international corporations cooperate with BI because they recognize BI's central position as the information source for international corporations and are familiar with its long dedication to accuracy and objectivity.

*Planning a BI Research Project*



The enterprising international manager needs and seeks more ideas, information and analyses than can be provided by the printed word, or in a special survey. It is normal for such an executive to need a well-informed, non-company specialist with whom to discuss problems, probabilities and alternative courses of action. The need arises when:

- an executive is grappling with a problem or decision and needs help from an outsider who knows how others have resolved similar problems—needs help in defining the problem, bringing it into focus, and determining the specific questions he ought to be asking about it;
- an executive wants to explore strategic approaches to current problems with knowledgeable outside advisors, enrich his own thinking through this interchange of ideas, and benefit from the broad perspective of a well-informed, non-company man.

The BI Advisory Service is a professional service provided by BI principals based in the United States, Europe, Latin America, and Asia, whose constant exposure to international management problems and solutions is unparalleled, and who are able to correlate this knowledge and focus it on alternative courses of action confronting any international corporation. The consultation and advice provided to individual companies and executives by BI is treated in strict confidence.

### IN-HOUSE SEMINARS

For several years, major international corporations have engaged BI to organize and lead in-house meetings (usually referred to as "seminars") with their executives. The subjects discussed are either prospects and problems in a specific geographic area of the world, or a special area of management. BI principals who conduct these seminars are well-informed, area and functional specialists on international management problems, including international finance, corporate organization for international business, medium and long-range global planning, and international accounting and reporting. BI will organize seminars running from one to five days or more and/or provide area and functional specialists as discussion leaders. Normally, the BI specialist brings visual aids and other materials to stimulate and clarify the discussion. The seminars are usually of two kinds:

#### Parent Company In-House Seminar

This is an occasion for headquarters executives to gain further knowledge of a particular area or country of special interest to them at the time. Or, the parent may be grappling with a particular international management problem and would like to talk out how others solve similar problems.

#### The in-House Regional Seminar

This is a meeting organized for the special benefit of executives having special responsibilities for a particular area or region, often with parent-company executives participating. A BI specialist brings information and forecasts on new opportunities—and dangers—that lie ahead for the company in that area. In the informal discussion, the special problems of the client in the area are examined in the light of the BI forecasts and information, and how other companies are solving similar (and often exactly the same) problems.

One of the many important benefits arising from in-house seminars—at the home office and abroad—is enhancement of communications and interpersonal relationships within the client company, leading toward a better understanding of the company's nature, goals, policies and techniques on the part of executives within the region, between regions, and between headquarters and the field.

This enhancement of intra-company communications is further strengthened when BI's publishing system—particularly the weekly publications—are shared by a company's decision-makers throughout the world.

Another benefit of in-house seminars and BI's publishing system is executive development. The evolution of the international corporation is paced at exactly the same speed as the development of its key managers of today and tomorrow.

#### THE BUSINESS INTERNATIONAL INSTITUTE

This is the educational arm of BI devoted to management development in international operations. The BI Institute currently offers two courses:

(1) an intensive, two-week course on international trade and investment for on-the-job executives, including those who are being transferred from

\***The BI Master Key Index** to the entire Business International publishing system affords instantaneous access to the thousands of environmental facts and items of corporate experience and practice that the entire BI information system contains. Printed out from a computer every three months, it is a cumulative index that helps the busy executive to find immediate answers to his problems as they arise.

\***Special Surveys.** In addition to its regularly scheduled Research Reports and Management Monographs, BI publishes an annual Survey of Living Costs in 40-50 cities worldwide, including a weighted index giving city-to-city percentage comparisons. Every other year, BI publishes three regional compensation surveys (one for Europe, one for Asia/Pacific and one for Latin America) providing comparative data on wages, salaries, fringes and allowances, broken down by industry, by company size and by more than 100 managerial, technical, sales, clerical and blue collar job classifications.

#### BI RESEARCH

BI provides specialized research services on a confidential contract basis to international companies, organizations and governments tailored to the individual needs of the client. Research is also undertaken on a group project basis for several clients having a common interest in the findings, particularly when the project is of a magnitude that renders the shared-cost feature especially attractive.

**BI Competence:** On average, BI conducts some 2,000 individual research projects for clients each year on a wide range of problems and topics including, among others: studies on appropriate corporate response to changes in the business environment; product-oriented market studies; international executive compensation surveys; high-level executive and government attitudinal surveys; studies in the areas of taxation, finance, corporate organization; and studies related to special problems of acquisitions and new foreign investment.

**BI Manpower and Sourcing:** With a staff of some 200 full-time personnel worldwide, BI research services are performed by headquarters and regional staff specialized by geographic area and function, under the supervision of experienced project managers and research directors. The international data-gathering effort is conducted by a network of BI offices and representatives in some 75 countries.

FINANCING FOREIGN OPERATIONS a companion looseleaf service, is continually revised during the year to keep readers posted on the comparative availability and cost of money for operations in every major world market. It also gives the latest in corporate techniques—parent guarantees, swaps, switch credits, Eurofinancing, hedging, etc.—and ferrets out and analyzes the cross-border sources of capital. FFO is designed to help management to plan the financing of an important project, to evaluate an immediately available deal, and to review the company's present pattern of financing. Each country chapter covers: *financial forecasts, discrimination against foreigners, how companies are financed, taxes on interest, the monetary system, sources of capital, short-term borrowing, sales financing, medium-term borrowing, long-term borrowing, capital incentives, stock and bond issues, export insurance and credit, investing excess cash.*

\* **BI Research Reports** give depth treatment to advanced international management techniques such as compensating personnel overseas, international accounting and control, making foreign acquisitions, new concepts of organization, and long-range planning. They keep chief executives and other top managers abreast of recent experience and fresh thinking regarding policies and methods of running a global organization.

Another series presents comprehensive business profiles of different countries such as Australia, Canada, China, Mexico, Germany, Romania, Spain, Indonesia, Japan and the Soviet Union. Still another series provides the key information that alert managers must know about regionalizing markets, such as EEC and the Andean Bloc. Whenever change is affecting a major market—and operating problems and profit opportunities in it—there is likely to be a BI Research Report that will provide a thorough understanding of the situation, how your customers and competitors are reacting to it, and how your firm might capitalize on it.

\* **BI Management Monographs** provide brief, concise, action-oriented reports to management on subjects of substantial current concern to international companies, such as forecasting foreign exchange rates, measuring profitability of foreign operations, solving joint-venture problems, new concepts of modernizing international financial reporting, or methods to strengthen overseas distributor performance.

domestic into international operations, those whose responsibilities are being broadened to include overseas as well as domestic responsibilities and those who desire a refresher course;

(2) a special course on East-West business designed for busy executives who are, or will be, entrusted with their company's activities with and within the Soviet Union, its COMECON partners and Yugoslavia. Individual sessions cover not only the technique of promoting and clinching sales, but on licensing, cooperation agreements, barter and switch trading, financing, market development and negotiating contracts and joint ventures.

The faculty of the BI Institute consists mainly of BI senior executives in the US, Europe, Latin America and Asia.

## BI ROUNDTABLES

Since 1954, BI has been organizing roundtables for a limited number of selected international corporations based in the US, Europe and Japan. These special BI clients receive a highly organized group of services (see inside back cover) including BI publishing services, research, the services of a BI principal assigned to each client, and access to BI roundtables.

The roundtables are of four basic types: (1) corporate experience roundtable; (2) an annual roundtable for chairmen and presidents of client companies; (3) alert or unscheduled roundtables on sudden and unexpected developments; and (4) roundtables with governments and regional and international institutions. Common to all these roundtables are certain unique characteristics that have—in the past two decades—established them as institutional forums for the leadership of the major international corporations of the world:

\* They are not conventions, but small meetings with every participant taking an active part in the discussion;

\* No speeches are permitted (even from cabinet ministers); time is spent wholly in give-and-take, informal discussion.

- \* The roundtables are unpublicized and off-the-record; no members of the press or other outsiders are ever permitted in the room, and thus the roundtables are characterized by remarkable candor. Experiences are freely shared, and participants come to grips with the real issues.
- \* The discussions are highly sophisticated because participation is limited to BI special clients, a group of extraordinarily experienced international corporations, and the individual participants are senior line and staff executives.
- \* Intensive advance preparation by BI, usually with a briefing memorandum sent out before each roundtable, insures that discussion focuses squarely on the unsolved problems, the key areas of disagreement, and the major points of conflict or debate. No time is lost in rehashing known facts.

Government Roundtables, lasting three to five days, include in-depth, off-the-record discussions with the Prime Minister (or President), the key members of his cabinet, top officials of the major agencies of the government, plus business, banking and labor leaders. Simultaneous interpretation is normally used. A briefing paper prepared by BI researchers and editors, and published in the language of the host country as well as in English is distributed in advance, thus eliminating the need for speeches and making possible informal, problem-solving discussions.

*BI Group at number 10 Downing Street*



EASTERN EUROPE REPORT (fortnightly) provides essential information needed to maximize profits and avoid loss in this rapidly growing market. Country-by-country and industry-by-industry, it alerts readers to new opportunities for selling goods and technology to the USSR, its six COMECON partners and Yugoslavia. Continuous analysis of current problem-solving experiences of Western firms suggests new and better ways to approach the local foreign trade organizations, negotiate contracts, clinch deals and secure payment.

#### \*BI Updated Reference Services

Two BI loose-leaf services enable the busy executive to lay his hands quickly on the information he must have when considering or planning a new foreign investment, or financing a project anywhere in the world.

INVESTING, LICENSING & TRADING CONDITIONS ABROAD analyzes the actual conditions (not only the laws, but how they work in practice) for doing business in the world's 56 leading markets. Each country chapter is updated once a year.

Taken together, the elements of this service give management a rapid and balanced assessment of how to do business in a country or to change a current mode of operations. In a world where opportunities must be seized quickly, ILT gives you the immediate, comprehensive facts for a quick initial decision. For each country, ILT provides information on: *state role in industry, organizing, restrictions and requirements, rules of competition, licensing rules and practices, price controls, remittability of funds, taxes, incentives, capital sources, labor laws and rates, foreign trade regulations.*

*Part of BI Library*



## BI'S GLOBAL INFORMATION SYSTEM

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

*This highly organized, worldwide system furnishes current and reference information in the form of weekly services, constantly updated reference services, and in-depth analyses of markets and management functions in the form of Research Reports and Management Monographs.*

### \*BI Weekly and Fortnightly Information Services

These time-saving, easy to read, reports carry no advertising. The up-to-the minute, exclusive information they provide is researched and double checked for accuracy by BI's independent and professionally trained staff of researchers, area and management specialists.

**BUSINESS INTERNATIONAL** (weekly) is edited for executives with *global* responsibilities. It gives a concise and impartial analysis of the most important business developments around the world. Regular scanning of its 8 pages not only saves time otherwise spent wading through less precise publications, but also alerts its readers to action that saves or earns substantial sums for their companies.

**BUSINESS EUROPE** (weekly) is edited for executives whose responsibilities are focused on operations in Europe, the Middle East, and Africa. Published in Geneva, BE covers the full range of European management developments in finance, marketing, production, planning, personnel, labor, mergers and acquisitions, taxes, business trends and forecasts, and rules of competition.

**BUSINESS LATIN AMERICA** (weekly) is edited for executives whose responsibilities are focused on Latin America and the Caribbean. BL provides information needed to cope with the special problems of doing business in Latin America—from growing nationalism to impending devaluations, from new distribution mechanisms to ingenious methods of raising working capital.

**BUSINESS ASIA** (weekly) is edited for executives whose responsibilities are focused on Asian and Pacific markets. Published in Hong Kong, BA provides up-to-the-minute information on what is happening across the area and why—and what can be done about it for profit. Coverage includes trading opportunities with the People's Republic of China and progress toward regional cooperation in Southeast Asia and elsewhere.

BI has held more than 50 government roundtables over the past 19 years, including:

#### Africa

H.I.M. Haile Selassie and 87 ministers and officials of 33 countries and multinational organizations (Addis Ababa 1969)

#### Andean Bloc (2)

President Lleras of Colombia; authorities, business and labor leaders of six Andean Bloc countries (1968, 1972)

#### Argentina (2)

Presidents Frondizi and Ongania and their cabinets (1958, 1966)

#### Australia (2)

Prime Ministers Holt and Whitlam and their cabinets (1967, 1973)

#### Brazil (3)

Presidents Kubitschek, Castello Branco, Medici and their cabinets (1956, 1965, 1970)

#### Canada

Prime Minister Pearson and his cabinet (1963)

#### Colombia

President Valencia and his cabinet (1964)

#### EEC & EFTA (4)

Presidents Hallstein, Rey and Mansholt and other members of the EEC Commission; Secretary General Figures and other EFTA officials (1960, 1963, 1968, 1972)

#### France (2)

Prime Minister Pompidou and his cabinet; Prime Minister Chaban-Delmas and his cabinet (1963-70)

#### Germany (2)

Vice Chancellor Erhard and Federal Chancellor Brandt and their cabinets (1963, 1973)

#### Hungary

Prime Minister Jenő Fock and his cabinet (1969)

#### India

Prime Minister Nehru and his cabinet (1961)

President Soeharto and his cabinet (1968, 1972)

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



Italy (2)            **Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9**

Prime Ministers Zoli and Colombo and their cabinets (1958, 1970)

Japan (3)

Prime Ministers Kishi and Sato and their cabinets (1959, 1965, 1971)

LAFTA & CACM (2)

Executive Secretary Sola and other members of the LAFTA Secretariat; Secretary General Delgado and other CACM officials (1963, 1969)

Mexico

President Lopez Mateos and his cabinet (1962)

Poland

Prime Minister Jaroszewicz and members of the Council of Ministers

Romania

President Ceausescu and members of the Council of Ministers

Spain (2)

Generalissimo Franco and his cabinet (1962, 1967)

Sweden

Prime Minister Palme and his cabinet (1971)

USSR (2)

Premier Kosygin and his cabinet and more than 250 government officials and Soviet industrial managers (1964, 1971)

United Kingdom (3)

Prime Ministers Macmillan, Wilson and Heath and their cabinets (1961, 1966, 1972)

United Nations

Secretary-General U Thant; heads of 22 principal UN organizations (1967)

United States (15)

Presidents Kennedy, Johnson and Nixon and/or their cabinets year by year.

Venezuela

President Leoni and his cabinet (1967)

Yugoslavia

President Tito and members of the Federal Executive Council (1968)



**Business International**, an independent research, publishing and advisory organization, serves corporations doing business across borders and those who support and govern them, including bankers, attorneys, accountants, consultants, colleges and universities and government officials.

Business International's goal is to advance profitable corporate and economic growth in socially desirable ways.

It does so by

- ▶ providing fast, reliable information needed for corporate decision making, planning and management development
- ▶ alerting corporate management at home and abroad to new opportunities and dangers
- ▶ discovering, explaining and interpreting new international management techniques that will advance profitable corporate and economic growth
- ▶ analyzing governmental measures that will make for sound economic growth and greater international cooperation and that will pave the way for corporations to make their maximum contribution to human welfare and to advance their own survival and prosperity.

Business International advances these goals through its staff of researchers, analysts, editors and executives located in the key markets of the world. It renders these services through—

- A global information system
- Research—individual studies for clients
- Advisory Services
- In-House Seminars
- Roundtables (for specialists)
- The BI Institute

**Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9**

## Business International Corporation

### CORPORATE OFFICERS

- \*ELDRIDGE HAYNES, *Chairman*
- \*ORVILLE L. FREEMAN, *President*
- \*ELLIOTT HAYNES, *Executive Vice President*
- \*WILLIAM PERSEN, *Senior Vice President*
- \*RICHARD P. CONLON, *Vice President*
- \*JOSE A. MESTRE, *Vice President*
- NORMAN M. WELLEN, *Vice President and Treasurer*
- ROBERT S. WRIGHT, *Vice President*

### DIRECTORS

- ROBERTSON F. ALFORD, *Norfolk, Conn.*
- R. STANTON AVERY, *Chairman, Avery Products Corporation, San Marino, California*
- ATHERTON BEAN, *Chairman, Executive Committee, International Multifoods, Minneapolis*
- AMBASSADOR SOL M. LINOWITZ, *Senior Partner, Coudert Brothers, Attorneys, Washington*
- LORD PILKINGTON, *Chairman, Pilkington Bros., St. Helens, England*
- C. WILLIAM VERITY, *President, Armco Steel Corporation, Middletown, Ohio*

\*ALSO SERVE AS DIRECTORS

Business International services to special clients is a professional program of worldwide information, research, advice and consultation. These services are furnished in a Global Program and in four sub-programs.

The Global Program is tailored to meet the information and management development needs of corporations with present and potential markets in every major world area. Global clients receive the totality of the sub-programs described below.

The Corporate Headquarters Program, designed for executives with global responsibilities located in the client's main offices, is executed by Business International service centers in New York, Washington, D.C., Chicago, San Francisco, Geneva and Tokyo.

The European Regional Program is designed to serve the special needs of executives who have responsibilities for Europe and contiguous markets in the Middle East and Africa. It is executed by Business International S.A. of Geneva.

The Latin American Regional Program is designed to serve the special needs of executives responsible for all operations in this important and rapidly growing market. It is executed by Business International S.A. of Geneva.

The Asia/Pacific Regional Program is designed to serve the special needs of executives with regional responsibilities for the broad area from Iran to Korea and Japan and south to Australasia. The program is executed by Business International Asia/Pacific Limited with service centers in Tokyo and Hong Kong.

A separate East European Service is designed to serve the special needs of executives responsible for developing business with and within the Soviet Union, its COMECON partners and Yugoslavia. The program, executed by Business International S.A. with service centers in Geneva and Vienna, aids in the creation and implementation by each client of his strategy to penetrate Eastern Europe.

*BEST COPY*  
*Available*

## OFFICES

### NEW YORK (World Headquarters)

111 Dag Hammarskjöld Plaza  
New York, N.Y. 10017  
phone: (212) 759-7700 telex: 224767

### BUREAU (S.A.)

Cia. de Asesores Latinoamericanos S.A.  
Lavalle 652, p.1  
phone: 392-4214

1 IBM Plaza  
Chicago, Illinois 60611  
phone: (312) 321-0303

12-14, chemin Rieu  
CH-1211 Geneva 17  
phone: 47-53-55 telex: 22669

301 Asian House  
1, Hennessy Road  
Hong Kong, B.C.C.  
phone: H-754361/5 telex: HX4364

Galerias Diri, p.8  
18 de Julio, 1044  
Montevideo  
phone: 98-12-04

650 California Street  
San Francisco, California 94108  
phone: (415) 981-8314

5th fl., Pola Aoyama Bldg.  
5, Minami Aoyama 2-chome  
Minato-ku, Tokyo  
phone: 404-5672 telex: 26683

Prinz-Eugenstrasse 4  
A-1040 Vienna  
phone: 65-31-97 telex: 13931

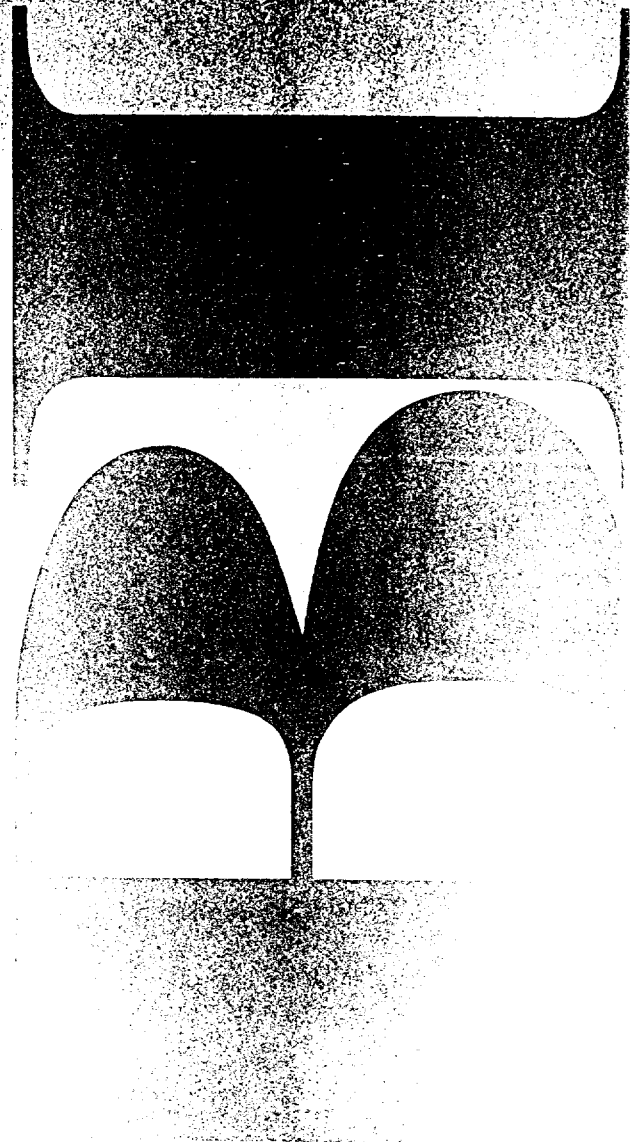
1635 Eye Street, N.W.  
Washington, D.C. 20006  
phone: (202) 833-8600 telex: 440256

Representatives and researchers in Bombay, London,  
New York City, Paris, Rio de Janeiro, and Sydney.

Representatives in 50 other cities.

Telex address for all offices (except Tokyo): BUSYWORLD  
(Telex: BUSYWORLD)

*This is...  
Business International*



Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

With the compliments of



**Business International Corporation**

One Dag Hammarskjold Plaza  
NEW YORK, N.Y. 10017

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9



One Dag Hammarskjold Plaza  
New York, N.Y. 10017  
(212) 759-7700

**Douglas N. Dickson**  
Research Associate  
Europe and Middle East  
Business International

OKYI BUSINESS INTERNATIONAL CORPORATION

# Business International®

WEEKLY REPORT TO MANAGERS OF WORLDWIDE OPERATIONS

OCTOBER 31, 1975

|   |         |   |     |
|---|---------|---|-----|
| EEC/US TENSION OVER PROTECTIONISM ..... | 345     | LDCs vs THE PARIS CONVENTION                |     |
| TAKEOVER PROBLEMS IN THE US:            |         | ... AND TRANSFER OF TECHNOLOGY .....        | 350 |
| THE IMETAL/COPPERWELD CASE .....        | 347     | A NEW CONCILIATION SERVICE .....            | 350 |
| PROSPECTS FOR PROFITS—BELGIUM .....     | 348-349 | CHANGING BRAZIL: A BI RESEARCH REPORT ..... | 351 |

Vol. XXII, No. 44

## Wave of Protectionism Troubles Trade Relations Between EEC and US

*With the world's major economies still struggling with stagnation, inflation and unemployment, the temptation to reach for quick "fix it" measures is great—and dangerous. It can lead to protectionist and beggar-my-neighbor moves that may seem seductive in the near term for individual nations, but are certainly destructive to the economies and peoples of the world in the long term.*

*Right now, the member countries of the European Economic Community are deeply troubled by what they see as a wave of protectionism welling up in the US. In this article, BI details the EEC's concerns and the official US reaction to them. In a future article, BI will analyze how the problem looks from Washington and what policies can be expected to result from the forces at work in the US.*

Fears in the European Economic Community (EEC) of a rising wave of US protectionism continue to dog trade relations across the Atlantic—even though the Ford administration stands firmly committed to free trade and has expressed that commitment in numerous policy statements and actions.

The focus of EEC worry is on the record number of petitions (51 in all, but not all involving EEC exports) for import relief, and the complaints against foreign trade injuries that are currently being considered by the US Trade Commission, the US Treasury and the Special Trade Representative's Office (see box p. 346). All are being processed under provisions of the 1974 US Trade Act, which expanded the mechanism for such action. (For the relevant aspects of the US Trade Act see *BI '75* p.47.)

So far, however, no legal action has been taken against

EEC exports. And last week the US Treasury *rejected* US Steel's petition to impose countervailing duties on EEC steel exports, a petition that had significant ramifications for the EEC. Nevertheless, the EEC feels that its trade relations with the US are at the lowest ebb in years.

The EEC Commission, in charge of overseeing EEC member states' trading relations with the rest of the world, believes that risks to its trade relations exist on three levels: bilaterally, in US-EEC trade; multilaterally, at the GATT Multilateral Trade Negotiations in Geneva (MTN); and worldwide, through the possible unleashing of protectionist trends that the US example might encourage.

On the bilateral basis, the EEC reckons that the value of its exports threatened by US retaliatory action—now that the steel case has been quashed—stands at just over \$3 billion, which represents about 12% of EEC exports. Moreover, the EEC resents that the cases are being investigated at a time when the US enjoys a record trade surplus with the EEC, estimated by Brussels to have topped \$2 billion in the first five months of 1975.

But in the eyes of the Europeans, the value of the trade involved is less significant than the serious deterioration of the Ford administration's credibility in its dealings with the EEC directly and through the MTN.

For the European Community, this credibility was first brought into question in 1974 and early 1975 by the Ford administration's handling of countervailing duty proceedings against EEC cheese exports to the US. Under intense pressure from the US dairy industry, the US government proposed countervailing duties against a wide range of EEC cheese exports that were subsidized by the EEC under the Common Agricultural Policy (CAP).

This particular "war" ended in a draw in April, when the EEC dropped its export subsidies on a number of cheeses. In turn, the US granted exemptions for certain cheese imports that continued to be subsidized by the EEC countries. Although the end result was conciliatory, the EEC felt that the Ford administration's inability to withstand industry

10/31/75

pressure had cast doubt on its capabilities to stand firm in all the other pending actions in the trade area. (The steel decision should help minimize these apprehensions.)

Finally, the EEC considers the legal justification for most cases pending against EEC exports as, at best, shaky. Recently, the EEC published a report criticizing the basis for the potentially most damaging case, an anti-dumping complaint against auto imports, filed by Congressman John Dent (D, Pa.) and the United Auto Workers. While the industry group, the Motor Vehicle Manufacturers' Association, has not argued actionable injury, the US Treasury is going ahead with an investigation.

In its report, the EEC points out that the anti-dumping article of GATT requires such injury to be assessed in relation to domestic production of like products. The EEC alleges that available production data shows US small-car production prospering despite the problems faced by the auto industry as a whole. (Nevertheless, the figures also show a rising percentage of the US market for compacts going to imports—from 14% in 1973 to 17.4% in 1974 and 18.4% for the January-July period of 1975.)

### The GATT game

At the second level, the context of GATT negotiations, the EEC maintains that it will now be negotiating with a double handicap. First, the EEC is convinced that the US is less willing than it has been in the past to respect its international commitments. And secondly, according to the EEC, the new body of pending trade jurisprudence in the US does not seem to have much regard for GATT. The result of this double handicap, the EEC Commission fears, is that the EEC will have to make concessions to obtain the abolition of US administrative and legislative procedures that should

never have been permitted in the first place.

Perhaps most significant, the EEC feels that months of going through the complex US legal processes and investigations could undermine the spirit of the MTN in Geneva, especially since the negotiations are presently in their most difficult and sensitive phase.

### Washington's response

The Ford administration has begun to respond to the outcries from Brussels. Over the past two months, President Ford, Secretary Kissinger and Treasury Secretary Simon have publicly proclaimed the basic commitment of the Ford administration to free trade. And Special Trade Representative Frederick Dent, while conceding the record scope of the pending 51 cases, has spent considerable time and effort in recent weeks reassuring the EEC.

In the effort, Dent points out that prosecution of the pending cases is likely to *enhance* the outlook for free trade, since the Trade Act has speeded up the timetable for such investigations. A fair number of complaints date back several years, and the Ford administration feels it is bringing past history up to date.

Dent also notes that the pending actions are all in the private sector and are reactive, rather than brought by the US government or indicative of aggressive and arbitrary impositions on the spirit of free competition. He also asserts that the amount of trade involved is actually small. The US estimates that four fifths of the trade volume in question is covered by the auto and steel cases, and that the remainder represents less than 5% of EEC exports to the US.

Finally, Dent argues that to date only two cases have resulted in a finding of restrictive practices, and the more important of the two, involving \$120 million worth of cheese, was suspended. This leaves a \$3 million Polish golf-cart case as the only concrete instance of the alleged protectionist trend.

Nevertheless, the Ford administration acknowledges the existence of protectionist pressures in the US, but stresses that such pressures exist in every country. More consequential, Dent argues, is the Trade Act itself, passed in Congress by an overwhelming majority, coupled with the ongoing policies and affirmative actions of the administration in support of free trade.

### But Dent senses danger

However, as Dent sees it: "We are at a very precarious juncture . . . . For any nation or group of nations today to unleash unwarranted forces of retaliation would, in effect, resign us to the runaway reaction of increased domestic pressures already abetted by worldwide economic stagnation and unemployment. This would not only scuttle our forward-looking efforts in Geneva, it would also jeopardize the multilateral trading system which has served us so well since World War II, and which we are now so painstakingly attempting to modernize and improve to meet the changing economic conditions of a volatile world."

### Cases that Concern the EEC

| <i>Product</i>             | <i>Type of complaint</i> | <i>Value of exports (in \$ millions)</i> |
|----------------------------|--------------------------|--|
| Autos                      | Anti-dumping             | 2,547                                    |
| Bolts, nuts and screws     | Injury                   | 43                                       |
| Canned ham                 | Export subsidy           | 265                                      |
| Cap screw                  | Export subsidy           | 5  |
| Float glass                | Regional aid             | 2  |
| Footwear                   | Injury                   | 324                                      |
| Gloves                     | Injury                   | 3  |
| Knitting machines          | Anti-dumping             | 2  |
| Ski bindings               | Anti-dumping             | 1  |
| Slide fasteners            | Injury                   | 2  |
| Stainless & special steels | Injury                   | 70*                                      |
| Stainless flatwear         | Injury                   | 0.1                                      |
| Water pumps                | Anti-dumping             | 0.1                                      |
| <i>Total</i>               |                          | <i>3,264.2</i>                           |

\* Rejected by Treasury last week.





## PROSPECTS FOR PROFITS



# BELGIUM

**Social Dynamics.** While Belgium has been faring reasonably well despite the continuing economic slump, the tensions of high unemployment and inflation *could* threaten a basic social stability, which has been maintained in the face of deep-seated cultural divisions and a history of revolving-door governments. The main questions now are: when will the economic upturn begin in earnest, how far will the government go in new efforts at stimulation, and when will the government be able to deal definitively—as pledged—with some deeper structural problems such as economic decentralization and regional conflicts between the two linguistic groups, the Flemish and the Walloons.

Proposals for immediate economic action have been delayed by cabinet squabbling and the inability to get industry and labor to concur. One proposal to tone down inflation and the rapidly rising labor costs of the automatic wage indexation system (tied to the consumer price index) has the potential for unleashing widespread unrest if it is pushed through. Industry maintains that the indexing system, plus the recent, high negotiated wage settlements, may be pricing Belgium out of international markets. Labor, however, is unwilling to consider any major

### THE NEXT FIVE YEARS—

- Continued social stability
- Economic upturn in 1976
- Lower wage settlements

changes in the indexation scheme.

Possible incitements to general unrest—inflation and unemployment—have so far had no significant overt effects, but there is a lack of confidence in an already shaky government. Labor has been holding back, possibly too afraid of additional unemployment to mount widespread protests. The government has seemed hesitant to pursue strong economic action and social reform, although some expansionary moves have been made in the past several months because of the steadily deteriorating labor market.

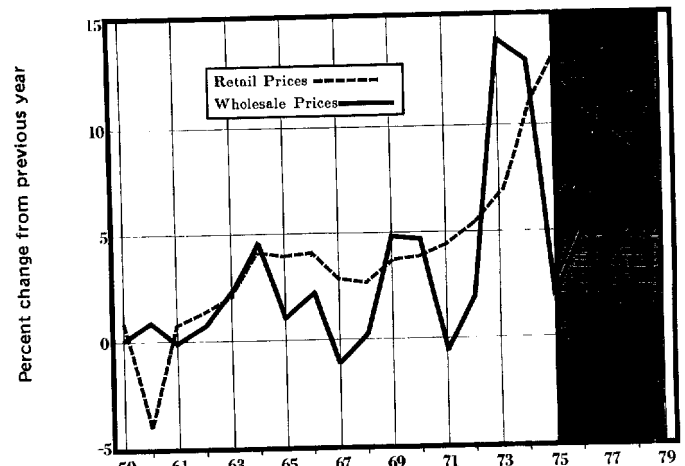
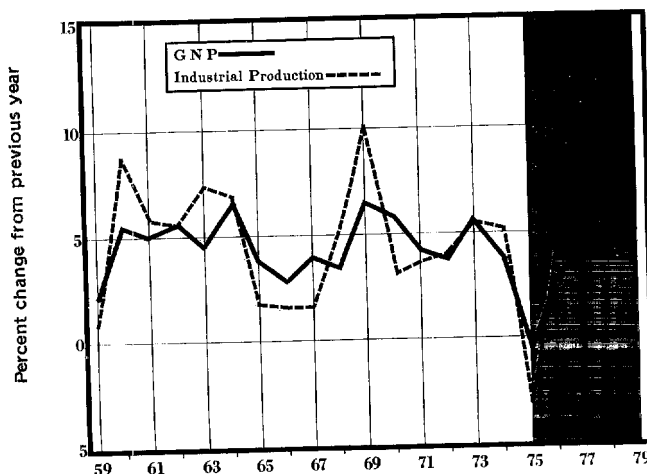
Flemish-Walloon tensions are somewhere below the simmer point, and few Belgians foresee anything as drastic as civil war or even major manifestations of unrest. The conflict, however, will remain a threat to the life of any government, despite measures over the past year to grant a degree of autonomy in land-use planning, regional economic policy, cultural affairs and education. In the near future, these tensions will probably be overshadowed by common

economic concerns.

The overall outlook for the medium term is for economic recovery and social stability, while governments may come and go. Social and economic institutions will probably not be changed dramatically, either by government reform or popular upheaval. Belgium will remain very much a free enterprise country, although there may be increasing government participation in the energy sector, further tightening of environmental controls and increasing worker participation in industry at both the profit and managerial levels.

**Politics.** Social Christian Premier Leo Tindemans' coalition government has now been in office for more than a year, but has not had enough support to build a truly effective power base. Although Tindemans has the nominal support of the linguistic parties, divisions within his own party have hampered his attempts at consolidation. The opposition Socialist party—itsself suffering from a moderate-extreme leftist schism—is still a potent force, with 25% of parliamentary seats and a strong voice in labor.

The Tindemans regime should survive at least until the local elections scheduled for the end of 1976. In the next general election (set for 1978, but it could be held sooner), the Socialists



## Imetal/Copperweld Fracas Illustrates Problems Of Investing in the US



In recent weeks, the issue of foreign investment in the US has resurfaced in the business community and, to a lesser extent, in the executive branch of the US government and the Congress. One event that triggered revival of interest in the subject was the public tender offer in September by Societe Imetal, a French holding company controlled by Baron Guy de Rothschild, for Pittsburgh-based Copperweld Corporation, a \$321 million producer of specialty steel products.

The tender offer, which expires today after being extended several times, and developments following the original offer, represent early skirmishes in what may turn out to be another long, heated and costly takeover battle (see *BI '75* p. 237 for a previous case). The clash reveals that prospective foreign investors still have much to learn about the best way to make their US debut. More important, the nationalistic campaign being mounted by Copperweld in opposition to the offer is a poor advertisement for investments in the US—investments that both the US administration and many states welcome and encourage.

### A classic takeover fight

The Imetal-Copperweld predicament is a textbook example of management resistance to a public tender offer, with two differences. The first is that Copperweld's management controls only a miniscule amount of the firm's stock and so cannot block the offer or even influence its final outcome through retention of its own shares. It must, therefore, convince a majority of its shareholders that the Imetal bid is not in their best interests.

The second difference is that Imetal is a foreign-owned company. Despite the US' traditional open-door policy for incoming investment, the issue of foreign ownership of US companies has a strong emotional appeal in these post-OPEC days and is more dramatic than some of Copperweld's other, more reasonable grounds for opposing the takeover. (The more reasonable resistance includes Copperweld's fear that it would lose many of its export markets to Imetal subsidiaries or that Imetal would not continue Copperweld's substantial rate of reinvestment—68% of earnings over the past five years.)

Given the formidable task of stopping the takeover almost entirely by persuasion, Copperweld has opted to play the nationalistic theme to the hilt through a massive public relations and press campaign. It also allied itself with a major labor union, the United Steel Workers, whose statements, picketing of the French embassy in Washington, and other public protests have lent an air of hysteria to what is basically a straightforward business proposition between the shareholders of both Imetal and Copperweld.

Simultaneously, Copperweld initiated a variety of legal actions against Imetal, and Imetal responded with charges of its own. Copperweld was unsuccessful in its first effort to have the offer enjoined in federal district court, but is now appealing the ruling. Even if Copperweld fails to halt Imetal's bid altogether, the delay caused by the legal wrangling provides more time for Copperweld's public relations campaign to win stockholders over to management's view.

### Mistakes on both sides

Copperweld's xenophobic arguments may make attention-grabbing headlines, but they do not make much sense. The newly created US inter-agency Committee on Foreign Investment (*BI '75* p. 219) looked into Copperweld's charges against Imetal (at Copperweld's request) and concluded that the committee had no basis for interposing itself in this transaction. (The committee's primary concern is with direct investment in the US by foreign *governments*, although it may review extraordinary private investments which would adversely affect the US national interest.)

In arriving at this conclusion, the committee drew upon the Commerce Department, the Securities and Exchange Commission, the Justice Department and the Defense Department, with each of these agencies examining possible implications of the takeover. The committee's reaction made clear that Imetal's bid for Copperweld is not the threat to the US that Copperweld's management would have its shareholders and the public believe it to be.

Imetal, for its part, was conspicuously remiss in making every possible effort to win Copperweld management's support. (As *BI* noted in connection with the recently concluded Ronson-Liquifin case, the risks are extremely high in a tender offer when the management of the target company is opposed to the takeover.) In failing to make the requisite effort, Imetal ran risks that were not merely financial, including the creation of hostility on the part of workers, local communities, suppliers and others.

Though it is crucial to enlist management's support in a situation where management controls a sizable amount of stock of the target firm, the Copperweld-Imetal case suggests that it is important as well where management owns very little stock. The Copperweld-Imetal fracas also illustrates for potential foreign investors in the US that US corporate managements wield power beyond that which they may have as stockholders, particularly if they have run a successful company. Even paying a premium price for stock (Imetal is offering \$42.50 per share for shares that have never traded higher than \$34.50) may not be enough if management has won the loyalty of its shareholders.

In addition, though Imetal studied US industry and picked Copperweld out of a carefully compiled list of 200 US firms, it apparently did not do all its homework on the chosen target. If it had, it would have learned that the steel industry, and the specialty steel segment of that industry in particular, has traditionally been very protectionist, calling

(Continued on page 352)



# PROSPECTS FOR PROFITS



can be expected to show strong gains if the Social Christian economic performance is not satisfactory. At that point, the Socialists may well return to the governing coalition, and possibly even dominate it.

**Anatomy of the Market.** After a respectable growth record in the 4-6% range for several years, Belgium will probably have a zero or slightly negative rate in 1975. Recovery should begin in 1976, but with the country so heavily dependent on trade, the timing will depend largely on the economic performance of its principal trading partners. A return to the range of 4% plus per year is likely thereafter, given adequate foreign demand and maintenance of strong private consumption.

Industrial production will decrease around 2-3% in 1975, with the sharpest declines in chemicals, textiles and metals. A 4% growth rate should be regained in 1976 and continue for the medium term.

Private industrial investment has plummeted in 1975, but a steep drop in the total investment figure will be prevented by heavy government expenditures on subsidized housing and other construction. The investment total will fall by about 1-2% this year and begin a sluggish recovery in 1976. A tax-credit investment incentive, announced earlier in 1975, was too limited and too late to have a consequential effect.

Private consumption, propped up by wage indexation but hampered by low employment, will be slightly positive in 1975, growing about 1.5% in real terms, and begin a swing back towards the customary 4-6% rate afterwards.

The increase in consumer prices in 1975, at about 13%, will be in the same range as in the previous year—and unacceptable to the government and the public. No significant lowering of inflation is expected without some change in wage policy, but the rate should come down slightly in 1976-77, due to the easing of other inflationary pressures.

Imports and exports will rise only marginally in 1975 (2% and 1% respectively), but both should approach a normal stride (5-7%) in 1976. The short-term export improvement will depend heavily on recovery in France and Germany, Belgium's two main trading partners. Chemicals, heavy machinery and mineral products are the export sectors expected to show the greatest advances over the next few years. Imports will continue to grow at a slightly higher rate than exports.

**Foreign Investment.** Foreign investment continues to flow into Belgium, regardless of the economic slump and skyrocketing wage costs. Belgium has a receptive attitude, relatively little state intervention and little prospect of large-scale nationalization. A possibly

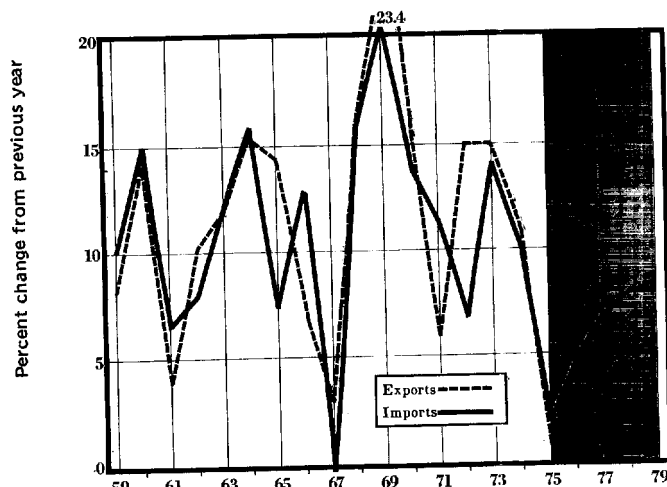
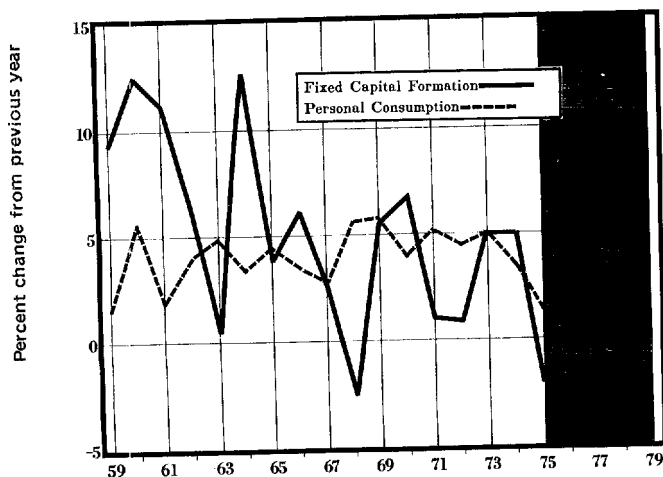
troublesome innovation for investors—cancellation of some tax benefits for foreign employees—was modified earlier this year after protests from the foreign-business community (*BI '75* p. 165).

In 1974 new foreign direct investment leaped almost 100% over 1973, the largest amounts coming from the US, France and the Netherlands, while German investment dropped by 14%.

Direct US investments totaled Bfr12.3 billion (Bfr39:\$1) and accounted for 50.5% of the total.

Three leading US companies started their Belgian operations, representing a total capital investment of Bfr100 million. They are: Hercules Inc, which formed Hercules Chemicals SA in Paal (East Flanders) to manufacture plastic products; Avery Products Corp, which set up Fasson Belgie SA at Turnhout for the production of self-adhesive materials; and Campbell Soup Co, which established Biscuits Delacre SA at Lambermont to manufacture a wide range of sweets.

**Currency.** Currently in the European snake on a two-tier basis, the Belgian franc is one of the strong currencies of the group and likely to remain stable—with a balance-of-payments position bolstered by the expected high capital inflows. The recent rate of Bfr39-40:\$1 might taper down in the medium term but should remain essentially stable.



## Developing Countries Push To Revise Global Patent Code



One of the areas of possibly explosive confrontation in the ongoing demand of developing countries for "a new economic order" is the transfer of technology, with its complex, practical requirements and deep emotional overtones. (For the main themes in the LDCs' "credo" on the topic, see box below.)

One of the main articulators of the LDCs' position has been—and continues to be—the United Nations Conference on Trade and Development (UNCTAD), which has already

### LDC Credo on Technology Transfer

UNCTAD and WIPO are only two of a myriad of intergovernmental and international private organizations currently conducting "studies" of the patent system. In addition, patents are under scrutiny in the United Nations Economic and Social Council (ECOSOC); the UN Industrial Development Organization (UNIDO); the UN's regional commissions for Europe, Latin America, Asia and Africa; the Organization for Economic Cooperation and Development (OECD); and the Organization of American States (OAS).

UNCTAD and WIPO are, however, the critical organizations because the basic issues at this point are at least as much political as they are technical. UNCTAD is the main platform for what one expert, an international corporate patent attorney, has called "a set of premises which by now have become almost a credo in the underdeveloped world."

The credo's primary points are:

1. The intellectual property system—and particularly the patent system—is critical for the industrialization of the LDCs.
2. The existing system does *not* help the LDCs. It actually perpetuates their backwardness, and is, in fact, an instrument of exploitation of the have-nots by the haves.
3. Treating foreigners and nationals equally under the law (rather than favoring the latter) reinforces this inequality.
4. The patent system, instead of promoting local manufacturing, maintains import monopolies.
5. Since the LDCs have been exploited by the developed countries, developing nations have the right to insist that the sins of the past be corrected—and compensated for—now.

devised a "code of conduct" of its own to embody what multinational firms should, and should not, do about making their technology available to the developing world.

Conforming to the voices of other LDC spokesmen in the recent past, UNCTAD's utterances became increasingly shrill—and unrealistic—in 1973 and 1974, signaling a point of no return for the interaction of LDCs and international firms. However, also in keeping with its companion LDC voices, UNCTAD's most recent meeting (last month) on various aspects of technology transfer finally veered from the conflict path to a more realistic attitude.

Avoiding the danger of confrontation is of utmost significance to companies and countries alike. The key elements in doing so include: first, avoiding uncompromising, all-or-nothing positions; second, maintaining a dialogue to work toward practical solutions acceptable to all sides; and third, recognizing the other side's needs and incentives, i.e. the genuine needs of developing countries for access to technology and the returns MNCs must have to invest in and license technology.

From the MNC perspective, probably the wisest course (in addition, of course, to keeping abreast of developments) is a low-key, practical approach, seeking to educate both the developing and developed countries' governments as to what is really at stake for an owner of technology.

UNCTAD took a step in the direction of facing facts when, in its September meeting, it expressly recognized that the World Intellectual Property Organization (WIPO) is the specialized UN agency having primary professional expertise and, currently, direct responsibility for general patent and related technology utilization on a global basis. (For a description of WIPO activities and attitudes, see *BI* '75 p. 209.)

UNCTAD spokesmen continue, however, to push negotiations for revising the existing global patent agreement, the Paris Convention of 1883 (as amended over the years), which is adhered to by 80 nations. Changes are to be worked out in the next year or two, including a Model Patent Law to accord preferential treatment to the Third World.

## Conciliation Service Launched for Disputes Of US/Japanese Firms



International companies based in the US and Japan have had numerous profitable relationships, but they have also had their share of problems. This is particularly true in undertakings involving intellectual property rights of various kinds—including, but not limited to, patents, trademarks, copyrights, know-how and licenses—where the cultural assumptions, business practices and, quite frequently, legal systems are at considerable variance.

In the past, such differences had to be bridged via time-consuming and expensive litigation or formal arbitration.

Now, a new service is available to firms that is both cheaper and quicker. It is the recently established conciliation service of the Pacific Industrial Property Association (PIPA). The PIPA approach is simple but has enough formality to make it function expeditiously. The outcome is intrinsically nonbinding, i.e. neither party is penalized if the dispute is not settled. In addition, there are specific regulations to protect proprietary and confidential information.

Shozo Saotome, a director of Mitsubishi Chemical with responsibility for his company's worldwide licensing operations, heralds the PIPA procedure and notes that it can be referenced by an appropriate contract clause as well as brought into play under existing agreements. Mr. Saotome also points out that while the conciliation service is essentially designed for problems arising between Japanese and US companies, it is available to executives of other nationalities as well, as long as one of the disputants is either US or Japanese. Speaking for US-based firms, PIPA's American group president Harold Levine, who is vice president and patent counsel for Texas Instruments, also hailed the development of the conciliation service as a welcome contribution.

Conciliation could cover a wide range of issues from, for example, a dispute that involved a Tokyo-based company that used the "IBM" initials on jumper suits sold in Japan, to controversies arising under the new Japanese chemical and pharmaceutical law, which covers both processes and products.

PIPA's role, which entails a nominal fee, is primarily limited to providing a structure to the conciliation process. PIPA maintains a comprehensive list of conciliator-specialists (retired professionals or academic experts) for selection by disputants, and expedites the setting of necessary proceedings. No records, except for some statistics, are kept; confidentiality is preserved; and the parties are not bound by solutions generated in the exchange—partially or wholly—unless they agree.

An 18-page booklet which spells out fees, selection of conciliators, proceedings format, and other substantive details is available in English and Japanese. Information, including the procedures to initiate a conciliation, can be obtained from:

#### In the US

Pacific Industrial Property Association  
P.O. Box 3477  
Grand Central Station  
New York, New York 10017

#### In Japan

Pacific Industrial Property Association  
c/o Japan Pat. Assn.  
5, 2-chome, Kanda Ogawamachi  
Chiyoda-ku,  
Tokyo, Japan

## Brazil's New Policies, Problems and Prospects Analyzed in BI Report



Over the last dozen years, a number of forces have combined to make Brazil one of the world's favored sites for foreign investment. Like the rest of the world, however, Brazil is now facing an array of problems that represent new challenges—and adjustments—for companies which already invested in Brazil or are planning projects for that country.

Responding to balance-of-payments problems seriously exacerbated by the steep cost of oil imports, a reduced growth rate caused by recession in its major markets (the US, Western Europe and Japan), a renewed bout of inflation, and domestic demands for wider income distribution and a less-restrictive political system, Brazil has taken a number of measures that affect international companies directly and sharply.

While foreign investment remains welcome, investment projects now are scrutinized meticulously for what they offer to the Brazilian economy and for what they contribute to solving Brazil's present problems. Incentives, while still available, are on a considerably less generous scale, and imports are becoming more costly because of higher tariffs, prior deposits, longer credit terms and a deliberate slowdown in administrative procedures. Price controls have been liberalized in some ways, but tightened in others. More credit is channelled to locally owned firms as a matter of government policy. Technology payments are X-rayed as never before.

There is also a new thrust in developmental policy. The national development plan for 1975-79 calls for a reshaped agricultural policy, new directions in industrial policy—including import substitution for a number of basic industrial products that Brazil now imports in considerable quantities, a new line of manufactured exports, decentralization, and development of domestic technology—and the creation of a broader domestic market for simple, mass-produced goods, particularly consumer soft goods. This expanded market, which is largely the province of domestic industry, is to be created via a steady, if not spectacular, growth of the labor force, coupled with some increase in real purchasing power at the lower economic levels.

Just how the change in direction, emphasis and ground rules influences international companies is described in a new BI research report, *Operating Successfully in a Changing Brazil*, which has just been issued. As customary in BI reports, the study not only analyzes the problems and prospects, but offers concrete examples of how international companies cope with both.

The report is available from all Business International offices, at the price of \$120. Executive Service and Associate Clients will receive entitlement copies.


**BUSINESS INTERNATIONAL'S EXECUTIVE BRIEFING**

**LATEST FROM MADRID . . .**

The consensus in Spain is that Prince Juan Carlos is inheriting a good administrative organization and that his appointment as Chief of State will put an end to the political uncertainty which has plagued Spain in recent years. Franco's departure from the political scene will speed up the introduction of democratic reforms and reopen the doors for negotiations with the European Economic Community.

The new king will have "supreme power of administration," but he will have less power than Franco had. So to ensure his position, Juan Carlos may hold a referendum to get majority approval of the reforms he intends to introduce. For the present, he may also keep Carlos Arias Navarro as prime minister and name a "Cabinet of National Union," incorporating some representatives of opposition groups (excluding the communists), members of the current establishment, and a sprinkling of technocrats. Thus far, everything points in Juan Carlos' favor. Since his designation as successor to Franco a year ago, he has gained in popularity and has the support of the Catholic church and the army, especially the new generation of officers.

**IMETAL/COPPERWELD FRACAS** (Continued from page 347)

for import quotas, tariffs and "Buy American" plans at every opportunity.

Further, the state of Pennsylvania, especially the western part, is one of the more protectionist regions in the US. Possibly, this is due to its long connection with the steel industry. In any case, Congressman John Dent, who represents the area, was one of the first, and remains one of the staunchest, proponents of foreign investment controls in the US. The recent hearings in Pittsburgh, Pennsylvania, on the Copperweld takeover bid were held by Congressman Dent, under the auspices of his Subcommittee on Labor Standards. By any calculation, Imetal's choice of a specialty steel company in Pittsburgh was impolitic.

Finally, Imetal could have saved itself at least one major investigation, and perhaps a court case, if it had sought an opinion from the Justice Department on its proposed takeover under the department's Business Review Procedure (*BI '74* p. 98). The Justice Department is presently conducting an investigation to see if, in fact, Imetal's acquisition of Copperweld would violate US antitrust law, as Copperweld alleges. Even if the Justice Department finds insufficient cause to bring suit, there is a strong possibility that Copperweld itself will do so. (The Justice Department believes that a requirement for pre-merger notification, such as the one contained in S. 1284, now before Congress—see *BI '75* p. 341—would help it in these investigations. In the Copperweld-Imetal case, the Justice Department learned of the proposed takeover only after the public announcements were made by the two companies.)

**WESTERN EUROPE**

France has taken another step to firm up its price controls. Fearful of the inflationary pressures that will result from the hefty reflationary package announced last month (*BI '75* p. 305), Finance Minister Jean Pierre Fourcade will strengthen existing measures limiting profit margins. Such limits now exist for food and household products (*BI '75* p. 184), but additional products are to be covered, and at all levels: retail, wholesale and imports. Fourcade says the margins will be discussed with the affected industries through their trade associations. The government is also reviewing controls on services to make them more efficient.

**NORTH AMERICA**

**Direct foreign investment in the US continues to grow, but at a diminished rate and in a changing pattern.** Latest figures show a rise of 20% in 1974 and a 200% increase since 1961. The total, however, still amounts to less than \$22 billion at end-1974. (This compares to more than \$120 billion directly invested abroad by US-based companies.) In the first nine months of 1975, direct foreign investment in the US fell slightly to 119 new investments (in manufacturing) from 200 such investments in the comparable period of 1974.

The new *pattern* of investment shows an accelerating shift to acquisitions, even though this can be complicated and costly unless carefully prepared (for one example, see p. 347). Acquisitions represented 40% of all direct foreign investment this year, as opposed to 36% in 1974, 22% in 1973 and 19% in the late 1960s.

**Indirect foreign investment in the US** now stands at \$80-85 billion, 75% more than previously estimated. The US Treasury reports that such investment is about equally divided among corporate stocks, US government bonds and notes (with maturities of more than one year), and corporate debt instruments. Most of the corporate securities are held by individuals and companies, with government debt instruments mainly in the hands of central banks.

**The Financial Accounting Standards Board (FASB)—the US' professional rule-making body—has issued its final statement on translation accounting.** This statement disposes of all but one method for translating foreign currency denominated transactions and financial statements into US dollars. Moreover, it eliminates exchange reserves and calls for the recognition of exchange gains or losses in the income statement of the period in which the rate change actually occurs.

Under the new rules, effective for the fiscal year beginning Jan. 1, 1976, cash, receivables and payables must be translated into US dollars at current exchange rates, while other assets, including inventories carried at cost, and liabilities must be translated at the historic rate of exchange.

|   |  |         |
|---|--|---------|
| THE NEW POPULARITY OF TRADING COMPANIES:      | OPPORTUNITIES IN ANCOM .....                   | 356     |
| HOW THE KAISER VERSION WORKS .....            | VENEZUELA'S AND BOLIVIA'S SHOPPING LISTS ..... | 357     |
| ... AND THE VOLKSWAGEN MODEL .....            | ASSOCIATIONS OF RAW MATERIAL PRODUCERS:        |         |
| OPERATING IN INDIA UNDER EMERGENCY RULE ..... | THEIR GOALS AND TECHNIQUES .....               | 358-359 |
| ... AND SOME NEW VISTAS .....                 | EAST-WEST TECHNOLOGY EXCHANGE .....            | 360     |

## The Trading Company: A New Way To Cope With Global Changes

*Use of what are loosely called "trading companies" is evoking sharply rising interest among international companies. With operations abroad buffeted by sudden, acute swings in international business conditions in recent years—caused by such factors as inflation and recession, shortage/glut problems and currency exchange uncertainties—and worldwide competition increasingly intense, some international firms have designed trading companies as one form of positive corporate response.*

*Trading companies, one of Japan's important contributions to international organizational theory and practice, can take a number of different shapes. Some executives, in fact, feel that "marketing companies" is a better term, since the primary activity of trading companies is more akin to that of an international marketer than of an independent trader. This article describes how one highly successful version, Kaiser Aluminum's trading company, works. The article following delineates another example, Volkswagen's US-based "Votex."*

The Kaiser Trading Company (KTC) was organized in 1969 as a wholly owned subsidiary of Kaiser Aluminum and Chemical Corporation. Its annual sales have risen meteorically—from \$11 million in 1970 to \$195 million in 1975 involving third parties, to \$400 million including sales of parent company products. Its profits have jumped from less than \$900,000 in 1970 to more than \$21 million in 1974.

Kaiser Trading specializes in the purchase and sale of bulk commodities and normally deals with about 70 different products in four general areas: metals and minerals; industrial

and agricultural chemicals; energy products and nonmetallic minerals; and forest products. It also handles some semifinished products in bulk (e.g. fertilizer, cement and liner board), but most of its activities are with commodities. Although it acts as the international sales and purchasing arm of the parent corporation, its major responsibility is the trading of non-Kaiser products in world markets. These third-party transactions, as Kaiser refers to them, are conducted throughout the world and, in fact, account for 90% of Kaiser Trading's pretax profits.

### Scope of KTC's activities

KTC's activities go beyond buying and selling. Where desired, it offers a total service capability (see box on next page for examples of two such deals), including:

- **Transportation.** KTC offers a complete transportation service, encompassing storage and bagging arrangements, for clients for whom maintenance of a specialized transportation and traffic staff is impractical. KTC transportation executives command expertise in all fields of transportation, ranging from dry and liquid bulk cargoes to airfreight, from the chartering of vessels to negotiation of terms and rates, and all other aspects of the physical movement of goods.
- **Financial.** KTC can provide a full line of financial services, comprising establishing lines of credit, overseeing collections and supplying working capital.
- **Currencies.** KTC supervises hedging and other currency-protection activities so that buyers or sellers can deal in their own currencies. Middlemen—shipping companies, forwarders, agents and others—may also wish to work in their own currencies and this can call for three, four or possibly even more currencies in one transaction.
- **Documentation.** KTC controls all documentation, including, for example, bills of lading, certificates of origin and analysis, export and import licenses, consular and pro forma invoices, etc.
- **Insurance.** KTC works with insurance companies to offer insurance coverage, and its mass-purchasing power often

enables customers to save on insurance rates.

In addition to handling products, KTC also performs some critical international operations for its parent company. It serves as Kaiser Aluminum's worldwide purchasing agent, working on a commission basis for the domestic divisions, thus sidestepping the potential problem of transfer pricing. It represents the parent in selling alumina and aluminum outside the US. And it vends Kaiser technology, particularly patents, know-how and engineering services, outside the US.

### Organization and management

Organizationally, KTC incorporated Kaiser's international division and is staffed by many of the latter's experienced international hands. Perhaps because of this, it engages in a number of functions, such as worldwide purchasing and licensing of technology, that are usually conducted by an integrated international division rather than a trading company. In fact, about the only major international-division duty KTC does not have is the management of overseas subsidiaries and affiliates.

Structurally, KTC has a dual organization combining headquarters-based trading activities and offices in the field. There are 14 traders at headquarters, grouped into four trading divisions. Each of the 14, in effect, runs his own business, including buying and selling, and has full P&L responsibility. The traders are supported by assistant traders and clerical staffs which process the necessary documentation and arrange transportation, financing and other necessary services.

Overseas, KTC has nine field offices that, like the traders, report to appropriate vice presidents, who themselves report to the president. The field staff maintains constant contact with customers, and supplies crucial input to the traders. Four of the nine have some P&L responsibility of their own, although the ultimate profit responsibility rests with the

#### KTC Transactions: Two Examples

A sizable number of KTC's transactions involve more than simply purchasing a product in one country and selling it in another. For example, in 1974 when a key fertilizer, diammonium phosphate, was in short supply, KTC purchased phosphate in the US and sulfuric acid in Europe, and shipped both products to a facility in a third country where they were converted into diammonium phosphate. The end product was then shipped in bulk to the Middle East, where it was bagged, and from there was sold to a neighboring country.

In another case, KTC bought silicofluoride in Eastern Europe, sent it to Asia for conversion to cryolite, and then sold the cryolite in two different countries.

During the past year, KTC's purchasing and sales activities have been with companies or agents located in 50 different countries, including the USSR, Eastern Europe and the People's Republic of China.

traders. All operate against budgets that control their costs. In the larger field offices, individuals are assigned to work with specific traders. In the smaller ones, individuals may have to work with more than one trader. In general, it is the responsibility of the head of the field office to allocate his human resources to various product areas.

Communications is the key to making this organizational design work. The intimate and daily cooperation required is expressed by KTC's president in a US football analogy: the headquarters' trading divisions are the "quarterbacks," while the field offices are the "wide receivers who actually score the touchdowns" (i.e. consummate transactions with customers).

For support staff, KTC works very closely with the parent company. In the treasury area, KTC has staff that coordinates with the parent's financial group, operating, for example, under strict rules on hedging. For legal and credit services, KTC also leans on corporate staff and pays headquarters fees for services performed on its behalf. In shipping, the situation is reversed: the parent uses KTC's shipping capability and pays a service charge for the shipping services which are supplied by KTC.

## Volkswagen Subsidiary Now Trades a Range Of Product Lines



Two years ago Volkswagen of Germany launched a US-based global trading subsidiary, Volume Export and Trading Corp (*BI* '73 p. 286). The US firm, now operating under the name "Votex," has moved away from the trading concept in its automotive products business, but is developing a flourishing trading activity in other products, such as chemicals and textiles. The firm expects 1975 sales of about \$6.5 million, double its 1974 level.

(The figure includes the sales of Votex's Mexican and Brazilian affiliates, but does *not* comprise those of its German subsidiary, which was set up in early 1974 to buy replacement parts and accessories for Volkswagenwerk AG throughout Europe. The German subsidiary has a sales volume about three times larger than that of its US parent.)

Originally, Votex envisioned itself acting as a broker in the buying and selling of an economy line of auto parts and accessories mainly in the US. It found, however, that foreign auto parts wholesalers there do their own importing and, hence, do not need a buying agent. Because of this, Votex has established its own warehouses in New Jersey and California and now acts as an importer/distributor, buying for its own account and selling to automotive dealers and jobbers. It handles parts for Volkswagens primarily, but also for other European cars.

In 1974, Votex bought most of its automotive items in Brazil and the US, but in 1975 more purchases have come from Germany. This gradual shift back to Europe as a source



of supply is due to the preference of many US buyers for German parts and the strengthening of the US dollar against the Deutschmark. The firm sells many well-known auto parts under their own names, but markets lesser-known products under the Votex name.

Votex's activity as a trader, rather than a distributor, is now centered on nonautomotive products, most of which it buys in the US and elsewhere and sells to customers in Europe. The firm has two traders at its New Jersey headquarters and four in Germany. Though volume is still modest, it is increasing, and Votex sees this business as its major growth area. Its deals thus far include: denim from the US sold to European apparel makers; chemicals from the US sold to European manufacturers; and fertilizer from Mexico sold to customers in India. A rather surprising development in 1974 was the purchase of European ethylene glycol, which Votex sold in the US, despite a very high price. Because the US was experiencing a shortage of this chemical, which is used in automotive antifreeze, the sale—reversing the more usual pattern—was possible.

## Foreign Investors Find India's Emergency Rule A Double-Edged Sword



*When India introduced its new emergency rule in June, many international firms wondered just how the new political situation would affect the business climate—strategically and operationally. All kinds of reports, censored under the emergency's rules of the game, have emerged from India, presenting neither a very clear nor a very dependable picture. To find out what it is really like to operate in India today, BI's Asian editor has just visited the country and touched base with a number of international firms on the spot. The article below summarizes their experiences and expectations.*

India's state of emergency, proclaimed for both political and economic reasons, has altered the climate for foreign investment. A few of the country's more painful operational headaches have been ameliorated, at least for the time being. At the same time, however, the emergency has exacerbated the frustrations firms face in other areas or, at best, has created only cosmetic improvements.

### The good . . .

**Labor**, whose erratic behavior in the past often made difficult problems worse, has had its wings clipped. By decree, a virtual ban has been placed on strikes and work slowdowns. One US-based firm, facing wildcat job actions at its plant, informed the government, and the strike ended within 48 hours. "Casual leave," a practice which led to high rates of absenteeism, has been abolished now as a general principle. Bonuses paid to workers have been cut by 50-70% in most industries to reflect the rapidly dwindling inflation

rate. (Under India's Bonus Act, workers were allowed to negotiate bonus agreements with their employers significantly higher than those required by law. This provision has been eliminated. In the textile industry, for example, bonuses this year are likely to average 4% of base pay, compared to 10% last year.)

Most firms are skeptical about the permanence of improved labor conditions, however. While alteration of the bonus system is likely to be a lasting change—companies and workers in some industries are already hammering out bonus plans linked to productivity for the coming year—many of the other improvements will probably be temporary. Several companies are anticipating a revival of union activity, emergency or not, within three to six months. Firms claim that the current labor acquiescence does *not* reflect a serious change of attitude but stems from fear. And they believe that labor discipline sprouting from such roots cannot last very long.

**Transportation**, the weakest link in India's distribution system, has also improved. The reshuffle of railway management that followed the 1974 strike, computerization, and recession with its reduced demands, have cut delivery delays by as much as 50%. One international firm, which uses the railroads to transport locally produced raw materials to its plant, used to get *promises* of delivery in nine days, with *shipments* actually taking about three weeks. Now, railway officials contact the company in an active marketing effort,

### More Production Wanted

Foreign firms in India can now increase production beyond their "licensed capacity" in 30 additional industries, provided the excess is either exported or "sold in accordance with government directions." Just how meaningful this is to firms remains to be seen. India's recession has already forced firms to maximize exports, and just what selling "in accordance with government directions" entails has not yet been spelled out. It is most likely to mean selling to a government distribution agency at a government-dictated price.

The industrial sectors covered are: special alloy iron and steel castings; stainless steel castings; closed die forgings; diesel engines above 15 h.p.; pumps; electricity transmission and distribution equipment; power transformers; switch gears; electric motors; electric furnaces; electronic components and equipment; commercial vehicles; tractors; scooters; automobile ancillaries; industrial machinery; machine tools; conveyor equipment; cranes; earth-moving, mining and metallurgical equipment; hydraulic equipment; nitrogen and phosphate fertilizers; heavy chemicals; fine chemicals; synthetic rubber chemicals; industrial explosives; insecticides, fungicides and herbicides; pulp and paper and related products; refractories; portland cement; and basic drugs.

and deliveries are made within the promised nine days.

While some firms feel that these better rolling railroads will endure, others remain skeptical; and even optimistic manufacturers anticipate renewed delays when this year's record wheat crop enters the pipeline.

**Power generation** has increased at hydro-electric facilities as a result of this year's abundant rainfall, and for coal-based steam units due to improved transportation. In addition, the government is making a concerted effort to expand electric capacity and remove the bottlenecks that have made power a notorious impediment to efficient production runs. This does not mean that "load shedding" is a bane of the past in India, but companies do expect that power supply will improve gradually over the next five years.

### The bad . . .

**The bureaucracy**, despite superficial signs of increased efficiency, is, companies report, as slow moving as ever. There are exceptions: One firm's import license recently was approved in a miraculous 10 days instead of the customary four months. But in most cases, the state of emergency and the accompanying exhortations that the bureaucracy streamline its operations have had few tangible results. Public servants now do go to work on time and remain in their offices for the full working day, with many at least making a pretense of serious activity. But corporate experience indicates the thinness of the veneer. Typically, one Japan-based firm's investment application, submitted in November 1974, has still not come any closer to seeing the light of day; and a US-based firm's import license has vanished in the traditional morass for the past 90 days, with little chance that it will make its way through the bureaucratic mill in less than the usual waiting period of four to six months.

**The economy** is in the doldrums. While the government's tight money policy and the crackdown on profiteering have reduced inflation to 7-8% (compared to last year's 30%), they have also severely reduced economic activity. The crackdown on undeclared income ("black money," in Indian parlance), estimated to represent as much as 30-40% of the economy, has greatly aggravated existing recessionary trends. Consumers are unwilling to spend the "black money," and traders are afraid to accept it or use it to finance inventories, as they did in the past. Thus manufacturers, urged by the government to step up production (see box p. 355) and prevented from laying off workers, not only lack a market, but are also amassing inventories that are expensive to finance.

A record harvest this fall and a number of moderately stimulative measures planned by the government should offer some relief by early 1976. However, the government, not very realistically, sees the main solution to inventory accumulation and unemployment in increased exports. It is putting together industry-by-industry export targets that take little account of market conditions and, in some industries, no account of India's competitive price disadvantages.

### . . . and the profitable

Recession, on top of India's traditional operational problems, has resulted in reduced ROI for this year, with the likelihood of more of the same in 1976. But the country's basic attractions, including a plethora of human resources at all levels of training and ability, and a potential market of more than half a billion people, have not lost their luster. Real opportunities do exist where the objectives of firms mesh with the goals of government.

Specifically, companies interested in producing for the domestic markets have two options. One is high technology fields where the government does permit foreign investment and even majority foreign equity in a few cases. Philips of Eindhoven (electromedical devices), Union Carbide (coal gasification) and IBM (computer hardware) are considering this route. The other option, available in a wide range of product areas, is licensing and technical assistance agreements, with or without the possibility of minority equity participation. As the experiences of such firms as Combustion Engineering have shown, that can be a rewarding route (*BI* '73 p. 326).

There are also opportunities for major turnkey projects. Two international firms, one US-based, the other Canadian, are currently bidding on a \$600 million iron-ore processing project, which is based on Indian raw materials and financed by the end user, Iran.

## New Ancom Programs Hold Some Opportunities For Foreign Investors



To many international executives, mention of the Andean Common Market (Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela) conjures up images of notorious Decision 24, which sets tough restrictions on investment. But in the almost five years that have passed since passage of the foreign investment code, Ancom has also taken important steps toward becoming an integrated economic unit that international companies cannot afford to dismiss out of hand.

With the addition of Venezuela in 1973, Ancom now has an aggregate GNP of about \$67 billion, which equals that of Mexico, and warrants comparison to Brazil (\$108 billion).

Ancom's integration model combines several tariff-cutting devices, the most important of which are the automatic tariff-cutting program and the sectorial-development programs.

Thus far, the automatic tariff-cutting program has worked well, and tariffs among the four larger Ancom countries will be reduced by the end of this year to 50% of their 1971 level. Ancom's less-developed members—Bolivia and Ecuador—already have duty-free access to the larger countries.

The sectorial-development programs have been more of a

## What Venezuela and Bolivia Want

Venezuela and Bolivia have recently announced a series of projects for which they would like foreign, private-sector participation—on Ancom's terms.

The projects vary in scope. *Bolivia's* shopping list encompasses a myriad of projects in several sectors. *Venezuela's* list is specifically tailored to the auto parts industry, and aims at raising local content of Venezuelan-manufactured cars from the present 35% to 80% by 1980. Also, while some of the Bolivian projects require state participation, the Venezuelan government has indicated that it will intervene only if the private-sector response is inadequate.

### The Bolivian package

The Bolivian government will hold a one-week meeting in the second half of 1976 to get potential investors together with the various Bolivian agencies that are sponsoring projects worth some \$550 million. The UN's Industrial Development Organization (UNIDO) has worked with Bolivia in drawing up feasibility studies and will continue to lend assistance in the follow-through process.

Major Bolivian projects for which feasibility and prefeasibility studies have been made are:

- ▶ A \$97.3 million bagasse pulp and paper mill sponsored by the Bolivian Development Corp.
- ▶ A \$67.7 million caustic soda, chlorine and sodium carbonate plant under the auspices of the Armed Forces Development Corp.
- ▶ Two sugar mills requiring investment of \$39.5 and \$41.5 million respectively, backed by the Bolivian Development Corp.
- ▶ A \$54 million sugar and alcohol plant under the aegis of the National Investment Institute.
- ▶ Two cement plants ticketed at \$20 million each, one with the Bolivian Development Corp as partner, the other with the Regional Development Corp.

▶ Two saw mill projects at \$16.5 and \$20 million respectively, sponsored by the Bolivian Development Corp and the Regional Development Corp.

▶ A \$14 million foundry and a \$5.7 million forge for the auto industry in cooperation with the Armed Forces Development Corp.

▶ A \$17.5 million wood products operation and several tourism projects totaling \$9.4 million, with the National Investment Institute as partner.

▶ And a ball bearings plant, necessitating a \$15 million investment, with the Bolivian Development Corp as a joint venture partner.

### Venezuela's auto projects

Venezuela's auto parts plan calls for a \$465 million investment distributed among seven plants through 1980. Companies interested have until Jan. 15, 1976 to submit bids to the Development Ministry. Operations contemplated are:

- ▶ A foundry with a 60,000 ton-a-year initial capacity.
- ▶ A heavy-duty forge with an incipient capacity of 15,000 metric tons.
- ▶ A 46,000-unit, four-cylinder engine plant; a 44,000-unit, six-cylinder engine operation; and a 65,000-unit, eight-cylinder plant for private cars and commercial vehicles.
- ▶ A transmission facility to produce 164,000 units for private, as well as commercial, vehicles.
- ▶ And a diesel engine plant for commercial vehicles over 12.5 tons with a 40,000-unit annual capacity.

Both countries are stressing decentralization in their specifications. Venezuela is restricting new projects to the Barquisimeto, Puerto La Cruz and Cumana areas, away from the central Valencia region where most of the automotive industry is now located. Bolivia lists desired locations for each project, with La Paz, Cochabamba and Santa Cruz the most favored sites.

struggle, but under current programs specified products are distributed among member countries, which then have a virtual monopoly for their production. Ancom designed its first sectorial-development program in 1972, for the metalworking industry, and its second this September, for the important petrochemical industry. At the same time, it approved the vehicle allotments for the automotive-industry program.

The petrochemical program assigns some 50 products, in some cases on a shared production basis. Ancom members have to eliminate all duties and nontariff barriers on allocated products originating in the countries that have been given production rights. A common outer tariff will be applied to similar products imported from third countries. Some 100 products earlier set aside for possible inclusion in the

program, but not actually apportioned, will be treated in one of two ways: one group will be released immediately for free trade in Ancom, while tariffs on the rest will be reduced gradually to zero by 1980.

All Ancom members have agreed not to encourage any industry in their countries that would manufacture goods assigned to other members, nor to allow any foreign investment in another country's preserve. Within two and a half years, feasibility studies must be presented, and production will have to start no later than the end of 1982.

The program adheres to the Ancom goal of balanced development of all members. Failure to achieve this in the larger Latin American Free Trade Association (LAFTA) is primarily responsible for that group's lack of progress and

(Continued on page 360)

## Raw Material Producers



### Eye the OPEC Model:

### Who? Where? How?

*With the dramatic power and effect of the oil producers' cartel still very much in evidence, the world's economies--major and minor, developed and developing--are sensitized to cartels by other raw material producers that may pack a comparable wallop. International companies are particularly vulnerable because they are affected directly when the raw material in question constitutes an input into their product, and indirectly by the changes such cartels create in national and international markets.*

*For these reasons, BI intends to keep track of major trends in the production, marketing and financing of important raw materials. This article presents a roundup of existing organizations of raw material producers, analyzes their intentions and assesses their chances of success.*

### Copper

The Council of Copper Exporting Countries (CIPEC) was organized in 1974 with a three-point program: production and/or export cutbacks (upped from an original 10% to 15% early this year) to be followed by price increases; a price system to tie raw copper prices either to refined and processed copper or to a general index of industrial prices; establishment of a buffer stock ranging from \$2-4 billion to be financed by either the IMF or OPEC members.

None of these objectives has been achieved. Despite the official 15% reduction, output in the first half of this year fell by only 8% from the 1974 figure; there has been no progress on the price tie-in system; discussions with the IMF and OPEC did take place, but no agreements were reached.

A key feature of the CIPEC program in 1974 was the insistence that producer action, independent of consumers, was sufficient to stabilize the world price of copper.

Since then, however, poor demand has resulted in low prices, a world surplus of about 1.5 million tons and reduced shipments under CIPEC's quota system. With these developments, CIPEC, initially unwilling to engage in a producer-consumer dialogue, may yield to the possibility of talks when it meets at the ministerial level in mid-November in Lima. CIPEC members now seem to have realized that stable copper prices depend on a buffer stock operated as a joint producer-consumer endeavor.

On the other side, consumers who have traditionally shunned all cartel arrangements are now seeking a role in CIPEC proceedings, hoping to reduce the extreme price swings of the past two years.

With these newly discovered shared interests, CIPEC-member Zaire and the French and Belgian governments have called for consumer-producer copper talks sometime in the near future. French President Giscard d'Estaing has expressed

his desire to organize an international conference to examine the copper situation. He has also offered to discuss copper and other raw material issues twice a year in Kinshasa with the presidents of Zaire and Belgium. Although there has been no official CIPEC reaction thus far to the French President's offers, consumers are watching to see if CIPEC will accept them at some point. Meanwhile, CIPEC has been trying to increase its producer membership so as to add to its share of world copper production, now at 35%. Indonesia's announcement of membership is expected at the meeting in Lima. Also at the meeting, Australia will probably apply for associate membership, in accord with the Whitlam government's policy to seek closer relations with developing countries and other exporters of raw materials.

### Iron ore

Eleven iron ore producers met in April of this year to set up the Association of Iron Ore Exporting Countries (AIEC). The association became operative, by its own rules, in September 1975, when Peru signed the agreement, the seventh country to do so. The agreement goes into effect 30 days after being signed by the seventh country. Other signatories at this point are Algeria, Australia, Chile, India, Mauritania and Venezuela. The eleven countries produce about 75% of the non-communist world's iron ore.

AIEC intends to provide a structure for consultation and a clearinghouse for information with emphasis on independent government decision making. The group plans to study industrial nations' steel expansion efforts and iron ore needs to help inform AIEC members on the amount of ore they could sell and the price at which they could sell it. The AIEC mechanism will *not* fix a floor price or export quotas and will *not* maintain buffer stocks. On the other hand, members will be cautioned against iron ore overproduction and counseled on the wisdom of entering into long-term contracts.

So far no consuming nations have been admitted to AIEC membership. This exclusion is an indication that a cartel, rather than a clearinghouse, may be intended. However, AIEC hopes to avoid confrontation with consumers by holding consultations with them at least once a year. Australia, the major iron ore exporting nation and an AIEC member, favors a consumer dialogue. Brazil has made clear that it wants consumer participation before joining for two reasons: First, it aspires to the number one producer position, and second, it expects to be a major steel producer as well. Canada, another major producer, has declined consideration of membership as long as the association remains closed to consumers.

The first meeting of AIEC at the ministerial level was held in London on Oct. 23, 1975, under the chairmanship of India's Minister of Commerce, D.P. Chattopadhyaya. The sessions proved uneventful. Of the eleven nations that initiated the agreement, only six were represented at the four-day meetings. A decision to set up AIEC headquarters in London was postponed. Functional proceedings, such as the naming of a secretary-general and permanent staff, were

delayed until the AIEC finds a permanent headquarters.

During the proceedings, an AIEC spokesman said that members demanded fairer prices for their iron ore, but emphasized that the new group was not a price-fixing cartel. He stressed the necessity for producer/consumer cooperation.

## Bauxite

The International Bauxite Association (IBA) is a cartel that dates back to March 1974. The main goal of the 10-nation group now is a common bauxite pricing policy. This goes beyond the original intention, which was to have IBA function primarily as an information clearinghouse.

Criteria for establishing a minimum price level were discussed in September 1975 by the IBA's working party of technical and economic experts from the 10 member nations. The 10 produce 80% of the non-communist world's bauxite.

The September discussions, held in Kingston, Jamaica, marked the third IBA meeting since February and were followed by an IBA executive board meeting on October 27 and a ministerial council meeting this week (November 3-7), also in Jamaica.

The main objectives of these meetings is to devise strategies on bauxite pricing and on utilizing bauxite resources to the member's best advantage. The strategies are not expected to yield a basic minimum price, but rather a formula to determine minimum prices. The formula will include such variables as ore grade, mining methods and costs, distance from markets, internal taxation systems, and contributions to IBA's budget. Also on the agenda is consideration of Indonesia's future membership.

Inventing a formula could prove difficult. Australia, the world's largest bauxite producer, is expected to want a price floor lower than the one demanded by the more militant LDC members of the association. Australia's position in the IBA is the chief source of friction at present. Australia has neither the financial pressures of IBA's LDC members, nor does it share their sharply antagonistic stance vis-a-vis international corporations.

IBA membership now includes Australia, the Dominican Republic, Ghana, Guinea, Guyana, Haiti, Jamaica, Sierra Leone, Surinam and Yugoslavia. Brazil should join soon.

## Tungsten

Tungsten-producing nations met in Bolivia in April 1975 and agreed to form a producer association aimed at creating price stability and defense mechanisms for the metal. Attempts to formalize a tungsten group date back more than twelve years. Carlos Iturralde Ballivian of Bolivia was named provisional director of the organization, which probably will have its headquarters in Brussels. Australia, Bolivia, Peru, Portugal and Thailand intend to become founding members. Delegates from Brazil, Canada, Mexico and South Korea have expressed their interest in the organization and have agreed to give financial and moral support.

In mid-June, a meeting of producers in London outlined a plan to stabilize prices within minimum and maximum bands.

All the original participants, except Australia, attended the meeting. Two nonmembers, Brazil and China, indicated their concern with the proceedings by sending representatives and observers.

Following the June meeting, a paper detailing the group's proposals, including recommended quality premiums and/or discounts for concentrates and upgraded products, was presented to the July 28 Geneva meeting of the tungsten committee of the United Nations Conference on Trade and Development (UNCTAD). At that time, the producers sought to discuss their plans with consumer representatives on UNCTAD's tungsten committee. The UN has provided a forum for tungsten talks since 1963, having been asked originally by Bolivia and South Korea to assume a role in stabilizing prices of this volatile commodity.

In the recent past, tungsten-consuming nations who were represented at UNCTAD meetings have rejected attempts to establish minimum prices and resisted implicit threats by the producers to introduce controls over production and exports and build buffer stocks.

It appears unlikely that the producers can organize effectively outside the UN. Tungsten is produced in over 30 countries, and world production is nearly evenly divided between 10 market economy nations, and the PRC, the USSR and North Korea. This makes agreement among producers difficult, if not impossible.

## Rubber

The Association of Natural Rubber Producing Countries (ANRPC) was organized in October 1970 in Kuala Lumpur, Malaysia. Since then, the group has grown to seven members: India, Indonesia, Malaysia, Singapore, Sri Lanka, Thailand and Vietnam.

Since its inception, ANRPC has evolved into a producer organization that stresses the necessity for cooperation with consuming nations to achieve the mutual benefits of price stabilization. Spokesmen for ANRPC have stated repeatedly, and emphatically, that there is no desire to create a producer-dominated cartel.

To achieve price stabilization, ANRPC's Committee of Experts unanimously agreed, in May 1975, to a three-step program:

- Limitation of natural rubber exports from member countries.
- Establishment of an international buffer stock.
- Simultaneous introduction of a buffer stock and supply rationalization scheme.

Although all ANRPC members agree in principle with the association's objectives and strategy, there have been disagreements over details. One major area of disagreement concerns the degree to which the proposed buffer stock should be jointly maintained and managed. An ANRPC meeting has been called for November 17-22 in Bangkok, Thailand, to hammer out technical details of supply and pricing arrangements and to finalize a draft agreement to be signed by the member nations.

**BUSINESS INTERNATIONAL'S EXECUTIVE BRIEFING****LATEST FROM BUENOS AIRES . . .**

Argentina has organized another of its last ditch, emergency economic recovery plans that will most likely not succeed and only mean more problems for companies in dealing with labor and price controls, while adding to their tax burden. The key to the government plan is another "social contract" between labor and management similar to the one in effect when Peron returned to power. This latest version calls for a six-month moratorium on strikes and dismissals, during which time the government will attempt to appease both sides via wage and price controls. The contract is already being breached in some industries, and this week wages were hiked 40% above the June increases. Meanwhile, the government is working on a tax reform that would raise revenues from their presently low 12% of GDP to some 20%. It also will scrutinize price rises of large companies, permitting profit margin hikes only when firms expand their productive capacity.

**WESTERN EUROPE**

German exports are perking up, indicating that the country is heading out of the economic doldrums—as predicted, earlier than most other European nations (*BI '75* p. 305). The

**NEW ANCOM PROJECTS** (Continued from page 357)

was a major factor in the formation of Ancom as a subgroup of LAFTA. The petrochemical agreement also requires that the more sizable countries guarantee Bolivia and Ecuador an equitable share of the market for products in which they share production rights. Under this provision, Venezuela has already agreed to yield the Ancom market for high-density polyethylene to Bolivia, with which it shares the sectorial allocation through 1991. As soon as Bolivian production begins, Venezuela will direct all of its sales to third countries, unless the Bolivian plant cannot meet regional demand.

The sectorial programs provide investment opportunities for companies willing to play by Ancom's restrictive rules (see box p. 357 for recently announced specifics). Estimates are that the petrochemical program will require a total investment of \$2.5 billion, of which \$1 billion is expected to come from outside the region. The most significant foreign input will be equipment, ticketed at \$400 million, while outlays for foreign technology and other expenses are estimated at \$300 million each.

Ancom's programs for the automotive and fertilizer industries are expected shortly, and additional programs are being mapped for completion next year. A multisectorial proposal covering production of glass, fine chemicals, pesticides, dyestuffs and some organic chemicals is already being drafted and will be presented for consideration in mid-December. A program for the electronics sector is also expected to be ready before the end of the year.

upswing in orders has taken place over the last three months, with a pronounced acceleration in September. In that month, exports climbed back to last year's level, with capital goods the lead item. Industrial orders for the domestic market are doing even better—another significant signpost of economic recovery. Those orders were up 6% over the levels of September 1974.

The Turkish lira was again devalued this week, the sixth time since May 1974. At TL15:\$1, this 1.69% downward adjustment brings the total change in the value of the lira to 11.11% in 17 months. The minidevaluation is consistent with the government policy of small downward readjustments as opposed to major devaluations. Primarily because of Turkey's mounting trade deficit, further small declines in the lira are expected in the course of 1976.

**MIDDLE EAST**

The exodus of companies from Beirut is almost becoming a stampede. In recent weeks, dozens of companies, including First National City Bank, International Harvester and Goodyear, have moved out. Many other firms are packing their bags, or preparing to do so—all convinced that prospects are dim for a definitive end to civil strife. Emerging as the paramount alternative to Beirut as headquarters for Middle East operations is Athens, which is welcoming the inflow, but is also getting crowded and expensive as costs of office space and apartments skyrocket.

**East-West Technology Exchange**

Companies that are interested in discussing the problems involved in selling US-origin technology to socialist-bloc countries may want to attend the US Commerce Department's "East-West Technological Trade Symposium," scheduled for November 19th at the State Department in Washington, DC. The all-day meeting will feature high-level representatives of the State and Commerce Departments, the Office of Senator Henry Jackson (D, Wash.) and the AFL/CIO, as well as corporate executives who have had experience in this field.

There will also be discussion of the possibilities for reverse flows of technology from socialist countries to the US and analysis of corporate experiences in dealing with the People's Republic of China. To register or obtain more information, companies should write to: East-West Technological Symposium, Room 3877, US Department of Commerce, 14th Street and Constitution Ave, NW, Washington, DC 20230, or phone (202) 967-2394. Cost of the symposium is \$30.

|  |   |         |
|--|---|---------|
| HOW POLLUTION CONTROLS AFFECT COMPANIES: | ... INCLUDING NEW EQUITY CEILINGS .....     | 363     |
| CORPORATE EXPERIENCE IN EUROPE .....     | ... AND HOW COMPULSORY SPIN-OFFS WORK ..... | 366     |
| A US VIEW OF THE FUTURE .....            | PROSPECTS FOR PROFITS—CANADA .....          | 364-365 |
| ... AND A BI CHECKLIST .....             | THREE NEW ELEMENTS IN THE OUTLOOK           |         |
| ALLURE AND REALITY IN IRAN .....         | FOR THE UK ECONOMY .....                    | 366     |

## Environmental Protection: Constraints, Costs And Ways To Cope

*Most international companies would agree that they have paid too little attention to environmental considerations in the past. Most international companies also feel that the pendulum has now swung too far to the other side, putting constraints on production that can prove economically weakening for developed economies and literally deadly for the people of some of the developing countries. As a Brazilian spokesman put it at the UN environmental conferences in Stockholm: "It is true that pollution is bad for your health, but hunger is worse."*

*For international companies, the implications of environmental restrictions are both financial and operational. The financial consequences are most intense in the US, where a significant portion of corporate capital outlays for the near and medium term are allocated to pollution control and other environmental safeguards. In Japan, operational constraints are paramount. Public resistance is strong against new plants that can do environmental damage. In Europe, controls are more varied and specific, as this article, detailing corporate experience, illustrates.*

Reynolds Aluminum's saga in Germany is probably the most illustrative. When the company decided to build an aluminum complex in Hamburg some years ago, environmental considerations did not seem to be an obstacle. The city of Hamburg had taken a 10% participation in the project, and a local senator assured Reynolds that it would have no trouble obtaining building and operating permits. Reynolds proceeded with construction, and the plant went on stream about two years ago.

Last year, Reynolds found itself in court, having to

defend itself against local farmers who claimed that, even though Reynold's plant was acknowledged to have the lowest pollution rate of all aluminum smelters in the world, the company's emissions exceeded the maximum tolerable limits for the area as a whole. The farmers' suit was also directed against the city of Hamburg for granting the requisite permits.

The case was complicated. Germany and Hamburg had toughened their antipollution legislation, with Hamburg subjecting companies to emission controls, and the German federal government laying down maximum emission standards on an areawide basis. The issue still has to be resolved—by the same judge who ordered a total production stop for the Reynolds smelter. However, that decision was ameliorated by an appeals court that permitted Reynolds to operate at two-thirds capacity until the case is settled.

Since Reynolds could not operate profitably at two-thirds capacity, it sought a buyer who could somehow make the plant a going operation. With 1,200 jobs at stake, the government was equally eager for a buyer to appear. By mid-summer, a solution was worked out whereby Reynolds would sell its 90% share in the plant's Dm160 million equity to the city of Hamburg for one token Deutschemark (Dm2.5:\$1). Hamburg, in turn, sold the plant to a consortium consisting of Reynolds, the government-owned aluminum group VAW and Austrian interests. Even though the final chapter has yet to be written, the Reynolds episode underscores the need for companies to carefully examine antipollution regulations and discount promises by officials, even when they happen to be partners.

### An aroused public

Firms in Spain and the Netherlands—two countries in which environmental concerns are prominent—have not yet been ensnared in a Reynolds-type situation. But they have found that the governments, prompted by an aroused public, are vigorously enforcing antipollution laws that have been on the books for years. Oxirane Chemie Nederland, a subsidiary

of Oxirane Corp of New Jersey, was hit with a whopping G4.5 million fine (G2.6:\$1) last December for releasing "a poisonous and explosive gas cloud" over Rotterdam. The company appealed the fine, claiming the escape of gas was caused by a breakdown in the municipal electricity supply. The authorities reduced the fine to G37,500 after Oxirane agreed to drop the appeal. The face-saver for the municipality was that it changed the basis of the fine. Originally, it had invoked a clause in Oxirane's rental lease providing for a fine of up to 10 times the annual rent. The reduced penalty was based on the national Air Pollution Law, which imposes a maximum of only G50,000, and the Public Nuisance Act, which has a limit of G10,000. The Dutch authorities maintained that the nominal fine would serve as a warning to other companies.

Companies in Spain have found the local populace more pollution-minded than might be expected. For example, because of protests from local fishermen, INI, Alcan and the Pechiney group had to shelve plans for a P26 billion (P59:\$1) alumina/aluminum plant on the northwest coast of Spain and locate farther inland—a move that ups the transport costs of imported bauxite. Local pressures have also prompted authorities to: deny, for the third time, permission to Dow Chemical to build an insecticide factory; ask that Flurouros, a subsidiary of Bethlehem Steel, build an underwater sewerage line several miles long, so that beaches would not be

### Where We Go from Here

Environmental protection will be with us for the foreseeable future. From the head of the US Environmental Protection Agency, Russel E. Train, a perspective on the magnitude of the problem and an approach to solutions:

"There is, I think, far too much of an inclination, in dealing with the very difficult judgments involved in so many environmental decisions, for too many people to behave as if everything were being acted out against some absolute and immutable sky, as if the issues and the outcomes were always 'either-or' and 'all-or-nothing' . . . .

"Most of the easy problems have long since been dealt with. What we have before us now and for the long term are highly complex issues, whose resolution will seldom please everyone, and all too often will probably please no one . . . .

"But let us at least try to deal with the issues on their merits, and let us try to accept as a working hypothesis, until the evidence builds up to the contrary, that the other fellow, whoever he may be—industrialist, farmer, forester, worker, environmentalist or bureaucrat—while perhaps wrong in any given case, is operating in good faith, trying to deal with complex issues objectively, calling the facts as he sees them as best he can, and not engaging in a conspiracy against the public interest."

### A Checklist

As concern for the environment in Europe grows, and laws become tougher and more costly to comply with, companies will want to incorporate the following checklist into their investment plans:

- Examine carefully not only national laws, but local laws as well. Determine which prevails. Failure to do this can produce a Reynolds-type situation.
- Consider appointing an executive in charge of monitoring antipollution laws. Oil companies have long had technical staffs doing this, and some large international companies, such as Du Pont, have followed suit. However, there are still many firms in which the responsibility for keeping abreast of environmental developments is not pinned down.
- Take advantage of local and national incentives available to companies for pollution control. In many instances, firms have not made use of these benefits, even when they were eligible.
- Determine if existing technology for controlling emissions may be used to develop antipollution equipment. This is, after all, a growth industry.

polluted; and require from Sefanitro, a domestic firm, an exhaustive study on how its new ammonium plant would affect environmental conditions in the region and what measures the company would take to control pollution. (The study is likely to be used by town officials when approached by other companies.)

Elsewhere in Europe, one of Norway's largest chemical firms, Norsk Hydro, has had to submit to strict—and costly—pollution rules. The Air Pollution Council agreed to approve a new six-plant project, provided the total pollution did not exceed current emissions at the company's existing plants at Heroya, about a mile away. This cost the firm up to Nkr300 million (Nkr5:\$1).

Even remote Iceland is extremely pollution-conscious. A key element in parliament's approval of a joint venture by Union Carbide and the Icelandic state to build a ferro-alloy plant was a thorough scrutiny of UC's pollution control equipment, which cost over \$7 million.

### A new direction in France

Companies in France will find that the government's interest in the quality of life is more than fashionable phrase-making. This summer, the first antipollution contract—they are billed as "voluntary" agreements negotiated between private companies and the government—was signed by Pechiney-Ugine-Kuhlmann. It calls for expenditures of Ffr200 million (Ffr4.4:\$1) over a seven-year period on pollution-control equipment, all expenses being borne by the company. Discussions for similar contracts with the Ministry of the Quality of Life are underway with Saint-Gobain and Creusot-Loire. ➤



## The polluter pays—and receives

Generally, the governments of Europe adhere to the "polluter pays" principle, which is also espoused by the EEC. In money terms, this means that an average 10-15% of any new corporate investment is absorbed by antipollution equipment, as against 6-8% in the 1960s. (In the Reynold's case, the firm complied with 219 of Hamburg's technical requirements, consuming 20% of the company's total investment.)

But most European governments are also willing to pay companies to curtail pollution. The Netherlands, for example, has given Shell G900,000 toward the cost of a pilot plant using a new and cleaner gasification process, another G900,000 to Philips for development of a "clean" motor for public transport, and G2.5 million to DAF for continuation of research on a diesel motor with a lower emission of fumes and noise.

Spain provides numerous subsidies to firms that cannot bear antipollution expenses. These include cash subsidies for construction, equipment and installation, low-interest credits, tax rebates and special depreciation allowances.

Belgian incentives, applicable to water pollution, include outright grants of 45% of equipment or installation costs exceeding Bfr200,000 (Bfr39:\$1), a percentage that shrinks to 30% in 1977 and 1978, and to 15% in 1979 and 1980. Belgium also offers low-cost loans, reduced taxes and accelerated depreciation. The Belgian formula (45-30-15) was adopted by the EEC this year, and the EEC now encourages member-countries to implement it.

## Kaleidoscopic Laws Give Firms Headaches In Alluring Iran



*"We rushed to Iran, following the oil price increase in 1973, expecting to find the streets paved with profits," explains one executive, "and like a lot of others found more potholes than pavement."*

*Delays, skyrocketing costs, corruption, poor infrastructure, more delays, vacillating government policies and attitudes, manpower shortages plus a host of other operational headaches have turned ostensibly viable joint venture agreements and lucrative turnkey contracts into corporate nightmares.*

*In a two-part series, based on conversations with companies operating in Iran now (by BI's Asian editor, who recently visited the country), BI describes some of the specters in these nightmares. This first article covers the problem of Iran's kaleidoscopic legal structure as it affects corporate activity. A subsequent article will deal with such obstacles as inadequate infrastructure, manpower deficiencies, bureaucratic inertia and perversity, pervasive corruption and changing corporate attitudes.*

"The main thing to remember" sums up one New Iran Hand, "is that here a deal is not a deal."

Specifically, whatever the original terms of their investment agreement, most foreign manufacturing firms with joint ventures in Iran will be forced to reduce their equity participation to 15-25%. The mechanism for this compulsory spin-off is the Shah's share participation scheme (BI '75 p. 236), which requires companies to sell off shares to their workers and/or the public. (For the latest development in that scheme, see box p. 366.)

## Equity restrictions

It remains unclear whether new ventures will be subject to the industry-by-industry equity restrictions (see box below) from the outset, or whether they will be forced to bring their equity down to the specified levels when they come under the share participation scheme, i.e. five years after the start of production.

The fuzziness of the law presents an additional discouragement to companies.

"What is the point of our negotiating a 35% equity stake if we have to spin down to 20% after five years?" one prospective foreign investor commented.

## Management control

In addition to the equity pressures, firms with experience in Iran are also concerned about maintaining control of their operations. While the government has assured companies that the divestiture scheme will not affect management contracts or provisions in joint venture agreements that vest control in the foreign partner, firms remain skeptical.

"Assume we trim our equity to 15%," one executive notes, "what's to prevent the government from renegeing on

(Continued on page 366)

## The New Equity Ceilings

|                                     | %  |
|-------------------------------------|----|
| Agro-industries                     | 25 |
| Basic metals                        | 25 |
| Building materials                  | 20 |
| Cellulose industries                | 25 |
| Chemicals*                          | 25 |
| Electrical machinery and appliances | 25 |
| Electronics*                        | 25 |
| Food industries                     | 15 |
| Leather                             | 20 |
| Machinery and equipment*            | 25 |
| Metal products                      | 20 |
| Nonmetallic minerals                | 25 |
| Petrochemicals*                     | 25 |
| Textiles                            | 15 |
| Transport equipment                 | 25 |

\* In "special cases," i.e. where high technology is involved, foreign equity may go as high as 35% in the asterisked industries.



## PROSPECTS FOR PROFITS



# CANADA

**Social Dynamics.** Canada has lost much of the optimistic self-confidence that characterized it in the early 1970s. A bewildering array of economic and social problems has made Canadians pessimistic about their prospects for prosperity and greater economic independence. Soaring unit labor costs have made Canadian exports less competitive and have posed new problems for the country's fragile manufacturing sector. Revised estimates of energy resources show the country's medium-term reserves to be much less plentiful than was previously thought—either as the basis for industrial growth or as a source of foreign exchange earnings. And uncontrolled government spending, along with programs of generous social assistance, is posing new problems in fiscal and monetary management.

The Trudeau government realizes that Canada must achieve major improvements in productivity and halt the spiraling growth in unit labor costs. It is attempting to encourage an increase in saving rates and to boost industrial investment.

The need to face the economic realities of high unemployment, inflation and the challenge of competitiveness in world export markets, along with the demand for major capital

### THE NEXT FIVE YEARS—

- **Less economic nationalism**
- **Disenchantment with Trudeau**
- **Modest recovery in 1976-77**

imports to offset a C\$6 billion (C\$1.02:US\$1) current account deficit, has begun to temper Canadian economic nationalism.

**Politics.** Pierre Trudeau and his Liberal party won a majority victory in a general election last year, which should keep them in power until 1978-79. But there is growing public disenchantment, not only with the government, but with Trudeau as well.

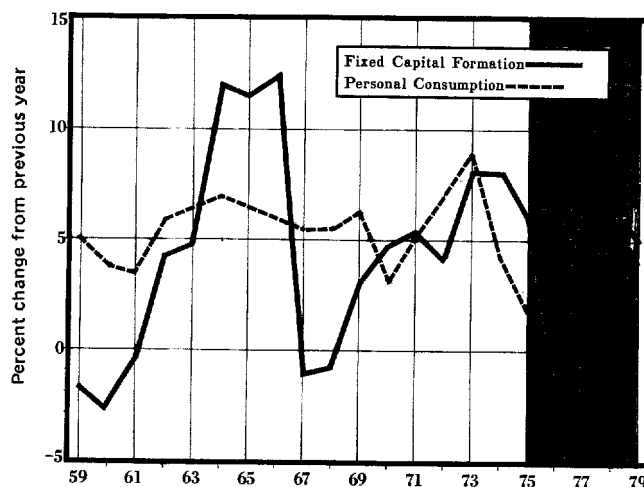
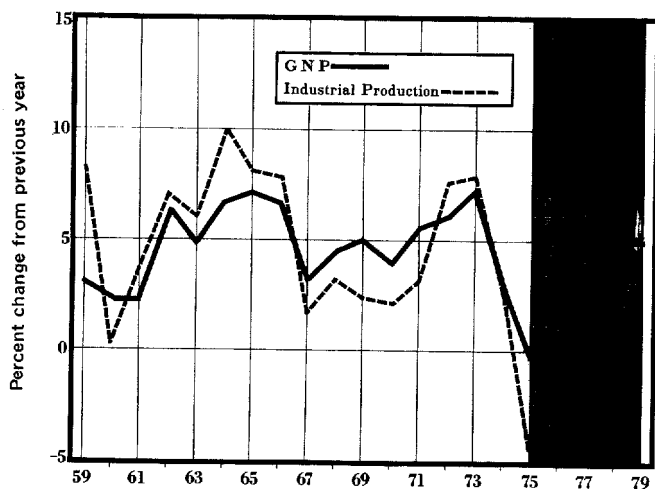
Trudeau has lost much of the confidence of the business community due to his failure to cope with inflation and soaring government spending. He is also denounced by the trade unions for his failure to combat inflation and unemployment and for his wage and price controls program, introduced in October (see *BI '75* pp. 336, 342-3), which the unions contend was designed mainly to deal with wages.

Under the Canadian federal system, the 10 provinces exercise considerable economic and political power. As a group, they can and do challenge federal government policies. The socialist New

Democratic party (NDP) controls the government in three provinces (British Columbia, Saskatchewan and Manitoba) and formed the official opposition in Ontario after an election there this year. That election, in the country's industrial and financial heartland, resulted in a minority Progressive Conservative government. Thus, a new election is likely in early 1976. An election may also come soon in British Columbia, where the NDP government is under sharp attack from the business world.

**Anatomy of the Market.** Real growth in the economy is expected to surge in 1976, following a no-growth 1975. The recession in Canada was shorter and less severe than in most industrial countries, but recovery over the next two years is expected to be less dynamic. Real growth next year should be in the 5-6% range, with some improvement in export markets, housing construction and consumer spending.

But in spite of wage and price controls, little change in the inflation rate is foreseen. The consumer price index should rise about 11% in 1975, compared to 10.9% in 1974. But early estimates for 1976, after the imposition of controls, still point to a 9.5-10% hike in consumer prices. Without controls, they would jump about 12%. Under the





# PROSPECTS FOR PROFITS



controls program, companies are permitted to pass on increased costs via higher prices, and many recent cost boosts have yet to work their way into the economic system.

At the same time, the controls will probably aggravate the unemployment problem. Unemployment is projected at about 7.3% in 1975, compared to 5.4% last year. In 1976 no improvement is seen, and the rate could climb slightly.

The coming year is expected to be one of monetary and fiscal restraint. The Bank of Canada has indicated a tightening of monetary policy and recently raised the bank rate to 9%, while the chartered (i.e. commercial) banks raised their prime lending rate to 9.75%. The federal government has also pledged to place tough controls on government spending in the new fiscal year. The government must maintain a close watch on external markets as well, in the light of Canada's anticipated C\$6 billion current account deficit this year, caused in part by a merchandise trade deficit in excess of C\$500 million. A small trade surplus is predicted for next year, resulting in a current account deficit of about C\$4 billion. Canadian exports in 1975 were hurt by a lengthy forest industry strike, as well as by severe recessions in the US, Europe and Japan.

**Foreign Investment.** Although Canada has expanded its screening of foreign

investment from takeovers to the entry of new foreign corporations into the country and the expansion of existing foreign-owned affiliates into unrelated areas of business (*BI '75* p. 121), the current attitude is one of encouraging foreign investment. Canada allows investment which will provide a "significant benefit to Canada," i.e. in terms of jobs, exports, capital inflow, local research and development, and component purchasing in Canada.

In other areas, the government has moved more slowly than it planned. A government-owned oil company has had its initial budget trimmed severely, and plans to overhaul laws governing licensing and patent arrangements between foreign corporations and local companies, including affiliates, are taking longer than expected. Nor has there been any action so far on government proposals to seek 50% Canadian participation in major new resource projects. One factor is a decline in such investment. But the government has set up a Royal Commission to investigate the powers and influence of big business.

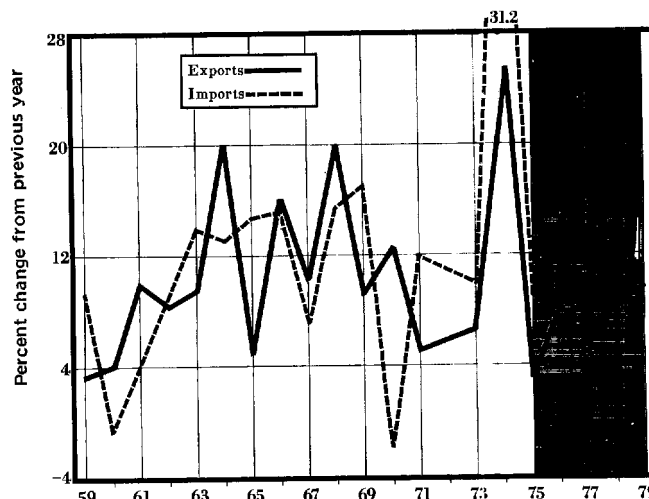
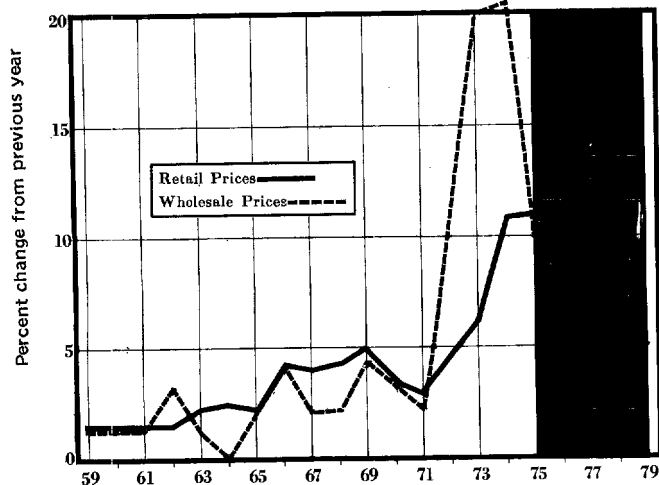
Total investment in new plant and equipment, in real terms, is expected to decline slightly in 1976, after a 6% gain this year and 7.9% gain in 1974. Investment in current dollars is projected at about C\$25 billion next year, compared to just under C\$24 billion in

1975. Recent estimates of longer-term capital needs show Canada requiring C\$100 billion to develop energy supplies up to 1985.

Historically, the country has relied heavily on foreign debt and equity capital to finance industrial growth. But the relative importance of direct foreign investment appears to be dwindling even though about 58% of the manufacturing sector and 54% of the mining and smelter sector are foreign controlled. Last year, foreign direct investment amounted to C\$435 million, bringing the total for the past decade to C\$6.8 billion.

**Currency.** Canada began floating its dollar in 1970, starting at C\$1:US\$0.925. Since then it has floated as high as C\$1:US\$1.05. But this year it floated down to about C\$1:US\$0.96, reflecting the substantial deterioration in Canada's balance of payments and a marked improvement in the US position.

The outlook for 1976 depends largely on the success of Canadian manufacturers in gaining new export sales. Offsetting the problems of Canadian competitiveness caused by increased unit labor costs will be the impact of the 1976 Olympics in Montreal. Current forecasts point to the Canadian dollar maintaining a range of C\$1:US\$0.98-0.99, with a medium-term oscillation of C\$1:US\$0.95-1.00.



**KALEIDOSCOPIC LAWS** (Continued from page 363)  
the promise of control as it has on other commitments.”

Licensing agreements are one of these other commitments. One US-based firm that has manufactured in Iran under a parent-company license for the past 10 years has renewed its licensing agreement twice. Each time the government insisted on a substantial royalty reduction as a prerequisite for approving the license. Since the parent firm cannot afford to cut its technology link to a joint venture in which it owns—for the time being—half the equity, it is forced to renew the license, at royalty rates 80% below those set out in the original agreement.

### Profit sharing

The same kind of legerdemain surrounds Iran's profit sharing legislation. Under the law, firms must pay their employees a bonus equal to 20% of pretax profits. In fact,

### The Divestiture Scheme

The Shah's plan requiring firms to sell 49% of their shares to employees and the general public (*BI '75* p. 236) is moving forward. Some recent developments provide partial answers to the more pressing questions.

*Pricing of shares:* The first two groups of firms to have their share prices decided by the government shed some light on how the pricing system will work. The government seems to be trying to make share prices both attractive to the public and palatable to the companies. Government-set share prices for the first 17 firms range from R1,250 (R69:\$1) to R15,000. The price appears to be tied indirectly to the par value of the shares, with a range of 1.2-2.7 times par. While none of the 17 companies would say publicly that they consider the government assessment unfair, one foreign firm, scheduled to go public under the scheme, has calculated that even at 2.8 times par their shares would be undervalued by half.

*Getting paid:* Shares sold directly to workers, the public or the National Investment Company (a new, closed-end mutual fund) will be paid for in cash. Shares sold to workers through the Financing Organization for Expansion of Industrial Ownership, which will lend workers up to R100,000 for their share purchases, will be paid for with tax-free government bonds of one-, two- or three-year maturities, currently paying 8.5%, 9% and 9.5%, respectively. Companies will be allowed to borrow against the bonds and possibly discount them, but at rates that make both routes unappealing.

*What happens to foreign equity:* Foreign equity will not be forced below the maximum limits (see box p. 363). Thus, if a foreign firm currently owns 35% of the equity in an industry where the ceiling is 25%, it will not be required to sell 49% of its holding, but only enough to reduce its equity to 25%.

the government dictates bonus amounts with no regard to real profitability. One company was forced to pay each of its workers the equivalent of 100 days' wages in 1974 as "profit sharing," even though the company showed accumulated losses of more than \$4 million.

### Price cutting

Many firms have also been badly squeezed by the government's new anti-inflation price-cutting campaign. Manufacturers have, in most cases, been required to roll back prices to December 1974 levels. Importers are limited to markups not exceeding 15%. Retailers are visited by squads of students and consumers who have been deputized by the government to enforce price reductions of more than 50% on some 20,000 items. Noncompliance brings a swift trial before a special court and may lead to severe prison terms. Thousands of retailers have been already convicted and jailed.

As a result of this campaign, economic activity has dropped by an estimated 60%; import letters of credit are down by almost 45%; and with manufacturers, importers and retailers unwilling to reorder products and materials they cannot afford to sell, numerous items have disappeared entirely from store shelves and restaurant menus.

## New UK Perspectives: Wilson's Economic Plan, Oil and EEC Tensions



*Two events in the UK this month made international headlines. The more prominent was Prime Minister Harold Wilson's program to regenerate British industry. The other, with a range of ramifications, was Queen Elizabeth's inauguration of the first pipeline to bring North Sea oil to British shores. Both are assessed in this article.*

Analysis of the UK's new industrial strategy reveals that, far from charting a new course, the Wilson program is designed primarily to get the Trades Union Congress (TUC) and the Confederation of British Industry to support the deflationary course now being pursued in the UK.

In the present socio-political atmosphere, Wilson's success in bringing off this labor-industry consensus is no easy task and proves once again how deft the prime minister can be in critical times. In this instance, Wilson stressed the need to give priority to industrial development, but this commitment was couched in deliberately vague terms. For example, he cited the government's intention to provide a framework for assessing the prospects of the "more important" sectors of industry. But Wilson did not reveal what they are. And, as industry points out, why tamper with sectors that are likely to be successful?

The answer is that Wilson had to sooth the unions. To get their backing for his drastic deflationary policy, he had to assure the TUC that its role in the economy would not be

diminished. Rather, the unions would be instrumental in determining priorities and would benefit by more jobs and higher living standards. To appease industry, all Wilson did was play back to companies what they have known and said all along, namely that manufacturing constitutes the backbone of the economy, and that industry must earn "sufficient profits on its investment to spur management to expand and innovate."

Despite the ambiguity of the regeneration program, Wilson's political tightrope act seems to have paid off. His announcement was well received abroad, and at home even the business community and financial press, while grumbling that cosmetics is no substitute for substance, conceded that under the circumstances it was the best that could be expected. The stock market agreed. Following Wilson's announcement, share prices on the London exchange rose to their highest level since November 1973.

### Oil to the rescue

For the medium term, by far the most salient feature of the outlook for Britain is the less-heralded event of last week, the Queen's inauguration of a pipeline from the North Sea to British shores. The commercial exploitation of oil must, henceforth, figure prominently in any corporate evaluation of the strength or weakness of the UK's economy, and of sterling. Despite some imponderables (e.g. the future price of OPEC oil, the early appearance of alternate sources of energy, the possible secession of Scotland), the oil outlook today is even more rosy than it was 14 months ago, when forecasters predicted the UK would be a net exporter of oil by 1980 and that its balance-of-payments problems would disappear.

While the oil companies, for understandable reasons, emphasize the problems involved in getting the oil out of the sea, specialists and prognosticators not associated with these firms nearly all agree that UK's self-sufficiency in energy might come as early as end-1978, but will certainly be achieved by mid-1980. Forecasts abound (from oil economists at Erasmus University in Rotterdam, INSEAD, OECD and a slew of British experts), but the most conservative of all, the UK's Department of Energy, had to revise its estimates upward and now says "total reserves could reach 4.5 billion tons."

Buttressing the optimistic assessment of Britain's oil prospects are the new increase in the OPEC oil price (*BI* '75 p. 331); the containment of slippages in the North Sea operations; and technological advances that cheapen the cost of investment per barrel capacity. The most vital element in balance-of-payments terms is the increasing use of non-oil primary fuels (gas, coal, nuclear power), which will reduce the projected domestic consumption of North Sea oil and, thereby, free a larger proportion for exports.

### The bottom line

A little bit of math shows how all this will affect the UK's external payments. Britain's current account balance-of-payments deficit this year will be half that of

1974's £4 billion (£1:\$2.06). Assuming that the balance-of-payments situation of 1975 is reproduced in 1977, the exportation of 40 million tons of light crude North Sea oil (at today's prices) would be enough to wipe out the deficit altogether. And from 1978 onward, the UK's current account balance of payments would be in permanent surplus.

### Strains on EEC

While these forecasts augur well for the future of the UK economy, they are also making the UK government a bit heady concerning the European Common Market. The most recent manifestation of this was Foreign Secretary James Callaghan's insistence on separate representation for the UK at the upcoming international energy producer/consumer conference in Paris in December. This procedural fight will probably be resolved by a compromise, but it cloaks a fundamental clash of interest within EEC, and the representation issue is only the first bout.

For example, no one in EEC has yet challenged the UK's legal ownership of the oil and gas discovered in the North Sea. But questions have been raised on whether EEC authorities might not in the future decide to have a say in the rate of extraction, i.e. to take an EEC view on whether a restrictive output policy should be permitted. If the UK (or an independent Scotland) decides that it is in the national interest not to market all the oil that is available, will the EEC go along? A Select Committee on Energy of the UK House of Lords has already pointed out that the Treaty of Rome might be interpreted to mean that the UK will not have the sovereign right to limit oil exports—in any case not to the other members of the EEC.

The sharpest possible conflict between the UK and the EEC could arise in the 1980s on the subject of differential pricing. One of the spin-offs from the North Sea discoveries—important to the UK for employment, the balance of payments and regional policy—is the attraction of Britain for such downstream industries as petrochemicals, fertilizers and fibers. The UK industrial sector has had a depressingly low investment record, but petrochemical and allied industries are an exception to the rule. British companies, such as Fisons, ICI and BP, have announced investment decisions running into hundreds of millions of pounds. Many other international corporations—the BASF/Bayer group, Esso, Montedison, Monsanto, Shell Chemicals—are also planning to establish large-scale plants in the UK. None of these companies has requested cheap gas or oil for the purposes. The British government, however, (and the Scottish nationalists working for the autonomous control of "their" oil through an independent state), would like to have the contingent power to supply indigenous industrial users with oil/gas at prices that are lower than those offered for export. This is seen as a reserve economic planning instrument that could be used to persuade companies to expand their industrial capacity or to attract new plants to the UK. Such political-economic ambitions clearly run counter to the letter of the Treaty of Rome.

**BUSINESS INTERNATIONAL'S EXECUTIVE BRIEFING****LATEST FROM CANBERRA . . .**

**Australia's constitutional crisis, sparked by the opposition-controlled Senate's decision to block the Labor government's budget, has ended.** But bitter political battles lie ahead. Opposition Liberal-Country coalition leader Malcolm Fraser has taken over as caretaker prime minister and has scheduled general elections for December 13.

The campaign tone has already been set. Dock and railway workers struck to protest Governor General John Kerr's dismissal of Labor Prime Minister Gough Whitlam, and workers and students clashed with police outside Liberal party headquarters in Melbourne. Mr. Whitlam can be expected to summon every emotional and nationalistic issue at his command to block an opposition victory. He has already accused National Country party leader Douglas Anthony of being on the CIA's payroll. What kind of attack he will mount against foreign firms is not yet clear, but it is more than likely that Mr. Whitlam will turn his powerful rhetoric against MNCs in the name of economic patriotism before election day.

The Liberal-Country coalition will build its bid for power on two issues: Labor's mismanagement of the economy, which has contributed to, if not directly created, Australia's high rates of inflation and unemployment; and the extra-legal attempts by some Labor cabinet ministers to raise \$4 billion in petrodollar loans.

If elections had been held two months ago, they would have resulted in a Liberal-Country victory by a substantial margin. Now, a public opinion backlash against the coalition's recent obstructionistic tactics will probably cut deeply into the coalition's vote. While most political prognosticators are still predicting a Liberal-Country victory, it appears that the race will be a close one. (For stance and policies that can be expected from a Fraser government on issues of interest to international firms, see *BI '75* p. 339.)

**WESTERN EUROPE**

**Portugal has announced new emergency economic guidelines designed to revive business confidence.** While the Portuguese government has done this several times since the end of the dictatorship last year, this time the introduction of concrete measures to implement the proposals could go a long way in helping restore the deeply troubled economy.

Proposals of interest to international companies include: a new foreign investment code; price increases for companies squeezed by rising costs; more equitable compensation for firms seized by the government or workers; and better enforcement of the laws designed to protect business from wildcat takeovers. The program also calls for cuts in public and private spending; a freeze on incomes (with COL adjustments); wealth taxes; surcharges on nonessential imports; reduction in energy consumption; and tighter

management of nationalized industries.

Pointing up the need for drastic action soon, the government predicted a drop in 1975 GNP of 10-15%, with unemployment rising as high as 13% of the workforce by the end of this year.

**LATIN AMERICA**

**The Andean Common Market is actively entertaining a proposal that would make major changes in its code for foreign investment, but would still retain the basic premise behind the rules—i.e. that international companies must operate via minority-owned subs in order to benefit from the regional market.** The Andean Junta, Ancom's secretariat, has drafted the proposal and submitted it to a panel of experts.

The key provisions are: let each Ancom member decide the remittance ceiling it wants to impose (the Ancom-wide ceiling is now 14% of investment); permit technology and loans to be capitalized; limit local borrowing by foreign-owned firms to 150% of repatriable capital; and set exact terms and valuations for fade-out stock. Action on the proposal may take time, since the present Junta is scheduled to be replaced soon, and the chairmanship of the Andean Commission, Ancom's ruling body, will also rotate within two months.

**ASIA**

**North Korea has mounted a campaign to restore its tarnished financial image.** By agreeing to pay the accumulated interest on about \$500 million of West European trade credits, the North Koreans were able to roll over the principal for another two years. Companies—including Sweden's Morgardshammar, Sala and Atlas Copco—have been asked to agree to a postponement of payments for equipment ordered by Pyongyang in 1973-74. To date, the Koreans have only paid about 10% of the Skr 600 million plus (Skr4.3:\$1) contracts.

Japanese banks report that they have begun to receive partial payment on the \$50 million worth of arrears that amassed during June/July of this year. Korea's outstanding debt to Japanese traders, banks and the government is about \$400 million. While the banks appear to be receiving at least some of their money now, Japanese manufacturers, like their European counterparts, are asked to accept postponements. One Japanese pharmaceutical firm, which sold \$10 million worth of drugs to North Korea last spring, has been promised that it will receive payment "soon."

**The Philippines has postponed imposition of a capital gains tax to April 30, 1976.** (It was originally scheduled to take effect January 1.) The tax will range from 10% for income on securities transactions amounting up to P10,000 (P7.46:\$1) to 25% on gains that exceed P50,000.

**THE LATEST ANTI-MNC THRUST:**

|   |         |
|---|---------|
| INVESTMENT PROTECTIONISM .....              | 369     |
| OPERATIONAL HURDLES IN IRAN .....           | 370     |
| PROSPECTS FOR PROFITS—THE NETHERLANDS ..... | 372-373 |

**CUTBACK IN PETRODOLLAR-BASED PLANS:**

|   |     |
|---|-----|
| THE VENEZUELAN VERSION .....            | 374 |
| HOW FIRMS FEEL ABOUT ULSTER .....       | 375 |
| ... AND ITS PACKAGE OF SWEETENERS ..... | 375 |

Vol. XXII, No. 47

## Investment Protectionism: New Threat to the World And International Firms

*While protectionism in trade has been pretty thoroughly exposed as the menace it is to the world's welfare, another kind of protectionism is becoming politically powerful and academically fashionable. The new danger is investment protectionism which argues—passionately, if not consistently—that investment is bad both for the host country and for the home country.*

*Host-country protectionism is most virulent in the developing countries, and by now sophisticated international companies have come to recognize most of its motives and goals and have learned to respond to both.*

*Home-country protectionism is still in its incipient stage, but a study for the US Senate Foreign Relations Subcommittee on Multinational Corporations, by Professor Peggy Musgrave of Northeastern University,\* reveals what the main thrust will be. Because companies will undoubtedly have to face the arguments contained in the dissertation, BI offers a summary of what these arguments are and an analysis of the deleterious consequences they are likely to produce.*

Prof. Musgrave's study differs from past academic critiques of multinational investment by focusing on the long-range structural effects of capital outflow on the US economy, rather than on those involving short-term employment and trade. More specifically, the study seeks an answer to the question: what would happen if the capital that US companies invest overseas were to be, either fully or in part, invested domestically?

\* Direct Investment Abroad and the Multinational: Effects on the United States Economy, August 1975, available from the US Government Printing Office, Washington, D.C. 20402.

To answer the question, Prof. Musgrave hypothesizes a situation in which direct foreign investment, while providing more return on capital than does domestic investment, also gives a lower return to labor, thereby lessening labor's relative share of national income. (Unlike the US Commerce Department, Prof. Musgrave defines national income as including all foreign-source income of US residents and excluding all US-source income of foreign residents.) In this scenario, Prof. Musgrave assumes a flexible exchange rate system and the use of government monetary and fiscal policy to maintain full employment in the domestic economy.

### The thesis

Having set up this model, Prof. Musgrave feeds into it figures on US domestic and foreign investment published by the US Commerce Department, as well as tax figures from the Treasury Department. Using two different analytical methods, she finds that "direct investment abroad by US multinational corporations may on the average have served to reduce US national income, imposing losses on labor which exceeded the gains to investors." In addition, she finds that, by her method of calculation, tax losses to the US Treasury further diminished US national income.

### Some arguments

Beyond this central thesis, Prof. Musgrave proffers criticisms of overseas investment that bolster the currently fashionable attitude that what is good for companies may not be good for national governments. One chapter of the study, for instance, summarizes historical economic arguments for and against foreign investment. It includes the proposition that because of the damaging effects the UK's heavy overseas investments prior to 1930 had on economic interests of the labor sector, the economic and social gap between capital and labor became nearly unbridgeable, leading to today's economic turmoil. Prof. Musgrave hints that the US may now be headed in the same direction.

Another argument raised against foreign corporate

11/21/75

investment (though never quantified) is that the transfer of managerial personnel, as part of the corporate investment package, causes the domestic economy to perform less efficiently than it would if the talent had stayed home.

One potentially useful part of the study is the chapter devoted to a review of serious quantitative economic analyses that have been done on foreign investment and its consequences in recent years. (Appropriately, it does *not* include Barnet & Muller's *Global Reach*.)

In her review of the economic work that has been done, Prof. Musgrave cautions that the conclusions are tentative. She judiciously applies the same caution to the results of her own study, claiming that "the investigation has been hampered by lack of necessary data."

### Policy recommendations

This point leads to her most concrete recommendation—that the US government require "more adequate reporting on the operations of foreign affiliates of US corporations," and that the data be incorporated into the US system of national income accounts.

Prof. Musgrave also suggests:

- Changing US tax treatment of foreign-source income so as to "reduce investment abroad to the level justifiable from the point of view of national efficiency." This is to be accomplished by either fully or partially transforming the foreign tax credit into a deduction and by tightening tax rules on intercorporate pricing.
- Taking foreign investment flows into consideration when deciding on fiscal and monetary policy, perhaps by stimulating domestic capital formation.
- Abandoning the concept that the benefits of free capital flows are the same as those of free trade, since the former poses problems of political friction and tax equity that may make some restrictions necessary.
- Re-examining the assumption that direct foreign investment is an efficient way to narrow the income gap between developing and developed countries.

### What will happen to the study?

The full impact of the Musgrave study will not be felt by companies until the Multinational Corporations Subcommittee holds hearings on it, and for the moment these have been postponed indefinitely. They could, however, be revived early in 1976.

Meanwhile, Prof. Musgrave's treatise provides new grist for the mills of investment protectionists.

The contention that labor would benefit if capital were invested in the US instead of overseas provides a new argument for the US labor movement, replacing the largely discredited assertion that international companies export jobs. The AFL/CIO, in its weekly newspaper, has already taken approving note of the study.

The dissertation's emphasis and conclusions also coincide remarkably with some of the views of the Senate Subcommittee's chairman, Sen. Frank Church (D, Ida.), who,

in his introduction to the Musgrave study, praises it for "breaking new ground." Sen. Church, himself, proposed a "Tax Neutrality Act (S651) early this year that would, among other things, severely cut back the foreign tax credit. In introducing this bill, he voiced his worry that US tax laws may be giving too much incentive to foreign investment at the expense of domestic investment, the fundamental argument of the Musgrave thesis.

## Firms In Iran Wonder Whether the Hustle Is Worth the Hassle



*Companies that flocked to Iran in the wake of the oil price hike of 1973 are having second and third thoughts about whether it was worth it. While the potential still looks seductive, the operational problems are enormous and exasperating. In addition to a legal framework that seems to rest on the shifting sands of the desert, delays and costs, caused by transportation bottlenecks, communications problems, manpower constraints, bureaucratic sloth and institutionalized payoffs, make it impossible for some international firms to survive in Iran and make others wonder whether they want to. This, the second article in a series based on interviews by BI's Asian editor with executives in Iran now, spells out what some of the problems look like to the men on the ground.*

The profit squeeze resulting from changing ground rules (*BI '75 p. 363*) is exacerbated by disruptive delays and rapidly rising costs. Woefully inadequate infrastructure is at the heart of the problem. At this moment, more than 250 ships wait in Iran's southern ports to be unloaded. The average turnaround time for scheduled freighters is 150 days, 190 days for charter vessels. One international manufacturing firm's supply of raw materials arrived at Khorramshahr on June 6 and has not yet been unloaded.

Once goods are off the ships, surface transportation becomes the next problem. Iran met its truck shortage by ordering more than 8,000 new vehicles. But because there are no drivers trained to operate the trucks, the vehicles sit idle. To cope with this situation, Iran is bringing in drivers from the Philippines and Korea. However, the acute shortage of housing, schools and other basic social facilities is already revealing the limits of that solution.

### Transportation bottlenecks

For the international manufacturing company in Iran, the transportation bottlenecks create three separate operational difficulties, all of them costly. First, shipping lines now place an 80% surcharge on Iranian sailings. Second, manufacturers have to finance this floating inventory. Third, the lead time manufacturers need to allow for arrival of raw materials or components keeps lengthening. ▶



One international firm that has manufactured in Iran for more than a decade has watched its lead time stretch from three to four months in 1972 to seven to eight months now. It estimates that this additional time lag will cost \$1.2 million in interest and demurrage this year alone.

Another company, with a production pipeline averaging three to four months in most countries, operates on a nine- to 10-month basis in Iran. Components made in West Germany take anywhere from three months to a year to arrive at the plant site. For orders placed in the US, it takes one month for the ship to arrive in Iran; two to four months to get it unloaded; and one to three months to move the goods through customs and to the plant.

### **Snarled communications**

The telephone system is equally troublesome. It takes two to three years to get a phone installed, unless the firm is willing to go to the black market where lines are available within 10-14 days at prices ranging from \$3,000-4,000. Because of the shortages of lines, a company with hundreds of employees is often unable to get more than one or two phones, making it difficult to call out, and virtually impossible to call in. While international calls go through with relative facility, a long distance domestic call can take as long as 10 days.

The government is attempting to correct these shortcomings. Its first priority is to clear the ports, but the lack of warehouses means that many of the goods that get unloaded sit around in the desert, exposed to both the elements and pilferage. A number of contracts have been signed with foreign firms to expand port capacity, but real improvement is still years off.

The government has also signed several contracts with telecommunication firms, and additional deals will be completed over the next 18 months. But, again, the present problems are expected to seriously haunt manufacturers for the next three to five years.

### **Human resources**

Iran's human infrastructure—also strained to the limit—is another factor that acutely stunts profitability. Trained Iranians, whether middle managers or assembly line workers, are hard to find. In-house training is expensive, particularly outside industrially saturated Tehran. Literacy outside the major cities is low, and even high school- and college-educated Iranians often lack basic problem-solving abilities. One company found that its training costs for the first year of operation were more than double the amount originally budgeted by the firm.

### **The bureaucracy**

Judging from Iran's thin veneer of bureaucratic efficiency—another major source of delay and frustration for foreign firms—the government faces similar personnel problems. Companies complain that the lower echelons of the bureaucracy are staffed with officials that are rude as well

as slow, and barely competent in the bargain. They are also afraid and unable or unwilling to make decisions, in even the most minimal matters. But they are tough negotiators, who will insist on making their points even if nothing happens thereafter.

Top government officials are easier to deal with, but harder to see. The onslaught of major project proposals has put a severe strain on the few decision-makers in the government. In addition, at least some Iranian cabinet ministers purposely keep potential investors waiting for weeks. One knowledgeable executive explains why:

“Before the oil price increase in 1973, the Shah had his top people out trying to drum up new investment, and many of the companies they visited just weren't interested. Now when these same companies are banging on the government's door, there is an informal rule that cabinet level officials should keep them waiting at least a month.”

### **Corruption**

Although the pervasive frustrations of the present system did not create corruption, they have certainly helped it flourish. Payoffs are just about unavoidable, ranging from the \$10 bill required to assure a room at the Intercontinental Hotel, \$150 to get the electricity at a plant turned on, to \$5 million needed to secure a \$100 million contract. In an effort to fight this, the Shah initiated a crackdown on corruption within the government, forcing firms to sign affidavits listing all commissions and fees, and creating a commission to investigate certain government officials. If any amelioration comes as a result, it will come slowly, companies feel.

### **The odds on survival**

How do foreign companies survive in this climate? Some do not. The luckier ones among them pull out before they commit themselves to substantial equity positions; others leave only after incurring large losses. Those that do survive find the road a rough one:

“If we had it to do over again,” said the managing director of one international firm's large joint venture in Iran, “we would go without equity. We have recouped most of our initial investment through technical assistance, transfer pricing and a slew of corporate services, but when you look at the hidden costs, the delays and the uncertainties, those eight digits behind the dollar sign could have been invested much more profitably elsewhere.”

### **To stay or not to stay**

“Will we stay?” the same executive mused. “We look at the fact that in five or six years, Iran will be a third rate economic power with a market of 35 million people. With luck, in 20 years it will be a second rate economic power with 50 million. If we want a piece of that market medium term or long term, we have to put up with the problems.”

“But,” he added, “don't ask me the same question next week and necessarily expect the same answer.”



## PROSPECTS FOR PROFITS



# NETHERLANDS

**Social Dynamics.** Although 1975 has proved a disappointing year for the Dutch economy, mainly because of the drop in exports (which account for more than half of the national income), there are indications that real recovery could start in 1976. To help it along, the Dutch are prepared to tolerate hefty budget deficits in the coming years. The record G15 billion (G2.68:\$1) budget deficit for 1976 emphasizes this.

Meanwhile, the five-party coalition government dominated by the socialists continues to show moderation in implementing its proclaimed policy of leveling incomes.

The government has met little opposition to its initial steps towards the goal of income redistribution, but the dramatic revision of income tax scales, pledged in party platforms, has not yet materialized. On the other hand, the government plans to provide about G3 billion to help both employers and workers in 1976. This includes G600 million for the family allowance fund and a six months' delay in introducing higher VAT rates. There will also be some relief for social welfare premiums.

The Den Uyl coalition cabinet has thus far taken the line of least resistance with most of its socialistic program. The

### THE NEXT FIVE YEARS—

- Slow progress to socialism
- Economic upturn in '76
- More reverse investment

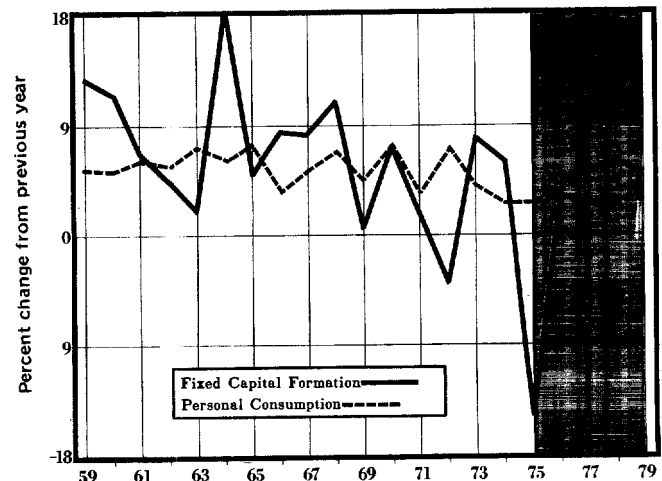
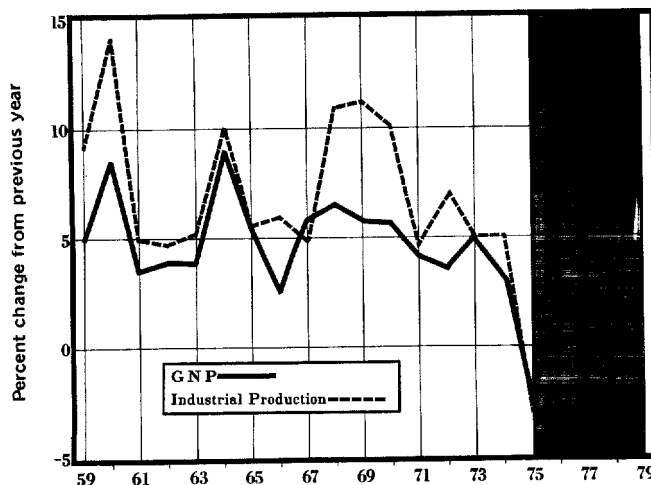
cabinet has, nevertheless, introduced a number of bills dealing with social matters. While specifics are lacking, it does intend to strengthen the works councils (probably through elimination of management members), introduce some form of codetermination and obtain greater control over private enterprise and investments.

A particularly worrisome trend for companies is the way in which the government, although not committed to nationalization, seems to be introducing it through the back door. With many Dutch firms facing serious financial difficulties because of the international and domestic economic situation, the government is being noticeably generous in providing financial help, either in the form of loans or subsidies. These financial facilities do, however, have strings attached, including special conditions for the loans and the outright purchase of shares in exchange for subsidies. Both give the government a powerful grip on industry that will probably intensify in the future.

Another innovation that will cause trouble for companies in the years ahead is the introduction of an excess profits levy. The proceeds of the levy, which may go as high as 20% of profit on a graduated scale, will be earmarked for a fund operated by workers through the trade unions.

**Politics.** The Den Uyl government will probably last out its full term of office, with elections due in November 1976. Once again it seems certain that at least 25 of the country's 120 political parties will then enter the race. Under the proportional representation system, about 12 of these will be successful in dividing between them the 150 seats of the Second Chamber and 75 of the First Chamber.

This, in turn, will mean that the next government will have to be another coalition—probably of the same five parties that govern now—although there might be changes in composition and leadership. At present, the socialist groups hold a majority of cabinet portfolios. But the current attempt of the moderate Catholic and Protestant parties to form a new Christian Democratic bloc will, if it succeeds, put that group in a position to establish a government with the help of other small moderate parties, including the Liberals.





# PROSPECTS FOR PROFITS



Even if the socialist-dominated coalition maintains its present ascendancy, it will be forced to retain the cooperation of the major nonsocialist parties, which would continue to act as brakes on any attempts to bulldoze drastic socialist policies through the legislature.

**Anatomy of the Market.** Without actually winning the battle against inflation in 1975, the government has managed to keep COL rises to just under 10% and hopes to hold inflation at 8.5% next year. The increase in private consumption, 2.5% this year, is expected to be followed by a small spending boom in 1976, for a total rise of 3%, but then fall again to 2.5% until 1979.

As for GNP, the last of several revisions now predicts for 1975 a decline of 2.5% from 1974. Most estimates forecast a 3.6% increase in 1976, climbing to 4% in 1977 and dropping back to 3% for the two following years.

Industrial production, down at least 3% this year instead of the anticipated 5.5% increase, could possibly recover to a 4% rise in 1976 and 1977, then decline to 3% for the subsequent two years. The higher production prognostication for 1976 and 1977 is based on the assumption that the government's massive stimulation measures will be fully operative and that, thereafter,

industry will be able to stand on its own feet again. Total investments, which plummeted about 15% this year, should increase by about 4.5% in 1976, followed by an annual rise of 5-6% in the next few years.

The balance-of-payments surplus will drop slightly from G4.5 billion in 1974 to about G4 billion this year. But the estimate for 1976 is G7 billion, a figure that could be maintained at least until 1978 or 1979 because of the large export contracts for natural gas.

Other exports also point to a brighter future, with the decrease of 5% this year, rising around 9% each year until 1979. This picture is accentuated by the expectation that increases in imports will not match those of exports, with imports down 4.5% this year to be followed by respective rises of 7.5%, 8% and 9% in the three succeeding years.

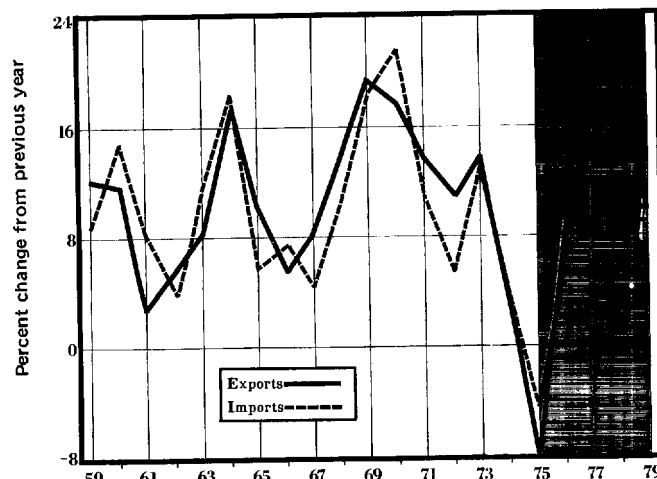
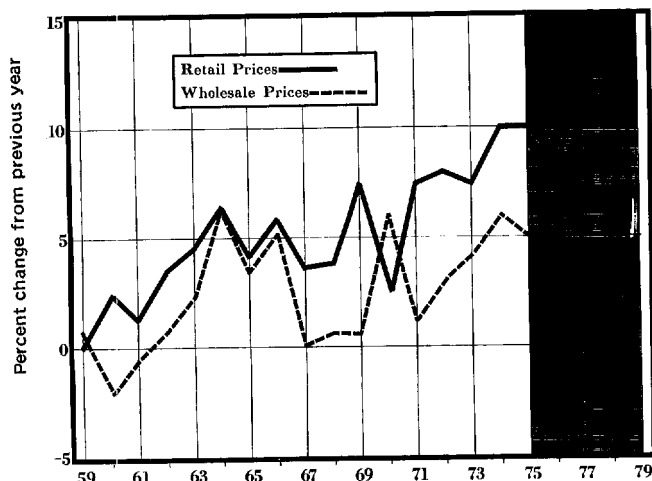
Patterns of Dutch trade are, moreover, quietly changing. This year has seen a drop in trade with the US and, to a lesser extent, with France and Germany, but there is more two-way business with the UK, Indonesia, many developing countries and especially the Middle East.

**Foreign Investment.** The trend towards giving workers a say in the running of companies, along with stiff antipollution regulations, seems to be discouraging new foreign investments in

industry. There is, however, still marked interest in the chemical sector, with Dow Chemical spending G700 million on a new industrial port in Zeeland Province, backed by a 30% state subsidy, and American Cyanamid investing G20 million in a pesticide factory in Rotterdam. In 1974, total foreign capital entering the Netherlands was G2.58 billion, whereas Dutch capital invested abroad totaled G4.2 billion.

Dutch investors are mainly participating in or acquiring foreign firms, and a number of the larger Dutch companies have announced that their policy for the next few years will be to obtain further stakes abroad, especially in the US. Prominent among these are the DSM, VMF, Scholten-Honig, Internatio-Muller, Pakhoed, SHV, Buhrmann-Tetterode and Thyseen-Bornemisza.

**Currency.** The Netherlands government is planning measures to reduce the upward pressure on the guilder, caused largely by the gigantic windfall from sales of natural gas abroad and the resulting surpluses on current account. The government and central bank have agreed to reopen the Dutch capital market to borrowing by foreign authorities, but the partial ban on financing direct investments in the Netherlands through the import of capital will be maintained. It is expected for the guilder to remain at approximately G2.7:\$1 over the medium term.



## Dwindling Petrodollars Bring Change of Pace To Venezuelan Economy



*When the OPEC countries mapped their economic development plans after the fourfold oil price hike of 1973, they assumed they could count on revenues that have since proven to be unrealistic. The recession in the industrial nations and the rock-bottom existence of many developing countries have contracted world demand for energy, cutting steeply into oil sales. This has meant a recasting of economic policies in all OPEC countries, but particularly in those with substantial populations having substantial needs. Paramount among these are Iran, Nigeria and Venezuela. This article analyzes what the shortfall of oil income means to Venezuela and how companies are affected by the change.*

Venezuela trimmed its oil output by 11.6% last year, and has cut it back, in response to market conditions and conservation policies, by an additional 20% this year. This reduces oil income from an originally targeted \$7.3 billion for 1975 to \$5.7 billion, 32% below the 1974 level. An additional 10% production cut is scheduled for 1976, although that income loss will be just about offset by the boost in oil prices put in effect last October.

### The costs of nationalization

The formal takeover of the oil industry from international companies on Jan. 1, 1976, will also have a bearing on future oil revenues. Following nationalization, Venezuela will have to make significant outlays of its own, after years of being able to sit back and skim off oil revenues without any costs. No official statistics have been issued on this subject, but one source reports that \$5-7 billion in investment will be required over the next 10-15 years to maintain the industry's efficiency and to meet revenue needs.

### Rethinking the budget

The combination of these investment demands and the softened oil market have already led to some financial reevaluation. The 1976 budget of \$7.7 billion, now before the Venezuelan congress, is 16% below the revised 1975 budget of \$9.2 billion. And the country's major development and investment vehicle, the Venezuelan Investment Fund (VIF), will bear the brunt of next year's budget cut. Set up in mid-1974 to channel excess petrodollars abroad and to provide complementary financing for major domestic development projects, VIF has been cut out entirely from the 1976 budget. This follows a 44% decrease in the \$3.1 billion allotment originally promised for 1975.

Adjusting to these cutbacks, VIF has had to revamp its investment policy and plans. Although it has promised to honor its present international and regional commitments

(such as a \$500 million special fund set up at the Inter-American Development Bank and the special oil financing assistance offered to Central American countries), no additional largess of this kind—with its premiums of prestige and political influence—is planned.

Instead, VIF will concentrate on domestic financial needs. In August VIF began to recall funds held in foreign money markets (representing more than 80% of VIF's total assets of close to \$5 billion) for use at home. So far, VIF has made an equity investment and a loan to new shipping concerns in the public sector and has helped to finance major aluminum smelter projects. It has also agreed to financial participation in the country's ambitious steel expansion plans and has earmarked B12 billion (B4.30:\$1) for the oil industry. But VIF's president has already warned that state enterprises will have to turn to foreign financial markets for some of their demands, since VIF does not have sufficient resources to meet public-sector requirements.

### How feasible is the plan?

The petrodollar shortfall also raises questions about the viability of Venezuela's 1975-79 development plan. The plan projects an average real growth of 7.9% over the five-year period, with real growth reaching 9.2% in 1979. These figures are based on gross fixed investment of \$34 billion, the public sector being responsible for 60% of the targeted investment.

Even before the revenue slump, the five-year plan was probably overly optimistic, given the country's huge capital import needs. The plan projects an average annual increase in imports of 13.8%, but last year, even before any major development ventures were off the drawing boards, imports skyrocketed 46% and have maintained this high rate throughout the first half of 1975.

### Opportunities for companies

The pace of imports and the government's plans for major undertakings in the aluminum, steel, petroleum and petrochemical sectors, as well as increased agricultural production, point to continued strong export opportunities for international companies. But the boom will not be as buoyant as it seemed a year or two ago. Also, the rate of exportation will depend on the government's ability to cope with its paucity of technicians and capable managers and to get planned projects off the ground.

### Investment rules

Despite a now-expected shortage of both financial and human resources, Venezuela is unlikely to alter its stance on foreign investment. The country will continue to adhere to the restrictive rules of the Andean Common Market's foreign investment code. Some opportunities for profitable joint ventures—with the government or private firms—will be open to companies offering technology and managerial services that Venezuela wants. But firms will find profit remittances limited by Ancom regulations and the rules on technology transfer demanding and tough.

## What Ulster Offers: Firms Add Up Pluses and Minuses



*All potential investment sites are not created equal. Some are either ignored or written off by international companies due to a volatile political climate, but deserve "back burner" consideration nevertheless, since no turmoil goes on forever. And firms that think ahead, get ahead.*

*A classic example of this kind of site is Northern Ireland, where, despite a ceasefire since early 1975, the political pot continues to boil. The Constitutional Convention, charged with finding long-term solutions, has just filed a report that only rehashes old ideas and comes up with no real solutions. Despite this, a BI survey of companies operating in Northern Ireland turned up interesting, and mostly favorable, assessments. Below, an analysis of the pluses and minuses distilled from the survey.*

During the 1960s, Ulster enjoyed a boom in foreign investment, a boom that cooled in the early '70s. Nevertheless, several firms have made new investments during the last three years, and all but one of the companies in the BI survey were planning, or had recently completed, expansions. One executive summed up the near-unanimous sentiment: "If it weren't for the violence, Northern Ireland would be the most attractive investment site in Europe."

The chief drawing card for firms is the host of lucrative investment incentives (see box below). As one of Britain's

### Ulster's Major Incentives

- **Building grants: 30-40%.**
- **Machinery and equipment grants: 30-40%.**
- **Grants toward starting-up costs: These are negotiated in a ratio to the number of jobs created.**
- **Factory rents: New projects qualify for an initial rent-free period, with reduced rents available thereafter for two years.**
- **Loans: Favorable loan guarantees.**
- **Interest relief grants: Grants to defer costs of private financing.**
- **Relocation grants: Up to 100% of cost of transferring existing equipment from place of origin to Northern Ireland.**
- **Training grants: £15 (£1:\$2.04) per adult trainee, per week; also, the government maintains 14 training centers, cost free to companies.**
- **Tax allowances: 100% allowance of capital expenditure for plant and equipment in the first year; 44% of construction costs of new industrial building may be written off during the first year.**

"development areas," Ulster has a package of sweeteners at its disposal that rivals those available in Eire (see BI '75 p. 43) and are among the most generous in Europe.

In addition, companies report that the government, through the Northern Ireland Industrial Development Office, will bend over backward to help once a company decides to invest. Most firms lease government-built plants that are constructed to the company's specifications. Expansions are encouraged and aided. One firm has doubled its capacity since it started operations 14 years ago, entirely with government financing. Companies also note that plant sites are completed on, or ahead of, time.

Under special circumstances, investment contracts are open to renegotiation at company request. And the UK government continues to make financial commitments to Ulster.

But this benevolent government attitude does carry a price tag. Companies have found that because a great deal of the financing and building costs are carried by the government, it wants to be kept informed on all substantive changes in investment plans. Moreover, these changes must be well documented and justified. Plans to expand, for example, must detail exactly how many new jobs will be created.

Labor constitutes another allurements for companies. Chronic unemployment (it never seems to get below 6%) insures a stable labor supply. Firms have no problems negotiating second or third shifts. Growth in productivity (measured as output per employee hour) has outdistanced productivity growth in both Eire and the UK since 1964. Labor costs are approximately the same as those in the UK outside the big cities and are still below those for comparable jobs on the continent.

Strikes are few, and what strike activity there is seems to rise in direct proportion with the number of unions active in a plant. The one firm in the survey reporting unusual disruptions has to deal with seven unions in its operation.

For the companies located there, Northern Ireland also serves as a convenient base for exports to parts of the UK and for all of the EEC. All companies surveyed were involved mainly in export operations, with the weak pound a help in making exports from sterling-area Ulster more competitive.

But the attractions of Northern Ireland are matched by its problems. The ongoing violence and the depressing social climate make many executives unwilling to move there. (UK nationals are especially reluctant to go to Ulster.) And, even when they do, many decide to leave after two to three months, under pressure from their families.

The social climate also makes it difficult to persuade customers to come to the plant. One firm reports that it has to meet most of its customers in the UK. All the firms agree that it is more necessary in Northern Ireland than in anywhere else for an investor to find a personnel manager who knows the area and its inhabitants. Given the potential explosiveness of the political situation, it is mandatory that the personnel manager be able to strike a working balance with his hiring techniques.

# BUSINESS INTERNATIONAL'S EXECUTIVE BRIEFING

## LATEST FROM THE SUMMIT . . .

The long weekend Big Six summit (the participants were France, Germany, Italy, Japan, the UK and the US, with Canada's presence vetoed by the French) was essentially a political exercise with two targets in mind: (1) the home population of the nations that took part, all eager to assure their domestic constituencies that effective action is being taken to meet the problems of recession and unemployment; and (2) the OPEC and other developing countries, now gearing up for the Conference on International Economic Cooperation (CIEC), scheduled to take place in Paris on December 16 (for details, see *BI '75* p. 281). The summit was intended to signal that the major industrial countries *can* get organized for a confrontation if necessary, but are also capable of real and imaginative give-and-take with the developing countries if the LDCs come to Paris in that spirit.

The official statement emerging from the summit was replete with conventional wisdom in the area of world trade and notable mainly for what it omitted, i.e. any mention of international investment.

However, some important topics *were* discussed that did not find their way into the communique. These include the Japanese/French idea of devising mechanisms to guarantee the export income of the major raw-material-producing countries, possibly by expanding the concept of the Lome Convention (*BI '75* pp. 48, 80); the growing imbalance in East/West trade, with the East European bloc rapidly running up trade deficits in magnitudes that are beginning to be worrisome; harmonization of export financing; acceleration of general trade preferences for the LDCs; and ways to get the lagging GATT talks back on track. Summit participants also focused on cooperation by the industrial countries on energy matters.

The most substantive accomplishment came in the financial area, with the protracted tug-of-war between the US and France on the management of exchange rates finally coming to an end. Apparently, agreement was reached to create more stabilization for exchange rates through constant consultation and intervention by the major countries' central banks, backstopped by ongoing exchanges of information and policy planning at the ministerial level. At the same time, it was left to each nation to decide whether, and to what extent, it wants its currency to float, or stay relatively fixed.

Preparing for the CIEC meeting from their side, the OPEC nations, meeting in Vienna, decided to establish a \$1 billion fund to aid the Fourth World. The fund, financed by a 10 cents levy on each exported barrel of oil, will provide interest-free, long-term loans to LDCs. Welcome as this fund is, it will do little to solve the real problems of the oil-importing LDCs. They face a current account deficit of at least \$35 billion this year alone, a large portion of it caused by the sharp rise in oil prices.

## WESTERN EUROPE

UK import controls are not in the making. The UK is hard-pressed to make a case for restrictions, since the country's non-oil trade is in surplus. The clamor for controls comes from the unions and focuses mainly on the depressed auto industry. Sales of domestically made cars *are* lagging, and sales of foreign cars now account for 35% of the market. In the unlikely event that Prime Minister Wilson does opt for some restraints, they would be applied primarily to automobile imports from Japan.

## LATIN AMERICA

Mexico's Foreign Investment Commission has issued two new rulings that indicate a tightening up of the attitude toward foreign investors. Foreign-owned companies must notify the commission before opening any new administrative office, warehouse or technical unit at any new location. Firms must also provide a list of all existing plants, shops, offices, warehouses or similar installations by Jan. 5, 1976. And *fideicomisos* (arrangements whereby majority stock of a foreign-owned operation is placed in a trust with a local bank in order to meet Mexicanization requirements) must be registered with the commission.

## ASIA/PACIFIC

Next week's national elections in New Zealand will be a close race. The basic issue is further socialization by the present Labour government or development of a free enterprise society by the National party. With corporate profits expected to fall in 1976 and unemployment likely to become a serious problem, Labour will probably have its 23-seat majority in parliament trimmed substantially. But Labour's large-scale spending on such programs as nationalized accident compensation and pensions has attracted popular support and will probably help return Labour to power, albeit by a smaller margin than in 1972.

South Korea has introduced new import restrictions. They apply to 12 items formerly eligible for automatic approval, namely: crude turpentine, partly refined petroleum, spirits of turpentine, rosin, refractory bricks, refractory goods of graphite, some types of glass, laboratory glassware, some types of iron and steel wire, wire of high carbon steel, rails and solder.

Also, the local currency prior deposit requirement has been raised from 100% to 200% on 29 items, and the government is considering raising tariff rates on some goods.

Pakistan expects to meet 40% of its oil requirements domestically by 1978 (compared to 10% now). A newly discovered well with a capacity of 2,000 bpd will cut down foreign exchange outlays by about \$60 million p.a.

178-121/1

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

TELEPHONE  
AREA CODE 202  
298-7650

**BUSINESS COUNCIL**

888 SEVENTEENTH STREET, N.W.

WASHINGTON, D.C.

STAT  
STAT

deBUTTS  
Chairman

BURKE, JR.  
Executive Secretary

ACTIVE MEMBERS

- S. Anderson
- Austin
- Baldrige
- echtel, Jr.
- in F. Biaggini
- M. Blount
- W. Boeschstein
- L. Byrom
- Cary
- Clausen
- Connor
- Dean
- deButts
- ck B. Dent
- dell de Windt
- D. Dickey, Jr.
- ey Evans, Jr.
- L. Ferguson
- W. Foy
- C. Garvin, Jr.
- L. Gelb
- Krome George
- Gray
- Hanley
- G. Harness
- in Harris
- S. Hatfield
- J. Haynes
- H. Henley, Jr.
- L. Hillman
- Houghton, Jr.
- J. James
- C. Johnson
- M. Kendall
- Lazarus
- Lyet
- S. MacNaughton
- H. Malott
- er McColough
- McCormick
- W. Menk
- Mickel
- as A. Murphy
- Packard
- S. Perkins
- as L. Phillips
- S. M. Pigott
- as J. Pilliod, Jr.
- Riccardo
- Rockefeller
- id V. Seibert
- S. Shapiro
- Shepherd, Jr.
- id R. Shinn
- ford Smith
- as S. Sneath
- B. Speer
- as A. Stinson
- D. Stuart, Jr.
- as B. Thornton
- gh Warner, Jr.
- as H. Weyerhaeuser



- BENJAMIN F. BIAGGINI  
Vice Chairman
- ROBERT S. HATFIELD  
Vice Chairman
- THOMAS A. MURPHY  
Vice Chairman
- IRVING S. SHAPIRO  
Vice Chairman

GRADUATE MEMBERS

- Robert B. Anderson
- William M. Batten
- William O. Baers
- James H. Binger
- Fred J. Borch
- William S. Brewster
- Carter L. Burgess
- Donald C. Burnham
- Louis W. Cabot
- Edward W. Carter
- Howard L. Clark
- C. W. Cook
- John E. Corette
- Stewart S. Cort
- John H. Daniels
- Russell DeYoung
- C. Douglas Dillon
- A. J. Donahue
- Walter A. Fallon
- Henry Ford II
- G. Keith Funston
- Henry W. Gadsden
- Philip O. Geier, Jr.
- Richard C. Gerstenberg
- Edwin H. Gott
- Patrick E. Haggerty
- R. V. Hansberger
- John D. Harper
- Ellison L. Hazard
- William A. Hewitt
- Jack K. Horton
- Gilbert W. Humphrey
- Robert S. Ingersoll
- J. K. Jamieson
- Horace C. Jones
- Reginald H. Jones
- Edgar F. Kaiser
- George E. Keck
- J. Ward Keener
- William F. Laporte
- T. V. Learson
- James A. Linn III
- Edmund W. Littlefield
- Malcolm MacNaughton
- Birny Mason, Jr.
- Charles B. McCoy
- James P. McFarland
- Irwin Miller
- Onto N. Miller
- Frank R. Milliken
- Roger Milliken
- Howard Morgens
- Charles F. Myers, Jr.
- A. L. Nickerson
- Robert S. Oelman
- Charles H. Percy
- R. S. Reynolds, Jr.
- W. F. Rockwell, Jr.
- Stuart T. Saunders
- H. A. Shepard
- L. B. Smith
- Charles H. Sommer
- Frank Stanton
- A. Thomas Taylor
- Lynn A. Townsend
- Thomas J. Watson, Jr.
- F. Perry Wilson
- Arthur M. Wood

January 13, 1978

The Honorable Stansfield Turner  
Director  
Central Intelligence Agency  
Washington, DC 20505

Dear Admiral Turner:

I am personally delighted to know that you will be the dinner speaker with The Business Council on Wednesday evening, February 15th, in the Chinese Room of the Mayflower Hotel.

You have already been told by Ben Biaggini that our reception starts at 7 o'clock and dinner commences about 8 o'clock.

All of us are looking forward to having you with us and should you have any requirements in taking care of your appearance with us, would you be kind enough to let me hear from you.

Sincerely,

*John W. Burke, Jr.*  
John W. Burke, Jr.  
Executive Secretary

*Southern Pacific Company*

*Southern Pacific Building, One Market Plaza, San Francisco, California 94105*

January 9, 1978

F. BIAGGINI  
CHAIRMAN

Admiral Stansfield Turner, Director  
Central Intelligence Agency  
Washington, DC 20505

Dear Admiral Turner:

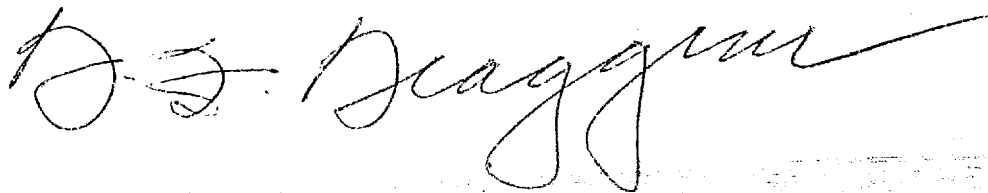
It gives me a great deal of pleasure to confirm, as Chairman of The Business Council's Program Committee, the invitation extended to you by John deButts to address The Business Council in Washington on the evening of February 15.

The other members of the Council and I are looking forward with a great deal of anticipation to hearing what you have to say about current affairs in the Central Intelligence Agency, and to learning more about whatever it is that the business community can do to assist you in the difficult task that you have at hand.

The evening's activities will begin at the Mayflower Hotel at about seven o'clock with a reception, to be followed by dinner about one hour later. In addition to the regular members of The Business Council there will be a number of government guests present.

We are grateful to you for joining us at what I look forward to as an interesting and enjoyable evening.

Sincerely,





Executive Registry  
78-8033

6 January 1978

MEMORANDUM FOR THE RECORD

SUBJECT: Telephone Conversation with John DeButts, President of AT&T and President of the Business Council of the United States

1. Mr. DeButts called me this date. He asked me if I would be their dinner speaker at the meeting of the Council in Washington on 15 February. I accepted. I proposed to him two topics:
  - a. The international economic situation;
  - b. What we are doing in the intelligence world, and particularly how it affects international business, e.g., publishing more unclassified material; assisting with terrorism.
2. He preferred the second approach and suggested that I might also talk about how the business community could be of assistance to me.

[Redacted Signature Box]

STAT

STANSFIELD TURNER  
Director

*cy to  
A/DCI/PA*

*cy to*  
[Redacted Signature Box]

*B-8*

AN  
ADDRESS  
BY

L 1 ADMIRAL STANSFIELD TURNER, U. S. NAVY  
DIRECTOR OF CENTRAL INTELLIGENCE

TO THE

L 1 BUSINESS COUNCIL

ON

L 1 15 February 1978

L 2 Mayflower Hotel  
L 2 Washington, D. C.

(Transcript Prepared  
27 February 1978)

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

BOSTON, MASSACHUSETTS  
GLOBE

M - 291,073  
S - 606,353

AUG 3 1977

# Mass. LSD pioneer worked with CIA

By Herbert Black  
Globe Staff

One of the doctors who participated in pioneering LSD experiments at Massachusetts Mental Health Center during the early 1950s was an important source of information on the drug for the Central Intelligence Agency, according to documents made public yesterday.

The documents indicate that the doctor, Robert W. Hyde, who died a year ago in Vermont, accepted financing from the CIA while working at the Butler Health Center in Providence in 1957.

The documents also indicate that the CIA had information from Hyde concerning LSD experiments done at the Massachusetts Mental Health Center in Brookline from 1950 to 1955.

The center was called the Boston Psychopathic Hospital at the time.

Hyde was engaged there in some of the first experiments with LSD in the nation, along with Dr. Harry C. Solomon, then the hospital's superintendent, and the late Dr. Max Rinkel, a well-known Boston psychiatrist and pharmacologist.

Solomon, now 88, said yesterday that at the time he was unaware that information

from the Boston LSD experiments was being forwarded to the CIA.

"If there was any link between the Boston studies and the CIA, the OSS (Office for Strategic Services) or any other intelligence agency, I don't know anything about it. I can't deny there was a link because, naturally, they keep those things secret. They don't tell."

The OSS was the forerunner of the CIA.

During the Boston experiments, LSD was administered to about 100 persons, including members of the hospital staff and a number of Harvard students, who were paid \$10 each for their participation, according to Solomon.

He said that money for the experiments came from the state.

The LSD studies proved interesting but of no therapeutic value so far as schizophrenia was concerned, Solomon said.

One person, a young woman, was hospitalized with schizophrenia symptoms as a result of the experimentation, Solomon recalled, "but she recovered quickly and was all right."

Dr. Miles Shaw, present superintendent of the Massachusetts Mental Health Center, said last night that he was a resident when the experiments were being done. He did not

participate, he said. "I was too cautious."

Shaw said he was disturbed by the reports linking the CIA and the health center. He said psychiatry is under attack from so many quarters "that all we need now is a headline linking the mental health center to the CIA."

In the early 1950s Hyde was assistant superintendent at the mental health center. He left there to take the post in Providence in 1957 when Solomon became Massachusetts commissioner of mental health.

In September 1959, Hyde returned to Massachusetts as a special assistant to Solomon in charge of programs to aid the retarded. He was especially interested in helping retarded children.

Hyde served as medical director of the Army Induction Center in Boston before World War II and was mustered out of the service in 1945 with the rank of lieutenant colonel.

A study in 1975 by the Associated Press revealed that at the time the CIA was secretly testing LSD in the 1950s, dozens of experiments were going on and being reported in the nation's medical and mental health journals. Anyone could have walked into a medical library and read them, the article said.

STAT

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9

Approved For Release 2004/10/13 : CIA-RDP88-01315R000100520001-9