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News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, DECEMBER 13, 1985 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

NATIONAL NEWS

White House Desperately Tries To Revive Tax Overhaul -- More talks are scheduled today, as the Administration attempts to offer concessions for consideration of the bill. (Washington Post, Washington Times)

Balanced-Budget Bill Signed -- President Reagan signed into law the Gramm-Rudman-Hollings legislation mandating a balanced budget in six years. (Washington Post, Washington Times, Baltimore Sun)

INTERNATIONAL NEWS

NATO Allies Praise U.S. Cooperation -- The Europeans made clear to Secretary Shultz their desire that the U.S. continue its voluntary compliance with the unratified SALT II treaty. (Washington Post, Washington Times, AP)

NETWORK NEWS (Thursday Evening)

GRAMM-RUDMAN -- President Reagan signed what he hopes will be the bill that requires no federal budget deficit by 1991.

TAX REFORM -- Secretary Baker and Chief of Staff Regan were on Capitol Hill working to save tax reform Thursday.

RETAIL SALES -- The Commerce Department retail sales edged up 1.1 percent in November.



NATIONAL NEWS

WHITE HOUSE DESPERATELY TRIES TO REVIVE TAX OVERHAUL

Even as they struggled frantically to rescue President Reagan's tax-revision proposals, Administration officials acknowledged yesterday that internal conflicts and political miscalculations threaten the President's top domestic priority of the year.

(David Hoffman, Washington Post, A1)

Reagan's Worst Humiliation Raises 'Lame Duck' Question

President Reagan suffered the greatest humiliation of his presidency when he was blindsided by his own House Republicans, who on Wednesday blocked a floor vote on the tax reform bill in which the President had invested so much political capital.

The question is now raised, and Speaker O'Neill was the first to raise it, whether Mr. Reagan has become a "lame duck" president before the first year of his second term has been completed.

(Jeremiah O'Leary, Washington Times, A1)

House For Tax Reform Bleak; House GOP Scolds Treasury

House Speaker O'Neill said he would not bring the measure to the floor again this year unless the White House could promise from 50 to 75 Republican votes. To let the issue stew, Mr. O'Neill Thursday afternoon adjourned the House until Monday.

(Myron Stuck/Rita McWilliams, Washington Times, A3)

GOP Revolt Continues; Democrats Balk At Compromise

Treasury Secretary Baker and his deputy, Richard Darman, spent much of the day on Capitol Hill trying to negotiate a compromise with House Republican leaders, who a day earlier organized the surprise attack that blocked consideration of a tax-revision bill.

(Anne Swardson/Dale Russakoff, Washington Post, A1)

BUDGET-BALANCING BILL SIGNED

For A Start, President Tells Cabinet Members To Cut \$50 Billion

President Reagan signed into law Thursday the Gramm-Rudman-Hollings legislation mandating a balanced budget in six years, warning that the "tough work of controlling federal spending still lies ahead" and telling members of his cabinet that they must make \$50 billion in domestic spending cuts for next year.

(David Hoffman, Washington Post, A5)

Next Task Is Cutting Budget To Fit The Law

Landmark legislation mandating a balanced federal budget was signed into law by President Reagan, immediately sparking a battle over the initial sacrifices to be made by the Pentagon and domestic spending programs.

(Mark Tapscott, Washington Times, A1)

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Reagan OKs 'Landmark' Budget Bill -- The President signed the measure privately, without the customary public ceremony for important legislation, after both the House and Senate approved the bill Wednesday night.

(Nancy Schwerzler, Baltimore Sun, A1)

GREENSPAN ON GRAMM RUDMAN

LOS ANGELES -- Economist Alan Greenspan predicted that Democrats and Republicans will tangle over the depth of proposed cuts in social programs and defense spending and might be forced into a compromise that includes a "defense tax" in order to get their spending cuts through the House. (UPI)

REP. SYNAR CHALLENGES BUDGET ACT

Rep. Mike Synar (D-Okla.) filed suit yesterday challenging the new balanced-budget law, just hours after President Reagan signed it, on grounds that it violates "the law-making procedures of the Constitution."

President Reagan noted the issue Thursday morning as he signed the legislation. He said he was mindful "of the serious constitutional questions" raised by the triggering provisions and hoped they would be resolved promptly. (Washington Post, A4)

BUDGET-BALANCING MAY SEND PENTAGON BUILDUP SLIDING

President Reagan's defense buildup has peaked and is on its way down to a "dangerous level" as a result of the antideficit measure just signed into law, House Armed Services Committee Chairman Les Aspin (D-Wis.) said Thursday. (George Wilson, Washington Post, A4)

U.S. SPENDING POWER EXTENDED FOUR DAYS

Congress averted a partial shutdown of the government Friday as the House and Senate Thursday approved an emergency four-day extension of current spending authority. With an extra four days of work, Congress gave up its plans to adjourn for the year this weekend.

(Helen Dewar, Washington Post, A14)

Congress Adopts Stopgap Measure On U.S. Spending

The stopgap bill approved Thursday evening, first by the House and then by the Senate, is to finance some government operations through 6 p.m. Sunday. (New York Times, A1)

Short-Term Spending Measure Clears Hill

The \$383.5 billion keeps those government offices not being funded through other bills operating through Monday night. Among them are the state, Transportation and Treasury departments.

(Rita McWilliams, Washington Times, A3)

NEGOTIATORS ON FARM BILL TACKLE INCOME SUPPORTS

House and Senate negotiators reached partial agreement Thursday on a way out of the maze involving farmer income support that has thwarted their efforts to finish work on a new farm bill.

(Ward Sinclair, Washington Post, A2)

Grain Subsidy Deal Grinds Farm Bill Forward

House and Senate farm bill negotiators -- holding up Congressional adjournment until next week -- tentatively untied the most important grain subsidy knot only to get tangled in cotton and rice subsidies. Lawmakers also approved a measure that would permit minimum 5 percent annual cuts in the soybean price support to meet foreign competition. (AP)

PROSECUTORS SAY EX-U.S. OFFICIAL LIVED A LIFE OF DUPLICITY

NEW YORK -- Much of the career of Thomas Reed could be described in a series of bright snapshots: Reed as nuclear engineer, as millionaire developer, as secretary of the Air Force, as special national security assistant to President Reagan.

But prosecutors in his U.S. District Court trial here Thursday offered a darker portrait of Reed; a married man who carried out two love affairs simultaneously, put one girlfriend on the Defense Department payroll, and backdated and forged documents so his girlfriends could share in the illicit profits from an insider-trading stock deal.

(Washington Post, A3)

ADMINISTRATION ASKS CONGRESS TO SCRAP SYNFUELS CORPORATION

Critics of the Synthetic Fuels Corp. say White House support has boosted the chances for Congressional passage of a plan to disband the agency, created five years ago to seek alternative sources of fuel.

The Administration asked Congress to reconsider a proposal, passed by the House but narrowly defeated in the Senate, to take away about \$7 billion in the corporation's spending authority. (UPI)

HOMELESS PREPARE FOR GOVERNMENT EVICTION

The man who sued President Reagan for reneging on a pledge to renovate a decrepit homeless shelter in the nation's capital promises "a whole bunch of violence" if the government tries to evict the building's residents. "We've got no place to live," said Robert Robbins, a shelter resident who unsuccessfully sued the President.

(Steven Ginsburg, UPI)

REAGAN -- AIDS RESEARCH

President Reagan Thursday signed a bill providing \$234 billion in federal support for research on AIDS in 1986, more than double the amount now being spent in the battle against the deadly disease. (UPI)

INTERNATIONAL NEWS

NATO ALLIES PRAISE U.S. COOPERATION

BRUSSELS -- NATO foreign ministers unanimously praised the United States Thursday for consulting its European allies prior to last month's Geneva summit and urged Washington to continue such consultations as it pursued further negotiations with the Soviet Union.

(John Goshko, Washington Post, A37)

NATO Ministers Vow To Stay Close

In a meeting full of self-congratulation for their close cooperation leading up to the Geneva summit, the foreign ministers of NATO agreed Thursday that they should stay as close in the months leading up to the next summit and neither expect nor demand too much from the United States or the Soviet Union.

(Peter Almond, Washington Times, A6)

NATO Ministers Discuss Pressures On U.S. Defense Budget

NATO foreign ministers who end their first post-summit meeting today are expressing hope the United States will keep honoring arms agreements of the 1970s while diligently pursuing a new pact with the Soviet Union.

(AP)

SECURITY ADVISER MAKES SECRET TRIP TO FIVE CENTRAL AMERICAN COUNTRIES

John Poindexter, President Reagan's new national security adviser, flew secretly to five Central American countries this week and was told by officials there the United States needs to do more to help the rebels in Nicaragua, Administration officials say.

Last Friday, Secretary Shultz said the U.S. was contemplating "further steps" to assist the Nicaraguan rebels, in view of what he described as firm evidence that Cuban military advisers have assumed a combat role in Nicaragua on behalf of the Sandinistas. (George Gedda, AP)

SANDINISTAS WARN OF INVASION BY UNITED STATES

MANAGUA, Nicaragua -- President Daniel Ortega -- saying the United States' "decision to invade is made" -- warned diplomacy may not be able to stop American troops from being sent to overthrow the Sandinista government. He said the Reagan Administration is planning to more than double the number of rebels fighting to overthrow the Sandinista government to around 35,000.

(Tracy Wilkinson, AP)

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U.S. FIRING 100 RUSSIAN EMPLOYEES AT MOSCOW EMBASSY

WASHINGTON -- In a security move, the Reagan Administration is replacing about half the Russian guards, mechanics and other workers at the U.S. Embassy in Moscow with Americans.

Similar changes will be made at the U.S. Embassies in Eastern Europe, also to counter a "hostile intelligence threat," the State Department said Thursday. (Barry Schweid, AP)

U.S. EMBASSIES IN SOVIET BLOC TO BE RESTAFFED

Substantial numbers of American drivers, guards and other support personnel will replace local employes in U.S. embassies and consulates in the Soviet Union and other East European countries under a plan announced by the State Department Thursday. (Washington Post, A37)

U.S. OFFICIALS QUIZ ISRAELIS IN SPY CASE

JERUSALEM -- U.S. investigators Thursday began their inquiry here into the Jonathan Pollard espionage case amid extraordinary security and a news blackout imposed by the Israeli government.

Some members of the U.S. State Department and Justice Department investigating team interviewed principals in the case of Tel Aviv, Israeli officials said, but U.S. and Israeli officials refused to identify who was questioned or how far the investigation had progressed.

(Washington Post, A33)

U.S. Team Questions Israeli Officials In Tel Aviv

TEL AVIV -- In a related development, a senior Defense Department official in Washington was quoted as saying the United States had cut back on intelligence sharing with Israel until the Pollard investigation was completed. The New York Times in its Friday edition quoted Richard L. Armitage, assistant secretary of Defense for international security affairs, as saying, "In some areas there has been a slowdown in intelligence cooperation -- not in vital areas. And we're awaiting the results of the Pollard fact-finding investigation." (AP)

SDI OFFICE SEEKS FUNDS TO SPEED ATOMIC TESTS

The Administration's Strategic Defense Initiative Organization is seeking an additional \$100 million in research funds to accelerate underground tests of nuclear space-based weapons despite President Reagan's persistent description of the project as a "nonnuclear" defense shield against Soviet missiles, according to U.S. officials.

(David Ottaway, Washington Post, A47)

SOVIETS, CHINA SET NEW TALKS

PEKING -- China and the Soviet Union have agreed that their foreign ministers will exchange visits next year as part of their efforts to normalize relations, diplomatic sources reported today. The agreement, worked out during the visit here of Soviet Vice Foreign Minister Mikhail Kapitsa this week, marks another step by Peking toward a foreign policy that is more "equidistant" between the Soviet Union and the United States.
(Washington Post, A1)

PROPOSED AID TO ANGOLAN REBELS REOPENS OLD DEBATE

The Reagan Administration's decision to ask Congress for \$15 million in secret military aid to rebels in Angola is reopening a quarter-century-old debate on the wisdom and morality of American involvement in the internal affairs of other nations. The Angolan request is due to go to the Senate and House Intelligence Committees during the Christmas recess.
(Barry Schweid, AP)

GREEK SOCIALISTS SHIFT TO AUSTERITY

ATHENS -- Harsh economic realities are catching up with Greece's Prime Minister Andreas Papandreou, forcing his Socialist government to revise many of its more radical policies.

Both Greek analysts and foreign diplomats here say they believe that the growing economic crisis has restricted Papandreaou's freedom of both maneuver both at home and abroad, making it difficult for him to fulfill campaign promises to close down U.S. military bases or withdraw Greece from NATO.
(Washington Post, A31)

WHITWORTH PLEADS INNOCENT

Accused spy Jerry Alfred Whitworth pleaded innocent yesterday in federal court in San Francisco to new charges that he stole Navy technical manuals and design plans for code machines for sale to the Soviets by the Walker family espionage ring.
(Washington Post, A43)

-End of A-Section-

NETWORK NEWS SUMMARY

(Thursday Evening, December 12, 1985)

GRAMM-RUDMAN

CBS's Dan Rather: It's official, it's the law. President Reagan today signed what he hopes will prove to be the landmark bill that requires no federal budget deficit by 1991. It's over but the shouting hasn't stopped. Even President Reagan noted some question about whether some parts of this bill, that would require either higher taxes or lower government spending to bring the budget deficit to zero, are legal. Today's bill signing was low profile, not even a photo opportunity. For public consumption, the President wanted to stress his not so slow burn over how House Republicans last night helped bury his number one priority bill, tax overhaul, and how he's pressuring them again today to dig it up and pass it. Phil Jones reports on dialing for tax dollars reform part two.

CBS's Phil Jones: Secretary Baker and Chief of Staff Regan were on the Hill working desperately to save tax reform today.

(TV coverage of Regan and Baker. Regan: "We're still working to get votes for both the rule and for final passage." Baker: "We think we are making progress and we're going to keep after it.")

But some Democrats were saying time is running out.

(Rep. Richard Gephardt: "If the President can't very soon put together the needed number of Republican votes, then I think tax reform is dead for 1985 and probably for a long time.")

The problem is Republicans won't reconsider a Democratic tax bill unless they have a chance of amending it, and their leaders were trying today to calm the troops upset by suspicion of deals between the White House and Democrats.

(Rep. Robert Michel: "There are somethings that Mr. Baker, I find out after talking to him yesterday, had no part in whatsoever and frankly is being accused of dealing with the Democrats when infact there was no contact for two and a half weeks when things were going on.")

Many Republicans say James Baker and Donald Regan ill-served the President.

(Rep. Philip Crane: "The President kind of got double teamed by people who had the best of intentions, I'm sure, but I think kind of sandbagged the President on this one.")

Tonight the advice from Republican leaders to their President is: Don't risk anymore losses now, the President should take his lumps and come back next year.

(CBS-2)

ABC's Peter Jennings: In Washington President Reagan has now signed that historic piece of legislation requiring the federal budget to be balanced by the 1991. With the budget deficit last year at \$200 billion, the President said there is tough work ahead to control federal spending. Mr. Reagan is having a much harder time getting tax reform through Congress. Charles Gibson reports tonight from Capitol Hill the Republican President still has not convinced enough Republican Congressmen to support the bill.

(Thursday Evening, December 12, 1985)

ABC's Charles Gibson: A rare time on Capitol Hill, for once the Democrats are sitting back watching Republicans squabble. At this morning's leadership meeting, Democrats agreed they'll simply sit on tax reform and wait for word from the President that he can deliver more than the mere 14 Republicans who supported it yesterday.

(Rep. Tip O'Neill: "He's got to give us more than 50 votes. He's got to guarantee that he can deliver Republicans for the rule and for a bill." Rep. Dan Rostenkowski: "I said Mr. President, no we're just going to wait until time as you develop some following up here on the Hill. I won't do anything until I hear from you.")

But Rostenkowski still hasn't heard anything from the President because the Republican votes for tax reform still aren't there. Secretary Baker and Chief of Staff Regan came up to try a little not so gentle persuasion. They emerged from meetings, on occasion, by necessity.

(TV coverage of Baker and Regan. Baker: "In order to get to the men's room I will tell you that we are pleased with the progress we are making." But mostly in frustration. Regan: "Some progress has been made, we're not there yet.")

Ways and Means chairman Rostenkowski continues to insist tax reform is not dead, but others say it is hurtin'.

(Rep. Richard Gephardt: "It's not dead yet but the patient is on the table and dying.")

So where does it stand? The President is angry at House Republicans feeling they deserted him on tax reform and they are angry at him feeling he is offering them nothing to alleviate their opposition to this tax reform bill. And Congress is getting ready to adjourn with or, as looks increasingly likely, without tax reform.

(ABC-5)

NBC's Tom Brokaw: The federal government entered a new era today as the President signed into law the controversial Gramm-Rudman measure that requires a balanced budget in five years. But the President was still reeling over the surprise revolt by House Republicans on tax reform. Chief of Staff Don Regan and Secretary James Baker met with them today but apparently made little progress. Republicans want the bill changed to give business bigger tax breaks and to increase the standard deduction for individuals. (NBC-6)

Brokaw: In his commentary tonight, John Chancellor takes a look at how the White House mishandled that vote.

NBC's John Chancellor: In politics, arithmetic is an essential skill and the ability to count is its most important component. Not addition, counting -- counting friends, counting foes. Political leaders who know how to count rarely get fooled, which is why this town was so stunned by the White House's failure to anticipate yesterday's disaster in the House of Representatives. Almost all of the Republicans deserted the President on the tax reform plan. There are 182 Republicans in the House. The President had appealed to them to support the tax reform bill. One hundred and sixty-eight voted against him.

(Thursday Evening, December 12, 1985)

Chancellor continues: That's a disloyalty rate of 92%. And this wasn't any ordinary piece of legislation, this was tax reform, the main domestic policy goal of Mr. Reagan's second term. No one expected all of the Republicans to follow White House orders. The Democrats were the architects of the bill and they lost 59 votes. But when 92% of the House Republicans vote against a Republican President and it surprises the White House, something is badly wrong. One part of the problem may be that the best professional head counters have left the White House. Political operatives like Lyn Nofziger, Ed Rollins, Kenneth Duberstein and David Stockman. It's possible now that by some desperate maneuvering, enough Republicans can be persuaded to support the President so that he can snatch a last minute victory from the jaws of a crushing defeat, but the fact remains that on an issue of the highest political importance, the White House lost count and looked inept. Those responsible for the counting must feel pretty uncomfortable today. (NBC-7)

ARROW AIR JET CRASH

NBC's Tom Brokaw reports they were on the final leg of a flight home for the holidays. Two hundred and fifty American soldiers and a crew of eight when their plane went down outside of Gander, Newfoundland. It was the worst military air disaster in American history. All 258 people were killed. (NBC, ABC, CBS-Lead)

HIGH TECH THEFT

Brokaw reports there is a serious new theft of high technology to report tonight, American military technology that wound up in Israel. This comes only three weeks after the arrest of a Navy employee charged with spying for Israel. James Polk reports tonight on secret federal raids in three states.

NBC's James Polk reports U.S. Customs agents raided this plant in central Connecticut today and seized records in an investigation of the theft of military weapons secrets. Secrets that officials allege were smuggled illegally to the government of Israel. No arrests have been made so far. The investigation is continuing. American officials say the Israeli government already is building a secret new weapons plant with stolen technology smuggled out of this country.

Brokaw reports the Israeli government said tonight that all of its procurement activities in the United States are carried out in a legitimate manner and that all items purchased are reported to the U.S. government. It said it has not been notified of any investigation involving its purchases in the United States.

(NBC-3)

(Thursday Evening, December 12, 1985)

ARMS SALES TO ISRAEL

Rather: Federal authorities are investigating what may be the illegal exporting of military equipment to Israel. What's involved in this latest case is an improved process for the manufacture of 120 millimeter cannon barrels. The process was developed at an arsenal in New York state. According to allegations, the process and its equipment were shipped to Israel without the required special export license. (CBS-6)

WHITE HOUSE CHRISTMAS TREE

Jennings reports on the ellipse behind the White House tonight an annual ceremony that dates back to the Coolidge Administration, the lighting of the National Christmas tree. (TV coverage of the President, Mrs. Reagan and Rex lighting the National Christmas tree.) (ABC-8, CBS-10)

WALL STREET

Jennings: Overall today the Dow closed fractionally lower and once again the trading was extremely active. (ABC-7)

RETAIL SALES

Rather: The Commerce Department today reported that retail sales edged up 1.1% in November as auto and department store sales improved. (CBS-4)

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