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THURSDAY, JULY 17, 1986 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

U.S. Sees Talks On SALT, Nuclear Testing As Positive Signs -- The United States has welcomed the scheduling of superpower talks on the unratified SALT II treaty and nuclear testing issues as encouraging signs of Moscow's seriousness about a 1986 summit. (New York Times, Washington Post, UPI, Reuter)

Publicity Hurts U.S.-Bolivian Anti-Drug Strike -- Publicity about U.S. military aid to a Bolivian anti-drug operation may have severely damaged the operation's chance of success, officials said yesterday. (Washington Post, Washington Times)

NATIONAL NEWS

Tax Reform Conference Opens Today -- House and Senate forces, meeting today in the opening session of the tax reform conference, were committed to straightening twisted codes while defending provisions that each side has championed. (Washington Post, Washington Times, AP, UPI)

NETWORK NEWS (Wednesday Evening)

ARMS CONTROL -- U.S. and Soviet negotiators will meet in Geneva to resume talks on nuclear testing.

PRESIDENT REAGAN/JUNEJO -- President Reagan warned Prime Minister Junejo that U.S. aid would be cut off if Pakistan develops a nuclear bomb.

DRUGS/BOLIVIA -- U.S. soldiers are positioned in Bolivia in an effort to fight "Narco-Terrorism."



INTERNATIONAL NEWS

U.S. STANCE AT SALT MEETING DEBATED

The White House announced yesterday that U.S. and Soviet representatives will convene in Geneva next week to discuss President Reagan's decision to stop observing SALT II treaty limits on strategic nuclear weapons, but sources said there was still disagreement within the Administration over what the U.S. position should be at the meeting.

The internal disagreement over the U.S. approach to the meeting reflects a deeper conflict between the State Department and the Pentagon over how to deal with the Soviets on arms control issues. Sources said that the Defense Department looks upon the meeting as a Soviet "propaganda move" while the State Department sees it as an opportunity for a "productive exchange" that could provide momentum for a new strategic arms control pact.

(Lou Cannon & Walter Pincus, Washington Post, A29)

Administration Sees Hopeful Signs Of 1986 Summit

After months of false starts, the Administration says it sees new signs the Soviets are prepared to lay the groundwork for a summit this year and separate talks are planned on nuclear tests.

White House officials said Wednesday the Kremlin had agreed to expert-level talks on "issues related to nuclear testing" and President Reagan had acceded to separate discussions on his decision to scrap the SALT II treaty.

"We are pleased that the Soviet Union at long last appears ready to begin laying the groundwork for the 1986 summit," said State Department spokesman Bernard Kalb. "The Soviets have said they want a good summit with concrete achievements. So do we."

(Jim Anderson, UPI)

U.S. Sees Talks On SALT, Nuclear Testing As Positive Signs

The United States has welcomed the scheduling of superpower talks on the unratified SALT II treaty and nuclear testing issues as encouraging signs of Moscow's seriousness about a 1986 summit.

White House spokesman Edward Djerejian, officially announcing the previously disclosed meetings on SALT and nuclear testing, said "the fact that we are talking on pertinent issues is encouraging."

(Patricia Wilson, Reuter)

U.S. Studies Plan To Link Arms Cuts And Atom Testing

The Reagan Administration is considering a new proposal that calls for simultaneously reducing the number of underground nuclear tests by the United States and Soviet Union and the number of strategic weapons on each side.

The idea of a link between reductions in strategic weapons and in testing is contained in a draft of a letter from President Reagan to Mikhail Gorbachev, and has been supported by State Department officials.

(Michael Gordon, New York Times, A1)

SOVIETS MODIFY STANCE ON BRITISH, FRENCH ARMS

LONDON -- Soviet Foreign Minister Eduard Shevardnadze said today that Moscow's insistence that Britain and France freeze their nuclear forces at current levels does not affect those country's plans to "modernize" their nuclear arsenals.

British officials, while noting that Shevardnadze's statement left numerous unanswered questions, characterized it as evidence of a "slight movement" in the Soviet position, which has been a principal sticking point at talks in Geneva between the United States and the Soviet Union on intermediate-range nuclear weapons.

On the question of a summit between President Reagan and Mikhail Gorbachev, Shevardnadze said that the Soviet Union was "working hard to prepare" for it. He said that "substantial preparations are under way" in Moscow in "10 to 12 areas" to be reviewed at a preliminary meeting between himself and Secretary of State George Shultz and then to be discussed at a summit.

(Karen DeYoung, Washington Post, A27)

'STRATEGY OF WEAKNESS' DENOUNCED

Defense Secretary Caspar Weinberger caustically attacked a House committee yesterday for budget cuts that he charged would create a "strategy of weakness" and threaten U.S. military capabilities.

"Our strategy is to reduce risk, not to put our heads in the sand and ignore threats to ourselves and our allies, all for the sake of a tidy balance sheet," Weinberger said in an address to about 300 members of the American Security Council Foundation, a private, prodefense organization.

(Molly Moore & Zeynep Alemdar, Washington Post, A30)

BROADER MILITARY ROLE IS CONSIDERED FOR RAIDS ON DRUG SOURCES ABROAD

The U.S. military's planned involvement in a massive drug raid this week in Bolivia is the latest in a series of such operations stretching from the Bahamas to Colombia, which foreshadow an even larger escalation being considered in President Reagan's war against drug trafficking, government officials said yesterday.

A \$400 million plan under consideration at the Justice Department would continue to finance the U.S. military's transport of foreign security forces on drug raids abroad, and buy a broad array of hardware ranging from dirigible-like radar to specialized aircraft to intercept smugglers en route to the United States.

(George Wilson & Mary Thornton, Washington Post, A1)

Publicity Hurts U.S.-Bolivian Anti-Drug Strike

Publicity about U.S. military aid to a Bolivian anti-drug operation may have severely damaged the operation's chance of success, officials said yesterday.

"The element of surprise has obviously been lost," said Robert Feldkamp, a Drug Enforcement Administration spokesman in Washington. "But the operation will go on as planned, and we'll have to just wait and see."

(John McCaslin, Washington Times, A1)

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Drug Lords Pose Threat To Bolivia

LA PAZ, Bolivia -- Bolivian President Victor Paz Estenssoro's decision to summon the U.S. military in a joint antidrug operation reflects the desperation of his struggle against a powerful group of traffickers whose illicit activities have become both the life blood of the Bolivian economy and a mortal threat to the government's political control.

"If we do not address this [narcotics] problem decisively -- to eliminate it -- the day could come when the economic power they wield could result in their governing the country, including via democratic means," Paz Estenssoro said in an interview earlier this month in Newsweek magazine's international edition. "Election campaigns cost more and more every day and the economic influence of the cocaine mafia could lead to unexpected results in terms of who runs the country."

(Bradley Graham, News Analysis, Washington Post, A1)

NUCLEAR ISSUE CLOUDS VISIT BY JUNEJO

Pakistani Prime Minister Mohammed Khan Junejo denied yesterday that his country is developing nuclear weapons after he was officially warned at the White House that such action would end U.S. economic and military assistance.

Junejo, in a meeting with the Senate Foreign Relations Committee, said that "whatever nuclear work is going forward is for civil purposes and to meet the needs of a developing country," according to Sen. Charles Mathias, the ranking committee member at the meeting.

(Don Oberdorfer, Washington Post, A21)

Pakistani Leader Promises Crackdown On Illegal Drugs

Pakistani Prime Minister Mohammed Khan Junejo is promising President Reagan his government will crack down on producers of dangerous narcotics and may open a helicopter-borne campaign to defoliate poppy fields.

Reagan, speaking at a state dinner for Junejo at the White House on Wednesday night, described his conversation with the Pakistani as "upbeat, cordial and productive." Reagan said that even though this was their first meeting, they "had talked with the directness and ease of two long-time colleagues."

(Henry Gottlieb, AP)

REAGAN CONSIDERING SPEECH ON SOUTH AFRICA

President Reagan, whose Administration increasingly is being urged to take stronger action against the white-minority South African government, is considering addressing the nation about the turmoil in the African country.

"We're still talking about it," Reagan said of the proposed speech at a state dinner Wednesday night for Pakistan Prime Minister Mohammed Khan Junejo.

(AP)

SHULTZ TRIES TO HEAD OFF SANCTIONS

Secretary of State George Shultz continued efforts yesterday to dampen growing congressional sentiment for passage of tough economic sanctions against South Africa.

White House officials said President Reagan probably will speak on the issue early next week in connection with the expected official announcement of his appointment of Robert Brown, a black businessman from North Carolina, to be the next U.S. ambassador to Pretoria.

(Edward Walsh, Washington Post, A32)

S. AFRICAN COURT RAPS BOTHA FOR BENDING LAW

DURBAN -- The National Supreme Court upheld the legality of the nationwide state of emergency yesterday, but in a partial victory for anti-apartheid activists, also ruled that President Pieter Botha had exceeded his authority in preventing detainees from seeing lawyers.

The three-judge court dismissed procedural arguments in the suit filed by the mainly black Metal and Allied Workers Union to have all the June 12 emergency regulations declared invalid. But it voided some of the provisions.

(Washington Times, A1)

SENATE FOES OF CONTRA AID MAY FILIBUSTER

Senate opponents of President Reagan's request for \$100 million in aid to the contras fighting Nicaragua's Sandinista government are discussing a filibuster as a way to stall the proposal, congressional sources said yesterday.

Several senators and their aides said that about 15 to 17 senators have indicated tentative willingness to join the effort. However, Sen. Alan Cranston cautioned that the idea is in the discussion stage and that "no firm decision" has been made.

(Washington Post, A28)

NICARAGUAN LEGISLATOR FLEES TO EMBASSY, SEEKS ASYLUM

MANAGUA -- A conservative opposition member of Nicaragua's legislature has sought asylum in the Venezuelan Embassy here, Venezuelan diplomats said.

Felix Pedro Espinosa, a deputy from the Non-Official Conservative Democratic Party, scaled the embassy's chain-link fence at dawn Tuesday and was taken inside later by staffers, a Venezuelan official said yesterday in a telephone interview.

A range of opposition leaders here said in interviews this week and last that, with the increased U.S. backing for the antigovernment guerrillas, they see prospects for peace, and for their form of peaceful dissent, dwindling.

(Julia Preston, Washington Post, A1)

NATIONAL NEWS

CONFEREES BEGIN WORK ON TAX OVERHAUL TODAY

For almost a year, legislators have debated and approved far-reaching changes in the tax code knowing that their work could be altered when the House and Senate worked out the final blueprint for tax overhaul. That era ends today.

Twenty-two members of the House and Senate, the final conferees on the tax package, will begin today the final rewrite on a host of tax-code provisions that, if signed by the President, will affect every U.S. taxpayer. (Anne Swardson, Washington Post, A7)

Conferees To Huddle On Tax Code Shakeup

Nearly everyone's financial plans will be shaken up for years to come by negotiations beginning today to reconcile hundreds of differences in the House and Senate tax overhaul bills.

If all goes well, the conferees will emerge from the conference in mid-August with a package that could be signed into law by President Reagan as early as Labor Day. (Karen Riley, Washington Times, A3)

Tax Writers Undecided On How To Shift Tax Burdens From Middle Class To Business

Twenty-two House and Senate tax writers drafting the final version of the most thorough tax code revision in a generation are agreed on lower rates, but undecided on how much to shift the tax burden from middle-income people to business.

"Someone needs to stand up and inject some reality into this debate by observing that everything comes with a price.... There is no free lunch," Rep. Dan Rostenkowski said Wednesday evening as the House formally picked its negotiators. (Cliff Haas, AP)

Tax Reform Conference Opens Today

House and Senate forces, meeting today in the opening session of the tax reform conference, were committed to straightening twisted codes while defending provisions that each side has championed.

Before today's opening session, Sen. Bob Packwood and Rep. Dan Rostenkowski planned to attend a White House breakfast with President Reagan, who has been a driving force behind efforts to rewrite the nation's tax code. (Joseph Mianowany, UPI)

CONGRESSIONAL LEADERSHIP UNITES BEHIND PLAN TO REAFFIRM GRAMM-RUDMAN CUTS

House and Senate leaders are united behind a plan to speedily reaffirm \$11.7 billion in spending cuts that were made last March but recently thrown into question by the Supreme Court.

The House Rules Committee on Wednesday approved and sent to the full House a resolution to leave the budget cuts in place -- without exception. In addition, a special joint House-Senate committee was called into session today to approve similar language for expedited Senate action. (Steven Komarow, AP)

ALLEGED MARCOS POLITICAL DONATIONS WON'T BE PROBED

The Federal Election Commission narrowly rejected charges that deposed Philippine president Ferdinand Marcos illegally contributed to the 1980 election campaigns of Ronald Reagan, Jimmy Carter and Sen. Alan Cranston.

Rejecting the recommendation of FEC general counsel Charles Steele, the commission declined, by one vote, to proceed with a full-scale investigation of charges that Marcos violated laws prohibiting contributions by foreigners, or contributions under assumed names.

(Walter Wright, Washington Post, A9)

DEAVER AIDE LOBBIED SOON AFTER LEAVING TRADE OFFICE

In an amended filing with the Justice Department, Michael Deaver has reported that a former senior U.S. trade official now associated with his lobbying firm had contacts with former government colleagues on behalf of foreign clients only months after leaving office.

Doral Cooper, acting as a foreign agent for the South Korean government, met with Deputy U.S. Trade Representative Michael Smith Feb. 13 and discussed two unfair trade practice cases brought by the United States against South Korea, according to the Deaver filing made public this week by the Justice Department's foreign agents registration unit.

(George Archibald, Washington Times, A2)

EDITOR'S NOTE: "In Praise Of Pakistan," by Donnie Radcliffe & Jana Salmon-Heyneman, appears in The Washington Post, B1.

WHITE HOUSE RELEASES \$391.2 MILLION TO METRO

The Reagan Administration, ending a two-year deadlock over the Washington area's plans for expanding the Metro subway system, released nearly \$400 million yesterday to complete two major sections of the long-delayed Green Line in the District and Prince George's County along with other rail extensions.

Secretary of Transportation Elizabeth Hanford Dole hailed the accord as "a blueprint for all future federal funding" for Metro. "We can finally guarantee that the long-delayed inner Green Line, from U Street to Anacostia, can be built without additional funding from Congress," she said.

(Stephen Lynton, Washington Post, A1)

GAO AUDITING TAXES PAID BY BUSINESS

Suspecting that businesses are failing to pay taxes on billions of profits, the General Accounting Office is auditing a nationwide sample of U.S. companies to determine whether there is widespread underreporting of business-investment income on federal tax returns.

A pilot GAO audit conducted earlier this year showed that 54 percent of the companies in the study failed to report all their investment income.

Congressional sources said they expect that, based on the pilot study, the national audit of 1,200 companies will give a better idea of how much tax revenue is lost annually because of underreporting of investment income by all types of businesses. (Rudolph Pyatt, Washington Post, A1)

REGAN BARS KOOP'S TESTIMONY FOR BILL TO BAN TOBACCO ADS

White House Chief of Staff Donald Regan has scrapped a plan by Surgeon General C. Everett Koop to testify before Congress this week in favor of legislation that would ban all advertising of tobacco products, Administration officials said yesterday.

Administration officials, who refused to be identified by name, quoted Regan as saying that a decision on the legislation should be made by the White House and not by Koop. Regan also objected to the legislation on its merits, officials said.

(David Hoffman, Washington Post, A1)

U.S. SUSPENDS LITTON FROM PENTAGON BUSINESS

Litton Industries Inc., a major supplier of military electronics equipment, yesterday was temporarily suspended from receiving new Pentagon business after agreeing to plead guilty to charges of cheating the government on defense contracts.

The suspension will remain in effect while the Pentagon reviews the case and considers how much responsibility the parent company bears for the conduct at its Clifton Precision Special Services Division in Springfield, Pa., where the contract fraud occurred, according to the grand jury.

(Peter Behr, Washington Post, A20)

LEHMAN CALLS KORB'S STAND 'PERSONAL AFFRONT'

Navy Secretary John Lehman said yesterday that he considered statements by an executive of a major defense contractor who supported cuts in President Reagan's arms program "a personal affront." The secretary said he supported his deputies for complaining to the executive's superiors, which led the company to dismiss Lawrence Korb.

"Nobody asked for or expected Korb would be fired," Lehman said yesterday in a breakfast meeting with reporters. "I had every hope Raytheon would tell him to shut up and stop testifying against its principal customer."
(Molly Moore, Washington Post, A5)

HOUSE PANEL BACKS DRILLING BAN

A House subcommittee voted yesterday to reinstate a ban on drilling for oil and gas off central and northern California for the next fiscal year.

The action, on a voice vote without debate, came after the interior subcommittee on the Appropriations Committee was told by Rep. Ralph Regula that there was only a "slight chance" that opponents and backers of drilling could agree on how to proceed.

Interior Secretary Donald Hodel said in a statement that "the political desires of those who seem not to care about the nation's energy security prevailed, and they torpedoed what could have been a major step toward consensus."
(AP story, Washington Post, A6)

CHALLENGER'S BOOSTER CHIEF LEAVES NASA

NASA announced yesterday the abrupt retirement of Lawrence Mulloy, the proud, unrepentant career manager who took the brunt of the criticism in the Rogers Commission report on the Challenger accident.

Officials said Mulloy gave no reason for his decision and took sick leave yesterday, declining to talk to reporters.

(Kathy Sawyer, Washington Post, A1)

EDITOR'S NOTE: "The House Team: Tax Conferees From Ways and Means," by Anne Swardson & Jonathan Karp, appears in The Washington Post, A23.

NETWORK NEWS SUMMARY

(Wednesday Evening, July 16, 1986)

ARMS CONTROL

NBC's Tom Brokaw: For weeks now the United States and the Soviet Union have been trading charges and counter charges -- each side blaming the other for the absence of progress on arms control. Then, today, suddenly, a flurry of announcements. American and Soviet negotiators will meet in Geneva to resume talks on nuclear testing. Those talks were broken off six years ago. And Soviet Foreign Minister Eduard Shevardnadze also says that his side is preparing for another meeting between President Reagan and Soviet leader Gorbachev. However, substantial differences do remain.

NBC's Chris Wallace: The latest arms talks had no sooner been announced than the U.S. and Soviets disagreed about the purpose. Foreign Minister Shevardnadze said the focus is a top Soviet goal: an end to all nuclear testing.

(Shevardnadze: "Resume talks in Geneva on banning nuclear tests.") But U.S. officials still reject a ban and said today they want to focus on ways to verify continued testing.

(Bernard Kalb: "U.S. believes that a nuclear testing moratorium is not in our security interests nor in that of our friends and allies.")

Still, the talks on testing due to start in late July are one more sign U.S.-Soviet diplomacy is heating up. Also this month the two sides will discuss the President's decision to break the SALT treaty. And the nuclear offense and defense talks in Geneva are in a new active stage. A top U.S. official says the latest discussions on verifying tests will address a central issue.

(Kenneth Adelman: "The Soviets are going to hear from us again on our big problem in arms control, namely Soviet cheating.")

But an Administration critic worries the U.S. is more interested in scoring points than making deals.

(Gerard Smith: "I don't think the prospect of a real substantive arms control agreement is very great at the present time.")

Today, greeting the Prime Minister of Pakistan, the President slammed what he called Soviet aggression in neighboring Afghanistan.

(The President: "The brutal Soviet occupation of Afghanistan is now in its sixth year.")

But behind the scenes Mr. Reagan is making a decision sharply dividing his aides: whether to accept a Soviet offer to trade sharp cuts in offensive weapons for limits on his star wars missile defense. Shevardnadze says chances for a summit this year depend on the Reagan response.

(Shevardnadze: "We have an interest in having a productive summit, but an empty summit we cannot accept.")

U.S. officials admit there's a lot of public relations behind these new talks. Neither side wants to be seen as blocking progress. The question is, now that they're talking, do they really have anything to talk about.

(NBC-Lead)

ABC's Peter Jennings: For the first time in six years the U.S. and the Soviet Union have agreed to sit down and talk about nuclear testing. It is, on the surface, a major step forward. But no sooner did they agree to meet than the two countries disagreed on what they were going to talk about.

ABC's Barrie Dunsmore: It wasn't quite the way such things are normally announced. Nearly an hour into his news conference Foreign Minister Shevardnadze rather off-handedly mentioned a new agreement with the U.S. to talk about a nuclear test ban.

(Shevardnadze: "We also have fundamentally, an agreement from the United States, to resume negotiations in Geneva on banning nuclear tests.")

This clearly left the impression that the U.S. was willing to resume talks on a comprehensive test ban treaty. The U.S. broke off such talks six years ago. In his visit to Britain, Shevardnadze has resumed the Kremlin's "smile" campaign to persuade America's European allies that Moscow is being reasonable. All of the allies, including Prime Minister Thatcher, want progress in East-West arms control, and they want another Reagan-Gorbachev summit. Shevardnadze's message was, "If you want that summit, better put the arm on Mr. Reagan to be more reasonable."

(Shevardnadze: "As Mikhail Gorbachev has said, we have an interest in having a productive summit. But an empty summit we cannot accept.")

A few years ago when the Soviets were trying to prevent deployment of new American missiles in Europe, their strong-arm tactics with the allies failed. But, with the new "smile" campaign the Kremlin has already persuaded many influential Europeans that in the matter of nuclear arms control it is Washington, not Moscow, which is dragging its feet.

ABC's Sam Donaldson: There was no foot-dragging at the White House today as deputy press secretary Edward Djerejian confirmed that U.S. test ban experts would meet shortly with the Soviets -- without three conditions he said. But there were some important qualifiers. Djerejian made clear the U.S. wants to talk about verification procedures for two existing but still unratified treaties; not negotiate a total ban on nuclear testing as the Soviets propose. In fact, as echoed at the State Department, the Administration's view is that a comprehensive test ban treaty would not be in the U.S. national interest now.

(Bernard Kalb: "U.S. believe such a ban must be viewed in the context of a time when we do not need to depend on nuclear deterrence to insure international security and stability, and when we have achieved broad, deep, and verifiable arms reductions.")

The Administration also publicly confirmed today it has agreed to the Soviet request to sit down and discuss SALT II, the arms control treaty President Reagan says he will no longer honor. But again, the qualifiers make clear it is really alleged Soviet violations the U.S. intends to talk about. An arms control expert in the Carter Administration thinks it's all pre-summit shadow boxing.

Donaldson continues:

(Ralph Earle, former arms negotiator: "It makes it more palatable for both of them to say, we have now made some progress -- now we have something to talk about. I don't think they have much to talk about, but they give the appearance of having something to talk about.")

Donaldson: So it's P.R.?

Earle: "I think largely, yes.")

The bottom line here seems to be that in an effort to get the Soviets to set a summit date, the Administration is changing some of its signals but not its policies.

Jennings: There was a suggestion today from Senator Dole that the Reagan Administration may be about to offer the Soviets surplus U.S. grain. The Senator thought that would help improve the climate for a summit.
(ABC-Lead)

CBS's Dan Rather: A dramatic announcement today about U.S. Soviet nuclear arms control talks. Soviet Foreign Minister Shevardnadze made it in London.

CBS's Tom Fenton: At the end of a long press conference, almost as a throw-away line, Soviet Foreign Minister Shevardnadze revealed that Washington and Moscow have agreed to discuss nuclear testing for the first time in six years.

(Shevardnadze: "We also have fundamentally, an agreement from the United States, to resume negotiations in Geneva on banning nuclear tests.")

He also confirmed, as did the White House today, that the two sides will meet next week in Geneva to discuss another important arms issue: the U.S. threat to abandon the unratified SALT II treaty. There are additional signs of movement in East-West relations today. In Stockholm the Warsaw Pact announced concessions in reporting air movements that Western diplomats said could break the deadlock there in the two-year old talks on reducing the risk of nuclear war. And in Washington today there was increased optimism about prospects for a second Reagan-Gorbachev summit.

(Bernard Kalb: "We think we have established a good basis for working toward a productive summit. We hope the Soviets are now ready to join us in building on that foundation.")

The announcement of the test ban talks came as a surprise. The United States is still testing. The Soviet Union stopped almost a year ago in a self-imposed moratorium and wants both sides to stop all testing. The sticking point has been verification.... The Soviets...allowed a private team of U.S. scientists to install extremely sensitive monitoring devices around the main Soviet test site. But even if the system is as fool-proof as the scientists claim, the Administration made it clear today that a total test ban is out of the question for the present.
(CBS-4)

COMMENTARY/ARMS CONTROL

NBC's John Chancellor: When Otto von Bismarck was running Germany in the last century he liked to threaten other countries with his army. He once was asked if he wanted war? He said, "War? I don't want war. I want victory."

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Chancellor continues: Well there may be some of that in President Reagan's maneuvering with the Soviet Union over nuclear weapons. Mr. Reagan's record does have a kind of Bismarckian belligerence: a big arms buildup; no agreement with the Russians since he became President; and a couple of months ago what seemed to be a repudiation of the SALT II agreement. Yet the Kremlin and the White House still seem to be slouching toward a summit conference and maybe some agreement on arms. There have been many signs of flexibility from Russia's side, and now some from the American side. There have been no talks on nuclear testing for six years -- there will be now. The United States has agreed to a special meeting about the SALT II treaty. Scientists from both countries are improving chances for verification of a test ban. Much has been going on despite Mr. Reagan's tough talk. His Administration is deeply divided on arms control and it's something of a scandal that he won't make it speak with a single voice. But the hardliners at the Pentagon aren't the only players on the American team and there is still room for a deal with Moscow. Second-term presidents tend to worry about history. Does Mr. Reagan really want to be blamed for eight years of failure in the control of nuclear weapons? Probably not. Ronald Reagan may not want SALT II, but he might be ready for REAGAN I. (NBC-9)

JUNEJO/PRESIDENT REAGAN

CBS's Dan Rather: Pomp and ceremony on the White House lawn today. President Reagan greeted Pakistani Prime Minister Mohammed Khan Junejo. (TV coverage: The President and Mr. Junejo on White House lawn.) Mr. Reagan praised the Pakistanis. He lauded them for standing up to what he called Soviet aggression in neighboring Afghanistan. But during a private meeting afterward Mr. Reagan reportedly warned the Prime Minister that U.S. aid would be cut off if Pakistan develops a nuclear bomb. (CBS-3)

DRUGS/BOLIVIA

CBS's Dan Rather: U.S. soldiers tonight are positioned in Bolivia to help with what is called a major assault on narcotics growers and dealers. Aides to President Reagan insisted the U.S. troops will be in a support role. The soldiers are authorized to shoot if fired upon. Mr. Reagan's phrase makers are calling this a fight against, "Narco-terrorism."

CBS's Juan Vasquez: Bolivian troops loaded a U.S. Air Force transport plane with American equipment for the operation expected to begin within a day or so. The next stop is a staging area from which U.S. military personnel will carry Bolivian soldiers on American helicopters.... U.S. officials were reluctant to discuss what had been planned as a secret strike, but sources said the main staging area will be a one time cocaine hacienda in eastern Bolivia.... The country already provides one fourth to one half of the world's supply of coca paste needed to make cocaine...

CBS's David Martin: Code named "Operation Blast Furnace", armed American helicopters are poised to launch for the first time ever combat assaults on drug rings. Their target: as many as fifty drug processing labs, some of them protected by mini-armies, two to three hundred strong. The American air crews are under orders to stay at least one mile away from the labs and to withdraw if they counter resistance but they are authorized to fire in self defense.

(Bernard Kalb: "U.S. forces are not expected to become involved in hostile action.")

Since 1983 the Air Force has been flying unarmed helicopters...to help police in the Bahamas intercept drug runners. More recently, AWACS early warning planes have tracked small aircraft suspected of carrying drugs across the Mexican border, and Navy ships have patrolled the Caribbean alerting the Coast Guard to any suspicious boats. But this will be the first time U.S. combat troops go to the source of the drugs.

(The Vice President: "What it's about is fighting crime in this country and helping Bolivia rid itself of criminal elements that are preying on their own people.")

The operation is receiving support even from Administration critics.

(Rep. Downey: "The President has acted wisely and decisively to use American forces in conjunction with the Bolivians to attack these manufacturers.")

But some think the military has stepped too far over the line into law enforcement.

(Barry Lynn, A.C.L.U.: "The persons who are primarily supposed to enforce the defense of the U.S. shouldn't have their resources, their time, their money, their weapons, diverted into the pursuit of civilian criminals.")

Depending on its success, Operation Blast Furnace could be the first of many. Reagan Administration sources say Peru and another tiny Central American country also have requested American military help for raids against drug rings.

Rather reports on a previous attempt by the U.S. headed by green beret Ed Merwin that, according to Merwin, couldn't stop the drug flow.
(CBS-Lead)

Jennings: The Reagan Administration has gone to war against drugs in Bolivia, and it is a military operation. 150 American troops and their helicopters and transport planes are on the ground in South America. They will join the Bolivian forces in field operations against the people who produce the cocaine which poisons Americans.

ABC's Steve Shepard: ...Most of Bolivia's coca is processed into cocaine in Columbia and winds up in the U.S. The Reagan Administration says that's reason enough to help Bolivia crackdown on coca production.

(The Vice President: "What this is about is freeing our own schools and our own neighborhoods from narcotics. What it's about is fighting crime in this country and helping Bolivia rid itself of criminal elements that are preying on their own people.")

That possibility [danger to U.S. troops] has fired up a number of critics in Congress.

(Rep. Edwards: But I think it's illegal. I think it's illegal as a violation of the constitution -- it's an act of war.")

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Shepard continues: But most members of Congress, even traditional doves, seem strongly in favor of the operation.

(Rep. Downey: "Mr. Speaker, I don't often agree with President Reagan's military policy, but I strongly agree with the President in the use of force with the Bolivians.")

The U.S. reduced economic aid to Bolivia this year because it didn't think authorities there were doing enough to curb coca production. That may have prompted Bolivia's request for U.S. help.... The U.S. military has assisted other nations in anti-narcotics drives before but never on a scale this size. The question now is: Will it work?

Jennings: ...Having failed to convince the consumers not to use cocaine, the Administration is once again trying to get at the producers.

ABC's Barry Serafin: For the past decade and a half, every American President has declared war on drugs. With a good deal of fanfare President Reagan announced new task forces.

(The President in November, 1982: "This will mean substantial new resources devoted to combatting the drug and crime menace.")

...Heroin, marijuana, and cocaine are all pouring into this country in increasing amounts.... In short says the chairman of a House committee, we're losing the war against drugs.

(Rep. Rangel: "As long as there is a strong demand, and as long as there's heavy production, there's nothing that we will be able to do to prevent in from coming into our country.") (ABC-Lead)

Brokaw: The U.S. war against drugs moved today into the jungles of Bolivia where almost a third of the world's cocaine is processed. U.S. army soldiers, part of a 160 member team sent to that South American country, set up base camps to be used in raids later this week against cocaine laboratories.... This is the first time that the American military has been used in this kind of a war.

NBC's Fred Francis: ...Vice President Bush who has been directing drug enforcement outside this country was asked if the operation would continue in spite of the leaks?

(The Vice President: "Well, it makes it more difficult, but I hope so. And it is very important that it succeed.")

A Justice department official was skeptical saying a lot of indian farmers without portable radios would get arrested, but because of news reports, the big cocaine labs will have shut down before American helicopters arrive. Nonetheless, the effort was applauded by Administration critics.

(Rep. Downey: "The President has acted wisely and decisively to use American forces in conjunction with the Bolivians to attack these manufacturers. The Bolivians need our help.")

...The main issue in Washington is whether American soldiers can be legally used in this way. The Administration is obeying the law by having a federal drug agent in each helicopter. That does not satisfy some who are concerned about the future.

(Sen. Glenn: "I would not want to see it be an automatic precedent that we would say, 'Okay, we used 'em in Bolivia, so now we can use 'em in one of the other countries, Columbia or Honduras or wherever.'") (NBC-3)

SOUTH AFRICA

Rather: Seventeen more people were reported killed today in South Africa.

It's the worst 24-hour death toll reported since the white minority government began tougher measures last month. What the government calls its state of emergency got a setback of a kind today in court. A provincial supreme court threw out some key provisions of the law.

CBS's Allen Pizzey: Lawyers called the court action a substantial challenge to the might of the state. The supreme court ruled that some of the emergency regulations are hopelessly uncertain and meaningless. The judges threw out all or part of five emergency law definitions of subversive statements.... The court said criticism of the government is a public right which lawyers believe will ease reporting restrictions under the state of emergency.... It's still not legal to call for sanctions although today the government highlighted sanctions when it rolled out the Cheetah -- a new plane built in spite of the international arms embargo. (CBS-2)

Jennings: The man who a number of people are pushing to be this country's next ambassador to South Africa went to the State Department today, and another man who was pushing for the Reagan Administration to change its South African policy altogether was there as well.

ABC's Jeanne Meserve: Robert Brown today made his first trip to the State Department since his name surfaced as the Administration's top choice to be the next ambassador to South Africa.

Reporter: "If that job is offered to you, are you interested in accepting it?"

Brown: "I will serve if the President nominates me, yes."

Reporter: "Do you think you can make a difference?"

Brown: "I hope and pray that I could."

Jesse Jackson was also at the State Department today and asked if a Brown would signal a change in the U.S. approach to the Botha government?

(Rev. Jackson): "We're certain unless these questions are answered in a way that represents a new policy and a new message, would discourage his accepting this suicide mission."

Some union officials today raised questions about the suitability of a Brown nomination, saying he had a long history of anti-union activity at several textile plants in North Carolina.

(William Patterson, Textile Workers Union): "We find it ironic at this time when the United States needs to be building bridges and be as close as possible to the black trade union movement, that Reagan is hiring an individual who has a history of breaking unions."

Brown could not be reached late today for comment, but a spokesman for Sara Lee which owns the Hanes textile group, acknowledges that Brown has been a labor relations consultant for his company for ten years and was involved on the company side when workers were trying to form unions two years ago. The present U.S. Ambassador returned to Washington today to participate in a policy review which the Administration hopes will head off the move towards sanctions in Congress. (ABC-3)

ECONOMY

Rather: Additional signs today of a national economy that appears to be cooling. The government said that business sales, including wholesalers, retailers and manufacturers dropped 1.8% in May. That's the sharpest decline in 11 years. Plus, the Federal Reserve Board reported the nation's industry operated at just 78.3% of capacity. That's the lowest level in 2½ years. Strikes in aluminum, lumber, and communications industries contributed to that slowdown. (CBS-7)

LITTON/PENTAGON

Rather: The Pentagon announced late today it is indefinitely suspending Litton Industries, Inc. from receiving any new government contracts. The action came one day after Litton agreed to plead guilty to fraud for over billing taxpayers and the Defense Department. (CBS-11)

IACOCCA

Brokaw: When he isn't running Chrysler or fixing up the Statue of Liberty, Lee Iacocca keeps insisting that he is not a candidate for President of the United States. But that didn't stop a group of political activists from announcing today they are starting a campaign to draft him as the candidate for their party. They are Democrats. But they're not even sure that Iacocca is too.

NBC's Ken Bode: A recent national poll showed that 9 of 10 Americans know who he is and that he is about as popular President Reagan -- which is very popular.

(TV coverage: The President and Iacocca in the Oval Office.)

...The self-appointed draft Iacocca committee, think they can take his tough-talking, can-do image, and make him something like the Clint Eastwood of American politics. (CBS-10)

CHALLENGER

Rather: The official who was in charge of NASA's solid rocket booster program...has now resigned from NASA. Lawrence Mulloy announced he will retire Friday. (ABC-5, CBS-6, NBC-2)

DROUTH

Jennings: It is still very hot and dry in the Southeast.... It has been very bad for farmers. It has led other farmers elsewhere in the country to help. When a farmer in Illinois saw a report...on this broadcast earlier this week, he reached out across the country.

ABC's Rebecca Chase reports a farmer in Fort Dodge Iowa, harvesting a bumper crop of alfalfa hay, has donated the hay to a South Carolina farmer who needs the hay for his dairy cows.... Today the governor of Illinois issued this appeal.

(Governor Thompson: "We're making an appeal to Illinois farmers who have surplus hay to either donate it or sell it to the farmers of the southeastern United States.") (ABC-7)

EDITORIALS/COLUMNISTS

PAKISTAN

And About The Bomb, Mr. Junejo? -- "It will take more than cautions from Moscow and Washington to ensure that Pakistan and, of course, India limit their respective nuclear programs. It will take a Soviet-American consensus on regional stability and uncommon and parallel statesmanship by the regional parties. Meanwhile, the United States cannot afford to stop trying to contain the nuclear genie threatening to break loose on the Asian subcontinent."
(Washington Post, 7/16)

DRUG TRAFFICKING

Reagan And Drugs -- "White House officials announced last week that President Reagan will be getting more involved in the fight against drugs by launching a personal campaign against substance abuse. The officials compared the effort to one a couple years back that focused on educational issues -- a noteworthy comparison. That campaign was a classic public relations success: It simply improved public opinion about Reagan's performance on education issues while doing nothing to change the fact that educational programs at virtually every level were struggling to maintain themselves despite federal spending cuts.... Without effective law enforcement on the federal level it is hard to see how a public relations campaign -- even from a figure as persuasive as Ronald Reagan -- can be effective against the insidious drugs that each day gnaw deeper into the foundation of American life."
(Baltimore Evening Sun, 7/15)

MANION NOMINATION

Bartering Judgeships -- "The Senate, by its flagrant politicking, not only raises questions about its integrity in the Manion case, but also sows doubt on its future votes, even on well-qualified nominees.... Confirming judges for the federal bench is one of the gravest constitutional responsibilities of a senator. On June 26, many shunned this responsibility. They must make amends by honestly voting on the only question that should matter: Does Daniel Manion possess the necessary legal qualifications, experience and integrity to sit on a federal appeals court?"
(Boston Globe, 7/15)

The Senate Should Reject Manion, As It Did Carswell -- "The parallels are striking between the nomination of Judge G. Harrold Carswell to the U.S. Supreme Court, rejected by the Senate in April, 1970, and the nomination of Daniel A. Manion to the U.S. Court of Appeals for the Seventh Circuit, facing reconsideration and final action by the Senate this month.... When the Senate votes again on the Manion nomination, we can only hope that... senators of both parties join to reject the Reagan Administration's notion that it has the right to advance mediocre lawyers to the federal bench unchallenged, and that it can do so through deceit and the most crass form of political horse trading."
(Chicago Tribune, 7/11)

EDITORIALS/COLUMNISTS (continued)

CHILE

A Message For Pinochet -- "At the risk of alienating right-wing ideologues at home, the Reagan Administration continues to impress upon Gen. Augusto Pinochet, the Chilean dictator, U.S. support for a much faster return to democracy than Pinochet seems willing to concede.... Certainly it was humanitarian for the United States to help rush de Negri to her dying son's bedside, and to be officially represented at his funeral. But the significance of these moves goes deeper. Pinochet and Helms may be outraged, but Chilean democrats will be greatly encouraged."

(Plain Dealer, 7/15)

CHILE: A grisly murder pushes U.S. officials to the point of outrage -- "President Reagan may finally have realized that he cannot credibly campaign for aid to the contra rebels against Sandinista repression in Nicaragua while giving Mr. Pinochet kid-glove treatment. Although tardy, the Administration's response to the continuing oppression in Chile is welcome."

(Detroit Free Press, 7/14)

IMMIGRATION

Crisis At The Mexican Border -- "It would not only be helpful, it is now almost imperative that President Reagan proceed posthaste with plans for a top-level meeting between himself and Mexican President Miguel de la Madrid some time in August.... It is surely Mexico's business when corruption is found among its own government officials, whether in Mexico City or the northern state of Chihuahua. But when the drug traffic and illegal immigrants spill across the border into Texas, New Mexico and Arizona, they become America's business as well. President Reagan has every right to remind President de la Madrid of that fact, and to seek Mexico's help in finding a solution to our mutual border problem."

(St. Louis Globe-Democrat, 7/12-13)

GRAMM-RUDMAN-HOLLINGS

G-R-H Was No Way To Cure Deficit -- "Congress wasn't elected to delegate its responsibilities so casually. In this year's elections, voters should look hard at those congressional candidates who went along with G-R-H. For if office seekers don't want to make the hard choices that come with a seat on Capitol Hill, they should look for employment elsewhere."

(Courier-Journal, 7/8)

REVIEW & OUTLOOK

Reagan's Year

The Presidential Grand Prix, history's longest race, is set to start. Candidates for the 1988 election are assembling teams, giving interviews to the press, making trial runs around the country. Bush, Kemp, Dole, Robb, Biden, Baker, DuPont, Hart, Jackson, Babbitt, Cuomo, Iacocca, Mr. Smith, John Doe. What a field! Only one problem here. Ronald Reagan won't get off the track.

The imperatives of the political drama dictate that Mr. Reagan should acknowledge his lame-duck status, set the government on cruise control and go away to ride horses in the Santa Barbara hills. But he won't. Coasting unobstructed through his second term, his popularity rating at about 68%, Mr. Reagan is having his strongest year, indeed the strongest year of any president, at least since Eisenhower.

He will sign a tax bill giving the U.S. the most economically favorable tax system in the industrialized world. This will complete the process begun in the late 1970s of reshaping the theoretical foundations of the U.S. tax system—away from redistributing income according to the whims of Congress and toward an economy in which capital flows into the most productive assets. These income and capital flows will be driven by the incentives for investment and work inherent in low marginal tax rates. This system is known as supply-side tax policy. Mr. Reagan campaigned for the presidency on it in 1980. The political establishment laughed at it. Before November's elections, it will be the law of the land.

Mr. Reagan has just named a new chief justice and an associate justice for the Supreme Court. Together with his appointments to the district and appellate benches, Mr. Reagan is now completing a fundamental reordering of the principles that guide the judgments of the federal judiciary. As described by Mr. Reagan in two successful presidential campaigns, the central change will free the electorate from a judiciary that was encroaching beyond reasonable limits on the policy-making functions of legislatures. The Reagan judiciary will subordinate politics and more often constrain and conform its decisions according to the expressed meaning and intent of its principal guide, the Constitution.

Mr. Reagan's foreign policy of unequivocal opposition to Soviet expansionism is yielding dividends this year. The House has capitulated to his view of the Sandinistas, formally and openly voting for aid to the contras. The decision to severely punish ~~Muammar-Gadhafi for fomenting terrorism~~ has been followed by the expulsion of Libyan agents from much of Europe. Late last week, even the pro-Libyan government of Andreas Papandreou in Greece sharply reduced the number of Col. Gadhafi's "diplomats" on its soil. The Soviet leadership is off balance, unable to find its stride in either arms control or the propaganda wars. The Soviets have been thrust on the defensive principally by Mr. Reagan's commitment to the strategic defense initiative, a high-tech competition the Soviet system can't win.

* * *

The president's success and the popularity that seems to attend it continue to confound many analysts, who have variously attributed it all to luck, stage presence, Teflon, rosy cheeks, congressional fatigue, Democratic collapse and possibly Elliott Wave Theory. Mr. Reagan's critics seem to have the idea that his actual policies are somehow a secondary by-product of this odd personal magic, that they just rolled onto the American scene from a corner of the Heritage Foundation or some economics professor's office in California.

In nearly every major success, however, Mr. Reagan's efforts have been focused on an obviously severe problem demanding radical solutions, rather than the usual marginal compromising. This is precisely the strategy FDR waged against the Depression. If Mr. Reagan's critics didn't share his assessment of the decline in American power, the economic destructiveness of a steeply progressive tax system or the dangers of expanding federal programs, the failure of analysis is theirs. No president carries 49 states and sustains his popularity at these levels unless the electorate shares his analysis of the country's most pressing problems.

Mr. Reagan has been successful precisely because he is a president operating from an agenda—patiently awaiting opportunities, of course, but keeping definite ends always in mind. Much, it seems to us, still remains for him to do in his term.

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Reagan's Year (continued)

The budget process is floundering, as always. Subsidy payments to farmers are running at a rate that should put final outlays at least 75% above the \$18 billion Congress authorized for this year. Outlays for defense are under congressional pressure. With Gramm-Rudman struck down by the Supreme Court, Congress's budgeters are talking about cooking the books to make the deficit look better by November. And the Washington political establishment spends its energies trying to ratify an arms treaty designed for 1979, while cutting funds for a strategic defense system intended for the present. Meanwhile the monster of protectionism swims just below the surface of the Washington swamps, threatening to ravage the world trading system.

* * *

The international economy, strategic defense and Congress's inability to rationalize federal program spending will likely occupy the remaining 30 months of Mr. Reagan's presidency. A glance at the record, indeed, at February's State of the Union address, makes the Reagan agenda clear.

The budget impasse is being attributed to Mr. Reagan's insistence on resisting a Carterlike decline in defense outlays while holding the line against a tax increase. The plain truth is that you could cut defense spending down to nothing and still be left with the fact that Congress has become so hostile to its domestic-program constituencies that it can no longer exercise its responsibility to prudently managing domestic outlays. As a consequence, the politics of national program-spending have reached gridlock.

The State of the Union offered Mr. Reagan's answer: the line-item veto. The Washington establishment scoffs, as it scoffed at his tax ideas in 1980. But it will find in the end that this injection of discipline is the *only* solution to the budget problem.

The State of the Union also offered Mr. Reagan's answer for the international economy—opening a study of reforming the system of floating exchange rates. Just as Sen. Russell Long calls the tax bill perhaps the most important piece of legislation in his time, a U.S.-led reform of the international monetary system would be the most important legacy of Mr. Reagan's role as a world leader. World economies are integrating, a process that ideally will enhance the growth and wealth of all the world's peoples. However, this much-desired process simply cannot go forward if the world economy continues to be subjected to what Mr. Reagan in his State of the Union called the "wild swings" in exchange rates.

Jack Kemp and Bill Bradley have recently held important conferences on this subject in Washington and Europe. It is no secret that the president is attracted to the idea of fixing the dollar's value to some identifiable standard, such as gold. In our view, stabilizing the value of capital commitments is exactly the right thing for a U.S. president to do. An international monetary conference with this goal at its center could fully occupy the seventh year of the Reagan presidency.

Mr. Reagan's chief national security legacy will be SDI. Systems to defend our military assets and ultimately our population will be a far firmer foundation for security than a continued commitment to a strategic policy of mutually assured destruction based on designing and building more ballistic missiles. But with SDI hampered by a "restrictive" interpretation of the ABM treaty, the president has one other important date on the five-year review of this treaty due in 1987. Suffice it to say that a serious review of this treaty must face up squarely to the meaning of what everyone concedes is a blatant Soviet violation—the phased-array radar installation at Krasnoyarsk.

* * *

If Mr. Reagan gets this agenda on track, the Presidential Grand Prix of 1988 could turn out to be less compelling than its many recent predecessors the past 20 years. At some point in the recent past, it was still possible to argue whether what has been going on the past six years was a peculiar accident of one man's unique political personality. That argument has become irrelevant.

Like FDR, Ronald Reagan is remolding the country's primary institutions and the principles of its economic life in a way that will shape the actions of future political leaders. The policy achievements are real. The remaining years of this presidency look less like the playing out of an accident and more like the onset of an era.

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THURSDAY, JULY 17, 1986 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

U.S. Sees Talks On SALT, Nuclear Testing As Positive Signs -- The United States has welcomed the scheduling of superpower talks on the unratified SALT II treaty and nuclear testing issues as encouraging signs of Moscow's seriousness about a 1986 summit. (New York Times, Washington Post, UPI, Reuter)

Publicity Hurts U.S.-Bolivian Anti-Drug Strike -- Publicity about U.S. military aid to a Bolivian anti-drug operation may have severely damaged the operation's chance of success, officials said yesterday. (Washington Post, Washington Times)

NATIONAL NEWS

Tax Reform Conference Opens Today -- House and Senate forces, meeting today in the opening session of the tax reform conference, were committed to straightening twisted codes while defending provisions that each side has championed. (Washington Post, Washington Times, AP, UPI)

NETWORK NEWS (Wednesday Evening)

ARMS CONTROL -- U.S. and Soviet negotiators will meet in Geneva to resume talks on nuclear testing.

PRESIDENT REAGAN/JUNEJO -- President Reagan warned Prime Minister Junejo that U.S. aid would be cut off if Pakistan develops a nuclear bomb.

DRUGS/BOLIVIA -- U.S. soldiers are positioned in Bolivia in an effort to fight "Narco-Terrorism."



INTERNATIONAL NEWS

U.S. STANCE AT SALT MEETING DEBATED

The White House announced yesterday that U.S. and Soviet representatives will convene in Geneva next week to discuss President Reagan's decision to stop observing SALT II treaty limits on strategic nuclear weapons, but sources said there was still disagreement within the Administration over what the U.S. position should be at the meeting.

The internal disagreement over the U.S. approach to the meeting reflects a deeper conflict between the State Department and the Pentagon over how to deal with the Soviets on arms control issues. Sources said that the Defense Department looks upon the meeting as a Soviet "propaganda move" while the State Department sees it as an opportunity for a "productive exchange" that could provide momentum for a new strategic arms control pact.

(Lou Cannon & Walter Pincus, Washington Post, A29)

Administration Sees Hopeful Signs Of 1986 Summit

After months of false starts, the Administration says it sees new signs the Soviets are prepared to lay the groundwork for a summit this year and separate talks are planned on nuclear tests.

White House officials said Wednesday the Kremlin had agreed to expert-level talks on "issues related to nuclear testing" and President Reagan had acceded to separate discussions on his decision to scrap the SALT II treaty.

"We are pleased that the Soviet Union at long last appears ready to begin laying the groundwork for the 1986 summit," said State Department spokesman Bernard Kalb. "The Soviets have said they want a good summit with concrete achievements. So do we."

(Jim Anderson, UPI)

U.S. Sees Talks On SALT, Nuclear Testing As Positive Signs

The United States has welcomed the scheduling of superpower talks on the unratified SALT II treaty and nuclear testing issues as encouraging signs of Moscow's seriousness about a 1986 summit.

White House spokesman Edward Djerejian, officially announcing the previously disclosed meetings on SALT and nuclear testing, said "the fact that we are talking on pertinent issues is encouraging."

(Patricia Wilson, Reuter)

U.S. Studies Plan To Link Arms Cuts And Atom Testing

The Reagan Administration is considering a new proposal that calls for simultaneously reducing the number of underground nuclear tests by the United States and Soviet Union and the number of strategic weapons on each side.

The idea of a link between reductions in strategic weapons and in testing is contained in a draft of a letter from President Reagan to Mikhail Gorbachev, and has been supported by State Department officials.

(Michael Gordon, New York Times, A1)

SOVIETS MODIFY STANCE ON BRITISH, FRENCH ARMS

LONDON -- Soviet Foreign Minister Eduard Shevardnadze said today that Moscow's insistence that Britain and France freeze their nuclear forces at current levels does not affect those country's plans to "modernize" their nuclear arsenals.

British officials, while noting that Shevardnadze's statement left numerous unanswered questions, characterized it as evidence of a "slight movement" in the Soviet position, which has been a principal sticking point at talks in Geneva between the United States and the Soviet Union on intermediate-range nuclear weapons.

On the question of a summit between President Reagan and Mikhail Gorbachev, Shevardnadze said that the Soviet Union was "working hard to prepare" for it. He said that "substantial preparations are under way" in Moscow in "10 to 12 areas" to be reviewed at a preliminary meeting between himself and Secretary of State George Shultz and then to be discussed at a summit.

(Karen DeYoung, Washington Post, A27)

'STRATEGY OF WEAKNESS' DENOUNCED

Defense Secretary Caspar Weinberger caustically attacked a House committee yesterday for budget cuts that he charged would create a "strategy of weakness" and threaten U.S. military capabilities.

"Our strategy is to reduce risk, not to put our heads in the sand and ignore threats to ourselves and our allies, all for the sake of a tidy balance sheet," Weinberger said in an address to about 300 members of the American Security Council Foundation, a private, prodefense organization.

(Molly Moore & Zeynep Alemdar, Washington Post, A30)

BROADER MILITARY ROLE IS CONSIDERED FOR RAIDS ON DRUG SOURCES ABROAD

The U.S. military's planned involvement in a massive drug raid this week in Bolivia is the latest in a series of such operations stretching from the Bahamas to Colombia, which foreshadow an even larger escalation being considered in President Reagan's war against drug trafficking, government officials said yesterday.

A \$400 million plan under consideration at the Justice Department would continue to finance the U.S. military's transport of foreign security forces on drug raids abroad, and buy a broad array of hardware ranging from dirigible-like radar to specialized aircraft to intercept smugglers en route to the United States.

(George Wilson & Mary Thornton, Washington Post, A1)

Publicity Hurts U.S.-Bolivian Anti-Drug Strike

Publicity about U.S. military aid to a Bolivian anti-drug operation may have severely damaged the operation's chance of success, officials said yesterday.

"The element of surprise has obviously been lost," said Robert Feldkamp, a Drug Enforcement Administration spokesman in Washington. "But the operation will go on as planned, and we'll have to just wait and see."

(John McCaslin, Washington Times, A1)

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Drug Lords Pose Threat To Bolivia

LA PAZ, Bolivia -- Bolivian President Victor Paz Estenssoro's decision to summon the U.S. military in a joint antidrug operation reflects the desperation of his struggle against a powerful group of traffickers whose illicit activities have become both the life blood of the Bolivian economy and a mortal threat to the government's political control.

"If we do not address this [narcotics] problem decisively -- to eliminate it -- the day could come when the economic power they wield could result in their governing the country, including via democratic means," Paz Estenssoro said in an interview earlier this month in Newsweek magazine's international edition. "Election campaigns cost more and more every day and the economic influence of the cocaine mafia could lead to unexpected results in terms of who runs the country."

(Bradley Graham, News Analysis, Washington Post, A1)

NUCLEAR ISSUE CLOUDS VISIT BY JUNEJO

Pakistani Prime Minister Mohammed Khan Junejo denied yesterday that his country is developing nuclear weapons after he was officially warned at the White House that such action would end U.S. economic and military assistance.

Junejo, in a meeting with the Senate Foreign Relations Committee, said that "whatever nuclear work is going forward is for civil purposes and to meet the needs of a developing country," according to Sen. Charles Mathias, the ranking committee member at the meeting.

(Don Oberdorfer, Washington Post, A21)

Pakistani Leader Promises Crackdown On Illegal Drugs

Pakistani Prime Minister Mohammed Khan Junejo is promising President Reagan his government will crack down on producers of dangerous narcotics and may open a helicopter-borne campaign to defoliate poppy fields.

Reagan, speaking at a state dinner for Junejo at the White House on Wednesday night, described his conversation with the Pakistani as "upbeat, cordial and productive." Reagan said that even though this was their first meeting, they "had talked with the directness and ease of two long-time colleagues."

(Henry Gottlieb, AP)

REAGAN CONSIDERING SPEECH ON SOUTH AFRICA

President Reagan, whose Administration increasingly is being urged to take stronger action against the white-minority South African government, is considering addressing the nation about the turmoil in the African country.

"We're still talking about it," Reagan said of the proposed speech at a state dinner Wednesday night for Pakistan Prime Minister Mohammed Khan Junejo.

(AP)

SHULTZ TRIES TO HEAD OFF SANCTIONS

Secretary of State George Shultz continued efforts yesterday to dampen growing congressional sentiment for passage of tough economic sanctions against South Africa.

White House officials said President Reagan probably will speak on the issue early next week in connection with the expected official announcement of his appointment of Robert Brown, a black businessman from North Carolina, to be the next U.S. ambassador to Pretoria.

(Edward Walsh, Washington Post, A32)

S. AFRICAN COURT RAPS BOTHA FOR BENDING LAW

DURBAN -- The National Supreme Court upheld the legality of the nationwide state of emergency yesterday, but in a partial victory for anti-apartheid activists, also ruled that President Pieter Botha had exceeded his authority in preventing detainees from seeing lawyers.

The three-judge court dismissed procedural arguments in the suit filed by the mainly black Metal and Allied Workers Union to have all the June 12 emergency regulations declared invalid. But it voided some of the provisions.

(Washington Times, A1)

SENATE FOES OF CONTRA AID MAY FILIBUSTER

Senate opponents of President Reagan's request for \$100 million in aid to the contras fighting Nicaragua's Sandinista government are discussing a filibuster as a way to stall the proposal, congressional sources said yesterday.

Several senators and their aides said that about 15 to 17 senators have indicated tentative willingness to join the effort. However, Sen. Alan Cranston cautioned that the idea is in the discussion stage and that "no firm decision" has been made.

(Washington Post, A28)

NICARAGUAN LEGISLATOR FLEES TO EMBASSY, SEEKS ASYLUM

MANAGUA -- A conservative opposition member of Nicaragua's legislature has sought asylum in the Venezuelan Embassy here, Venezuelan diplomats said.

Felix Pedro Espinosa, a deputy from the Non-Official Conservative Democratic Party, scaled the embassy's chain-link fence at dawn Tuesday and was taken inside later by staffers, a Venezuelan official said yesterday in a telephone interview.

A range of opposition leaders here said in interviews this week and last that, with the increased U.S. backing for the antigovernment guerrillas, they see prospects for peace, and for their form of peaceful dissent, dwindling.

(Julia Preston, Washington Post, A1)

NATIONAL NEWS

CONFEREES BEGIN WORK ON TAX OVERHAUL TODAY

For almost a year, legislators have debated and approved far-reaching changes in the tax code knowing that their work could be altered when the House and Senate worked out the final blueprint for tax overhaul. That era ends today.

Twenty-two members of the House and Senate, the final conferees on the tax package, will begin today the final rewrite on a host of tax-code provisions that, if signed by the President, will affect every U.S. taxpayer. (Anne Swardson, Washington Post, A7)

Conferees To Huddle On Tax Code Shakeup

Nearly everyone's financial plans will be shaken up for years to come by negotiations beginning today to reconcile hundreds of differences in the House and Senate tax overhaul bills.

If all goes well, the conferees will emerge from the conference in mid-August with a package that could be signed into law by President Reagan as early as Labor Day. (Karen Riley, Washington Times, A3)

Tax Writers Undecided On How To Shift Tax Burdens From Middle Class To Business

Twenty-two House and Senate tax writers drafting the final version of the most thorough tax code revision in a generation are agreed on lower rates, but undecided on how much to shift the tax burden from middle-income people to business.

"Someone needs to stand up and inject some reality into this debate by observing that everything comes with a price.... There is no free lunch," Rep. Dan Rostenkowski said Wednesday evening as the House formally picked its negotiators. (Cliff Haas, AP)

Tax Reform Conference Opens Today

House and Senate forces, meeting today in the opening session of the tax reform conference, were committed to straightening twisted codes while defending provisions that each side has championed.

Before today's opening session, Sen. Bob Packwood and Rep. Dan Rostenkowski planned to attend a White House breakfast with President Reagan, who has been a driving force behind efforts to rewrite the nation's tax code. (Joseph Mianowany, UPI)

CONGRESSIONAL LEADERSHIP UNITES BEHIND PLAN TO REAFFIRM GRAMM-RUDMAN CUTS

House and Senate leaders are united behind a plan to speedily reaffirm \$11.7 billion in spending cuts that were made last March but recently thrown into question by the Supreme Court.

The House Rules Committee on Wednesday approved and sent to the full House a resolution to leave the budget cuts in place -- without exception. In addition, a special joint House-Senate committee was called into session today to approve similar language for expedited Senate action. (Steven Komarow, AP)

ALLEGED MARCOS POLITICAL DONATIONS WON'T BE PROBED

The Federal Election Commission narrowly rejected charges that deposed Philippine president Ferdinand Marcos illegally contributed to the 1980 election campaigns of Ronald Reagan, Jimmy Carter and Sen. Alan Cranston.

Rejecting the recommendation of FEC general counsel Charles Steele, the commission declined, by one vote, to proceed with a full-scale investigation of charges that Marcos violated laws prohibiting contributions by foreigners, or contributions under assumed names.

(Walter Wright, Washington Post, A9)

DEAVER AIDE LOBBIED SOON AFTER LEAVING TRADE OFFICE

In an amended filing with the Justice Department, Michael Deaver has reported that a former senior U.S. trade official now associated with his lobbying firm had contacts with former government colleagues on behalf of foreign clients only months after leaving office.

Doral Cooper, acting as a foreign agent for the South Korean government, met with Deputy U.S. Trade Representative Michael Smith Feb. 13 and discussed two unfair trade practice cases brought by the United States against South Korea, according to the Deaver filing made public this week by the Justice Department's foreign agents registration unit.

(George Archibald, Washington Times, A2)

EDITOR'S NOTE: "In Praise Of Pakistan," by Donnie Radcliffe & Jana Salmon-Heyneman, appears in The Washington Post, B1.

WHITE HOUSE RELEASES \$391.2 MILLION TO METRO

The Reagan Administration, ending a two-year deadlock over the Washington area's plans for expanding the Metro subway system, released nearly \$400 million yesterday to complete two major sections of the long-delayed Green Line in the District and Prince George's County along with other rail extensions.

Secretary of Transportation Elizabeth Hanford Dole hailed the accord as "a blueprint for all future federal funding" for Metro. "We can finally guarantee that the long-delayed inner Green Line, from U Street to Anacostia, can be built without additional funding from Congress," she said.

(Stephen Lynton, Washington Post, A1)

GAO AUDITING TAXES PAID BY BUSINESS

Suspecting that businesses are failing to pay taxes on billions of profits, the General Accounting Office is auditing a nationwide sample of U.S. companies to determine whether there is widespread underreporting of business-investment income on federal tax returns.

A pilot GAO audit conducted earlier this year showed that 54 percent of the companies in the study failed to report all their investment income.

Congressional sources said they expect that, based on the pilot study, the national audit of 1,200 companies will give a better idea of how much tax revenue is lost annually because of underreporting of investment income by all types of businesses. (Rudolph Pyatt, Washington Post, A1)

REGAN BARS KOOP'S TESTIMONY FOR BILL TO BAN TOBACCO ADS

White House Chief of Staff Donald Regan has scrapped a plan by Surgeon General C. Everett Koop to testify before Congress this week in favor of legislation that would ban all advertising of tobacco products, Administration officials said yesterday.

Administration officials, who refused to be identified by name, quoted Regan as saying that a decision on the legislation should be made by the White House and not by Koop. Regan also objected to the legislation on its merits, officials said.

(David Hoffman, Washington Post, A1)

U.S. SUSPENDS LITTON FROM PENTAGON BUSINESS

Litton Industries Inc., a major supplier of military electronics equipment, yesterday was temporarily suspended from receiving new Pentagon business after agreeing to plead guilty to charges of cheating the government on defense contracts.

The suspension will remain in effect while the Pentagon reviews the case and considers how much responsibility the parent company bears for the conduct at its Clifton Precision Special Services Division in Springfield, Pa., where the contract fraud occurred, according to the grand jury.

(Peter Behr, Washington Post, A20)

LEHMAN CALLS KORB'S STAND 'PERSONAL AFFRONT'

Navy Secretary John Lehman said yesterday that he considered statements by an executive of a major defense contractor who supported cuts in President Reagan's arms program "a personal affront." The secretary said he supported his deputies for complaining to the executive's superiors, which led the company to dismiss Lawrence Korb.

"Nobody asked for or expected Korb would be fired," Lehman said yesterday in a breakfast meeting with reporters. "I had every hope Raytheon would tell him to shut up and stop testifying against its principal customer."
(Molly Moore, Washington Post, A5)

HOUSE PANEL BACKS DRILLING BAN

A House subcommittee voted yesterday to reinstate a ban on drilling for oil and gas off central and northern California for the next fiscal year.

The action, on a voice vote without debate, came after the interior subcommittee on the Appropriations Committee was told by Rep. Ralph Regula that there was only a "slight chance" that opponents and backers of drilling could agree on how to proceed.

Interior Secretary Donald Hodel said in a statement that "the political desires of those who seem not to care about the nation's energy security prevailed, and they torpedoed what could have been a major step toward consensus."
(AP story, Washington Post, A6)

CHALLENGER'S BOOSTER CHIEF LEAVES NASA

NASA announced yesterday the abrupt retirement of Lawrence Mulloy, the proud, unrepentant career manager who took the brunt of the criticism in the Rogers Commission report on the Challenger accident.

Officials said Mulloy gave no reason for his decision and took sick leave yesterday, declining to talk to reporters.

(Kathy Sawyer, Washington Post, A1)

EDITOR'S NOTE: "The House Team: Tax Conferees From Ways and Means," by Anne Swardson & Jonathan Karp, appears in The Washington Post, A23.

NETWORK NEWS SUMMARY

(Wednesday Evening, July 16, 1986)

ARMS CONTROL

NBC's Tom Brokaw: For weeks now the United States and the Soviet Union have been trading charges and counter charges -- each side blaming the other for the absence of progress on arms control. Then, today, suddenly, a flurry of announcements. American and Soviet negotiators will meet in Geneva to resume talks on nuclear testing. Those talks were broken off six years ago. And Soviet Foreign Minister Eduard Schevardnadze also says that his side is preparing for another meeting between President Reagan and Soviet leader Gorbachev. However, substantial differences do remain.

NBC's Chris Wallace: The latest arms talks had no sooner been announced than the U.S. and Soviets disagreed about the purpose. Foreign Minister Schevardnadze said the focus is a top Soviet goal: an end to all nuclear testing.

(Schevardnadze: "Resume talks in Geneva on banning nuclear tests.") But U.S. officials still reject a ban and said today they want to focus on ways to verify continued testing.

(Bernard Kalb: "U.S. believes that a nuclear testing moratorium is not in our security interests nor in that of our friends and allies.") Still, the talks on testing due to start in late July are one more sign U.S.-Soviet diplomacy is heating up. Also this month the two sides will discuss the President's decision to break the SALT treaty. And the nuclear offense and defense talks in Geneva are in a new active stage. A top U.S. official says the latest discussions on verifying tests will address a central issue.

(Kenneth Adelman: "The Soviets are going to hear from us again on our big problem in arms control, namely Soviet cheating.")

But an Administration critic worries the U.S. is more interested in scoring points than making deals.

(Gerard Smith: "I don't think the prospect of a real substantive arms control agreement is very great at the present time.")

Today, greeting the Prime Minister of Pakistan, the President slammed what he called Soviet aggression in neighboring Afghanistan.

(The President: "The brutal Soviet occupation of Afghanistan is now in its sixth year.")

But behind the scenes Mr. Reagan is making a decision sharply dividing his aides: whether to accept a Soviet offer to trade sharp cuts in offensive weapons for limits on his star wars missile defense. Schevardnadze says chances for a summit this year depend on the Reagan response.

(Schevardnadze: We have an interest in having a productive summit, but an empty summit we cannot accept.")

U.S. officials admit there's a lot of public relations behind these new talks. Neither side wants to be seen as blocking progress. The question is, now that they're talking, do they really have anything to talk about.

(NBC-Lead)

ABC's Peter Jennings: For the first time in six years the U.S. and the Soviet Union have agreed to sit down and talk about nuclear testing. It is, on the surface, a major step forward. But no sooner did they agree to meet than the two countries disagreed on what they were going to talk about.

ABC's Barrie Dunsmore: It wasn't quite the way such things are normally announced. Nearly an hour into his news conference Foreign Minister Shevardnadze rather off-handedly mentioned a new agreement with the U.S. to talk about a nuclear test ban.

(Shevardnadze: "We also have fundamentally, an agreement from the United States, to resume negotiations in Geneva on banning nuclear tests.")

This clearly left the impression that the U.S. was willing to resume talks on a comprehensive test ban treaty. The U.S. broke off such talks six years ago. In his visit to Britain, Shevardnadze has resumed the Kremlin's "smile" campaign to persuade America's European allies that Moscow is being reasonable. All of the allies, including Prime Minister Thatcher, want progress in East-West arms control, and they want another Reagan-Gorbachev summit. Shevardnadze's message was, "If you want that summit, better put the arm on Mr. Reagan to be more reasonable."

(Shevardnadze: "As Mikhail Gorbachev has said, we have an interest in having a productive summit. But an empty summit we cannot accept.")

A few years ago when the Soviets were trying to prevent deployment of new American missiles in Europe, their strong-arm tactics with the allies failed. But, with the new "smile" campaign the Kremlin has already persuaded many influential Europeans that in the matter of nuclear arms control it is Washington, not Moscow, which is dragging its feet.

ABC's Sam Donaldson: There was no foot-dragging at the White House today as deputy press secretary Edward Djerejian confirmed that U.S. test ban experts would meet shortly with the Soviets -- without three conditions he said. But there were some important qualifiers. Djerejian made clear the U.S. wants to talk about verification procedures for two existing but still unratified treaties; not negotiate a total ban on nuclear testing as the Soviets propose. In fact, as echoed at the State Department, the Administration's view is that a comprehensive test ban treaty would not be in the U.S. national interest now.

(Bernard Kalb: "U.S. believe such a ban must be viewed in the context of a time when we do not need to depend on nuclear deterrence to insure international security and stability, and when we have achieved broad, deep, and verifiable arms reductions.")

The Administration also publicly confirmed today it has agreed to the Soviet request to sit down and discuss SALT II, the arms control treaty President Reagan says he will no longer honor. But again, the qualifiers make clear it is really alleged Soviet violations the U.S. intends to talk about. An arms control expert in the Carter Administration thinks it's all pre-summit shadow boxing.

Donaldson continues:

(Ralph Earle, former arms negotiator: "It makes it more palatable for both of them to say, we have now made some progress -- now we have something to talk about. I don't think they have much to talk about, but they give the appearance of having something to talk about.")

Donaldson: So it's P.R.?

Earle: "I think largely, yes.")

The bottom line here seems to be that in an effort to get the Soviets to set a summit date, the Administration is changing some of its signals but not its policies.

Jennings: There was a suggestion today from Senator Dole that the Reagan Administration may be about to offer the Soviets surplus U.S. grain. The Senator thought that would help improve the climate for a summit. (ABC-Lead)

CBS's Dan Rather: A dramatic announcement today about U.S. Soviet nuclear arms control talks. Soviet Foreign Minister Schevardnadze made it in London.

CBS's Tom Fenton: At the end of a long press conference, almost as a throw-away line, Soviet Foreign Minister Schevardnadze revealed that Washington and Moscow have agreed to discuss nuclear testing for the first time in six years.

(Schevardnadze: "We also have fundamentally, an agreement from the United States, to resume negotiations in Geneva on banning nuclear tests.")

He also confirmed, as did the White House today, that the two sides will meet next week in Geneva to discuss another important arms issue: the U.S. threat to abandon the unratified SALT II treaty. There are additional signs of movement in East-West relations today. In Stockholm the Warsaw Pact announced concessions in reporting air movements that Western diplomats said could break the deadlock there in the two-year old talks on reducing the risk of nuclear war. And in Washington today there was increased optimism about prospects for a second Reagan-Gorbachev summit.

(Bernard Kalb: "We think we have established a good basis for working toward a productive summit. We hope the Soviets are now ready to join us in building on that foundation.")

The announcement of the test ban talks came as a surprise. The United States is still testing. The Soviet Union stopped almost a year ago in a self-imposed moratorium and wants both sides to stop all testing. The sticking point has been verification.... The Soviets...allowed a private team of U.S. scientists to install extremely sensitive monitoring devices around the main Soviet test site. But even if the system is as fool-proof as the scientists claim, the Administration made it clear today that a total test ban is out of the question for the present. (CBS-4)

COMMENTARY/ARMS CONTROL

NBC's John Chancellor: When Otto von Bismarck was running Germany in the last century he liked to threaten other countries with his army. He once was asked if he wanted war? He said, "War? I don't want war. I want victory."

-more-

Chancellor continues: Well there may be some of that in President Reagan's maneuvering with the Soviet Union over nuclear weapons. Mr. Reagan's record does have a kind of Bismarckian belligerence: a big arms buildup; no agreement with the Russians since he became President; and a couple of months ago what seemed to be a repudiation of the SALT II agreement. Yet the Kremlin and the White House still seem to be slouching toward a summit conference and maybe some agreement on arms. There have been many signs of flexibility from Russia's side, and now some from the American side. There have been no talks on nuclear testing for six years -- there will be now. The United States has agreed to a special meeting about the SALT II treaty. Scientists from both countries are improving chances for verification of a test ban. Much has been going on despite Mr. Reagan's tough talk. His Administration is deeply divided on arms control and it's something of a scandal that he won't make it speak with a single voice. But the hardliners at the Pentagon aren't the only players on the American team and there is still room for a deal with Moscow. Second-term presidents tend to worry about history. Does Mr. Reagan really want to be blamed for eight years of failure in the control of nuclear weapons? Probably not. Ronald Reagan may not want SALT II, but he might be ready for REAGAN I. (NBC-9)

JUNEJO/PRESIDENT REAGAN

CBS's Dan Rather: Pomp and ceremony on the White House lawn today.

President Reagan greeted Pakistani Prime Minister Mohammed Khan Junejo.

(TV coverage: The President and Mr. Junejo on White House lawn.)

Mr. Reagan praised the Pakistanis. He lauded them for standing up to what he called Soviet aggression in neighboring Afghanistan. But during a private meeting afterward Mr. Reagan reportedly warned the Prime Minister that U.S. aid would be cut off if Pakistan develops a nuclear bomb. (CBS-3)

DRUGS/BOLIVIA

CBS's Dan Rather: U.S. soldiers tonight are positioned in Bolivia to help with what is called a major assault on narcotics growers and dealers. Aides to President Reagan insisted the U.S. troops will be in a support role. The soldiers are authorized to shoot if fired upon. Mr. Reagan's phrase makers are calling this a fight against, "Narco-terrorism."

CBS's Juan Vasquez: Bolivian troops loaded a U.S. Air Force transport plane with American equipment for the operation expected to begin within a day or so. The next stop is a staging area from which U.S. military personnel will carry Bolivian soldiers on American helicopters.... U.S. officials were reluctant to discuss what had been planned as a secret strike, but sources said the main staging area will be a one time cocaine hacienda in eastern Bolivia.... The country already provides one fourth to one half of the world's supply of coca paste needed to make cocaine...

CBS's David Martin: Code named "Operation Blast Furnace", armed American helicopters are poised to launch for the first time ever combat assaults on drug rings. Their target: as many as fifty drug processing labs, some of them protected by mini-armies, two to three hundred strong. The American air crews are under orders to stay at least one mile away from the labs and to withdraw if they counter resistance but they are authorized to fire in self defense.

(Bernard Kalb: "U.S. forces are not expected to become involved in hostile action.")

Since 1983 the Air Force has been flying unarmed helicopters...to help police in the Bahamas intercept drug runners. More recently, AWACS early warning planes have tracked small aircraft suspected of carrying drugs across the Mexican border, and Navy ships have patrolled the Caribbean alerting the Coast Guard to any suspicious boats. But this will be the first time U.S. combat troops go to the source of the drugs.

(The Vice President: "What it's about is fighting crime in this country and helping Bolivia rid itself of criminal elements that are preying on their own people.")

The operation is receiving support even from Administration critics.

(Rep. Downey: "The President has acted wisely and decisively to use American forces in conjunction with the Bolivians to attack these manufacturers.")

But some think the military has stepped too far over the line into law enforcement.

(Barry Lynn, A.C.L.U.: "The persons who are primarily supposed to enforce the defense of the U.S. shouldn't have their resources, their time, their money, their weapons, diverted into the pursuit of civilian criminals.")

Depending on its success, Operation Blast Furnace could be the first of many. Reagan Administration sources say Peru and another tiny Central American country also have requested American military help for raids against drug rings.

Rather reports on a previous attempt by the U.S. headed by green beret Ed Merwin that, according to Merwin, couldn't stop the drug flow.
(CBS-Lead)

Jennings: The Reagan Administration has gone to war against drugs in Bolivia, and it is a military operation. 150 American troops and their helicopters and transport planes are on the ground in South America. They will join the Bolivian forces in field operations against the people who produce the cocaine which poisons Americans.

ABC's Steve Shepard: ...Most of Bolivia's coca is processed into cocaine in Columbia and winds up in the U.S. The Reagan Administration says that's reason enough to help Bolivia crackdown on coca production.

(The Vice President: "What this is about is freeing our own schools and our own neighborhoods from narcotics. What it's about is fighting crime in this country and helping Bolivia rid itself of criminal elements that are preying on their own people.")

That possibility [danger to U.S. troops] has fired up a number of critics in Congress.

(Rep. Edwards: But I think it's illegal. I think it's illegal as a violation of the constitution -- it's an act of war.")

-more-

Shepard continues: But most members of Congress, even traditional doves, seem strongly in favor of the operation.

(Rep. Downey: "Mr. Speaker, I don't often agree with President Reagan's military policy, but I strongly agree with the President in the use of force with the Bolivians.")

The U.S. reduced economic aid to Bolivia this year because it didn't think authorities there were doing enough to curb coca production. That may have prompted Bolivia's request for U.S. help.... The U.S. military has assisted other nations in anti-narcotics drives before but never on a scale this size. The question now is: Will it work?

Jennings: ...Having failed to convince the consumers not to use cocaine, the Administration is once again trying to get at the producers.

ABC's Barry Serafin: For the past decade and a half, every American President has declared war on drugs. With a good deal of fanfare President Reagan announced new task forces.

(The President in November, 1982: "This will mean substantial new resources devoted to combatting the drug and crime menace.")

...Heroin, marijuana, and cocaine are all pouring into this country in increasing amounts.... In short says the chairman of a House committee, we're losing the war against drugs.

(Rep. Rangel: "As long as there is a strong demand, and as long as there's heavy production, there's nothing that we will be able to do to prevent in from coming into our country.") (ABC-Lead)

Brokaw: The U.S. war against drugs moved today into the jungles of Bolivia where almost a third of the world's cocaine is processed. U.S. army soldiers, part of a 160 member team sent to that South American country, set up base camps to be used in raids later this week against cocaine laboratories.... This is the first time that the American military has been used in this kind of a war.

NBC's Fred Francis: ...Vice President Bush who has been directing drug enforcement outside this country was asked if the operation would continue in spite of the leaks?

(The Vice President: "Well, it makes it more difficult, but I hope so. And it is very important that it succeed.")

A Justice department official was skeptical saying a lot of indian farmers without portable radios would get arrested, but because of news reports, the big cocaine labs will have shut down before American helicopters arrive. Nonetheless, the effort was applauded by Administration critics.

(Rep. Downey: "The President has acted wisely and decisively to use American forces in conjunction with the Bolivians to attack these manufacturers. The Bolivians need our help.")

...The main issue in Washington is whether American soldiers can be legally used in this way. The Administration is obeying the law by having a federal drug agent in each helicopter. That does not satisfy some who are concerned about the future.

(Sen. Glenn: "I would not want to see it be an automatic precedent that we would say, 'Okay, we used 'em in Bolivia, so now we can use 'em in one of the other countries, Columbia or Honduras or wherever.'") (NBC-3)

SOUTH AFRICA

Rather: Seventeen more people were reported killed today in South Africa.

It's the worst 24-hour death toll reported since the white minority government began tougher measures last month. What the government calls its state of emergency got a setback of a kind today in court. A provincial supreme court threw out some key provisions of the law.

CBS's Allen Pizzey: Lawyers called the court action a substantial challenge to the might of the state. The supreme court ruled that some of the emergency regulations are hopelessly uncertain and meaningless. The judges threw out all or part of five emergency law definitions of subversive statements.... The court said criticism of the government is a public right which lawyers believe will ease reporting restrictions under the state of emergency.... It's still not legal to call for sanctions although today the government highlighted sanctions when it rolled out the Cheetah -- a new plane built in spite of the international arms embargo. (CBS-2)

Jennings: The man who a number of people are pushing to be this country's next ambassador to South Africa went to the State Department today, and another man who was pushing for the Reagan Administration to change its South African policy altogether was there as well.

ABC's Jeanne Meserve: Robert Brown today made his first trip to the State Department since his name surfaced as the Administration's top choice to be the next ambassador to South Africa.

(Reporter: "If that job is offered to you, are you interested in accepting it?")

Brown: "I will serve if the President nominates me, yes."

Reporter: "Do you think you can make a difference?"

Brown: "I hope and pray that I could.")

Jesse Jackson was also at the State Department today and asked if a Brown would signal a change in the U.S. approach to the Botha government?

(Rev. Jackson: "We're certain unless these questions are answered in a way that represents a new policy and a new message, would discourage his accepting this suicide mission.")

Some union officials today raised questions about the suitability of a Brown nomination, saying he had a long history of anti-union activity at several textile plants in North Carolina.

(William Patterson, Textile Workers Union: "We find it ironic at this time when the United States needs to be building bridges and be as close as possible to the black trade union movement, that Reagan is hiring an individual who has a history of breaking unions.")

Brown could not be reached late today for comment, but a spokesman for Sara Lee which owns the Hanes textile group, acknowledges that Brown has been a labor relations consultant for his company for ten years and was involved on the company side when workers were trying to form unions two years ago. The present U.S. Ambassador returned to Washington today to participate in a policy review which the Administration hopes will head off the move towards sanctions in Congress. (ABC-3)

ECONOMY

Rather: Additional signs today of a national economy that appears to be cooling. The government said that business sales, including wholesalers, retailers and manufacturers dropped 1.8% in May. That's the sharpest decline in 11 years. Plus, the Federal Reserve Board reported the nation's industry operated at just 78.3% of capacity. That's the lowest level in 2½ years. Strikes in aluminum, lumber, and communications industries contributed to that slowdown. (CBS-7)

LITTON/PENTAGON

Rather: The Pentagon announced late today it is indefinitely suspending Litton Industries, Inc. from receiving any new government contracts. The action came one day after Litton agreed to plead guilty to fraud for over billing taxpayers and the Defense Department. (CBS-11)

IACOCCA

Brokaw: When he isn't running Chrysler or fixing up the Statue of Liberty, Lee Iacocca keeps insisting that he is not a candidate for President of the United States. But that didn't stop a group of political activists from announcing today they are starting a campaign to draft him as the candidate for their party. They are Democrats. But they're not even sure that Iacocca is too.

NBC's Ken Bode: A recent national poll showed that 9 of 10 Americans know who he is and that he is about as popular President Reagan -- which is very popular.

(TV coverage: The President and Iacocca in the Oval Office.)

...The self-appointed draft Iacocca committee, think they can take his tough-talking, can-do image, and make him something like the Clint Eastwood of American politics. (CBS-10)

CHALLENGER

Rather: The official who was in charge of NASA's solid rocket booster program...has now resigned from NASA. Lawrence Mulloy announced he will retire Friday. (ABC-5, CBS-6, NBC-2)

DROUTH

Jennings: It is still very hot and dry in the Southeast.... It has been very bad for farmers. It has led other farmers elsewhere in the country to help. When a farmer in Illinois saw a report...on this broadcast earlier this week, he reached out across the country.

ABC's Rebecca Chase reports a farmer in Fort Dodge Iowa, harvesting a bumper crop of alfalfa hay, has donated the hay to a South Carolina farmer who needs the hay for his dairy cows.... Today the governor of Illinois issued this appeal.

(Governor Thompson: "We're making an appeal to Illinois farmers who have surplus hay to either donate it or sell it to the farmers of the southeastern United States.") (ABC-7)

EDITORIALS/COLUMNISTS

PAKISTAN

And About The Bomb, Mr. Junejo? -- "It will take more than cautions from Moscow and Washington to ensure that Pakistan and, of course, India limit their respective nuclear programs. It will take a Soviet-American consensus on regional stability and uncommon and parallel statesmanship by the regional parties. Meanwhile, the United States cannot afford to stop trying to contain the nuclear genie threatening to break loose on the Asian subcontinent."
(Washington Post, 7/16)

DRUG TRAFFICKING

Reagan And Drugs -- "White House officials announced last week that President Reagan will be getting more involved in the fight against drugs by launching a personal campaign against substance abuse. The officials compared the effort to one a couple years back that focused on educational issues -- a noteworthy comparison. That campaign was a classic public relations success: It simply improved public opinion about Reagan's performance on education issues while doing nothing to change the fact that educational programs at virtually every level were struggling to maintain themselves despite federal spending cuts.... Without effective law enforcement on the federal level it is hard to see how a public relations campaign -- even from a figure as persuasive as Ronald Reagan -- can be effective against the insidious drugs that each day gnaw deeper into the foundation of American life."
(Baltimore Evening Sun, 7/15)

MANION NOMINATION

Bartering Judgeships -- "The Senate, by its flagrant politicking, not only raises questions about its integrity in the Manion case, but also sows doubt on its future votes, even on well-qualified nominees.... Confirming judges for the federal bench is one of the gravest constitutional responsibilities of a senator. On June 26, many shunned this responsibility. They must make amends by honestly voting on the only question that should matter: Does Daniel Manion possess the necessary legal qualifications, experience and integrity to sit on a federal appeals court?"
(Boston Globe, 7/15)

The Senate Should Reject Manion, As It Did Carswell -- "The parallels are striking between the nomination of Judge G. Harrold Carswell to the U.S. Supreme Court, rejected by the Senate in April, 1970, and the nomination of Daniel A. Manion to the U.S. Court of Appeals for the Seventh Circuit, facing reconsideration and final action by the Senate this month.... When the Senate votes again on the Manion nomination, we can only hope that... senators of both parties join to reject the Reagan Administration's notion that it has the right to advance mediocre lawyers to the federal bench unchallenged, and that it can do so through deceit and the most crass form of political horse trading."
(Chicago Tribune, 7/11)

EDITORIALS/COLUMNISTS (continued)

CHILE

A Message For Pinochet -- "At the risk of alienating right-wing ideologues at home, the Reagan Administration continues to impress upon Gen. Augusto Pinochet, the Chilean dictator, U.S. support for a much faster return to democracy than Pinochet seems willing to concede.... Certainly it was humanitarian for the United States to help rush de Negri to her dying son's bedside, and to be officially represented at his funeral. But the significance of these moves goes deeper. Pinochet and Helms may be outraged, but Chilean democrats will be greatly encouraged."

(Plain Dealer, 7/15)

CHILE: A grisly murder pushes U.S. officials to the point of outrage -- "President Reagan may finally have realized that he cannot credibly campaign for aid to the contra rebels against Sandinista repression in Nicaragua while giving Mr. Pinochet kid-glove treatment. Although tardy, the Administration's response to the continuing oppression in Chile is welcome."

(Detroit Free Press, 7/14)

IMMIGRATION

Crisis At The Mexican Border -- "It would not only be helpful, it is now almost imperative that President Reagan proceed posthaste with plans for a top-level meeting between himself and Mexican President Miguel de la Madrid some time in August.... It is surely Mexico's business when corruption is found among its own government officials, whether in Mexico City or the northern state of Chihuahua. But when the drug traffic and illegal immigrants spill across the border into Texas, New Mexico and Arizona, they become America's business as well. President Reagan has every right to remind President de la Madrid of that fact, and to seek Mexico's help in finding a solution to our mutual border problem."

(St. Louis Globe-Democrat, 7/12-13)

GRAMM-RUDMAN-HOLLINGS

G-R-H Was No Way To Cure Deficit -- "Congress wasn't elected to delegate its responsibilities so casually. In this year's elections, voters should look hard at those congressional candidates who went along with G-R-H. For if office seekers don't want to make the hard choices that come with a seat on Capitol Hill, they should look for employment elsewhere."

(Courier-Journal, 7/8)

REVIEW & OUTLOOK

Reagan's Year

The Presidential Grand Prix, history's longest race, is set to start. Candidates for the 1988 election are assembling teams, giving interviews to the press, making trial runs around the country. Bush, Kemp, Dole, Robb, Blden, Baker, DuPont, Hart, Jackson, Babbitt, Cuomo, Iacocca, Mr. Smith, John Doe. What a field! Only one problem here. Ronald Reagan won't get off the track.

The imperatives of the political drama dictate that Mr. Reagan should acknowledge his lame-duck status, set the government on cruise control and go away to ride horses in the Santa Barbara hills. But he won't. Coasting unobstructed through his second term, his popularity rating at about 68%, Mr. Reagan is having his strongest year, indeed the strongest year of any president, at least since Eisenhower.

He will sign a tax bill giving the U.S. the most economically favorable tax system in the industrialized world. This will complete the process begun in the late 1970s of reshaping the theoretical foundations of the U.S. tax system—away from redistributing income according to the whims of Congress and toward an economy in which capital flows into the most productive assets. These income and capital flows will be driven by the incentives for investment and work inherent in low marginal tax rates. This system is known as supply-side tax policy. Mr. Reagan campaigned for the presidency on it in 1980. The political establishment laughed at it. Before November's elections, it will be the law of the land.

Mr. Reagan has just named a new chief justice and an associate justice for the Supreme Court. Together with his appointments to the district and appellate benches, Mr. Reagan is now completing a fundamental reordering of the principles that guide the judgments of the federal judiciary. As described by Mr. Reagan in two successful presidential campaigns, the central change will free the electorate from a judiciary that was encroaching beyond reasonable limits on the policy-making functions of legislatures. The Reagan judiciary will subordinate politics and more often constrain and conform its decisions according to the expressed meaning and intent of its principal guide, the Constitution.

Mr. Reagan's foreign policy of unequivocal opposition to Soviet expansionism is yielding dividends this year. The House has capitulated to his view of the Sandinistas, formally and openly voting for aid to the contras. The decision to severely punish ~~Muammar Gadhafi for fomenting terrorism~~ has been followed by the expulsion of Libyan agents from much of Europe. Late last week, even the pro-Libyan government of Andreas Papandreou in Greece sharply reduced the number of Col. Gadhafi's "diplomats" on its soil. The Soviet leadership is off balance, unable to find its stride in either arms control or the propaganda wars. The Soviets have been thrust on the defensive principally by Mr. Reagan's commitment to the strategic defense initiative, a high-tech competition the Soviet system can't win.

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The president's success and the popularity that seems to attend it continue to confound many analysts, who have variously attributed it all to luck, stage presence, Teflon, rosy cheeks, congressional fatigue, Democratic collapse and possibly Elliott Wave Theory. Mr. Reagan's critics seem to have the idea that his actual policies are somehow a secondary by-product of this odd personal magic, that they just rolled onto the American scene from a corner of the Heritage Foundation or some economics professor's office in California.

In nearly every major success, however, Mr. Reagan's efforts have been focused on an obviously severe problem demanding radical solutions, rather than the usual marginal compromising. This is precisely the strategy FDR waged against the Depression. If Mr. Reagan's critics didn't share his assessment of the decline in American power, the economic destructiveness of a steeply progressive tax system or the dangers of expanding federal programs, the failure of analysis is theirs. No president carries 49 states and sustains his popularity at these levels unless the electorate shares his analysis of the country's most pressing problems.

Mr. Reagan has been successful precisely because he is a president operating from an agenda—patiently awaiting opportunities, of course, but keeping definite ends always in mind. Much, it seems to us, still remains for him to do in his term.

-more-

Reagan's Year (continued)

The budget process is floundering, as always. Subsidy payments to farmers are running at a rate that should put final outlays at least 75% above the \$18 billion Congress authorized for this year. Outlays for defense are under congressional pressure. With Gramm-Rudman struck down by the Supreme Court, Congress's budgeters are talking about cooking the books to make the deficit look better by November. And the Washington political establishment spends its energies trying to ratify an arms treaty designed for 1979, while cutting funds for a strategic defense system intended for the present. Meanwhile the monster of protectionism swims just below the surface of the Washington swamps, threatening to ravage the world trading system.

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The international economy, strategic defense and Congress's inability to rationalize federal program spending will likely occupy the remaining 30 months of Mr. Reagan's presidency. A glance at the record, indeed, at February's State of the Union address, makes the Reagan agenda clear.

The budget impasse is being attributed to Mr. Reagan's insistence on resisting a Carterlike decline in defense outlays while holding the line against a tax increase. The plain truth is that you could cut defense spending down to nothing and still be left with the fact that Congress has become so hostage to its domestic-program constituencies that it can no longer exercise its responsibility to prudently managing domestic outlays. As a consequence, the politics of national program-spending have reached gridlock.

The State of the Union offered Mr. Reagan's answer: the line-item veto. The Washington establishment scoffs, as it scoffed at his tax ideas in 1980. But it will find in the end that this injection of discipline is the *only* solution to the budget problem.

The State of the Union also offered Mr. Reagan's answer for the international economy—opening a study of reforming the system of floating exchange rates. Just as Sen. Russell Long calls the tax bill perhaps the most important piece of legislation in his time, a U.S.-led reform of the international monetary system would be the most important legacy of Mr. Reagan's role as a world leader. World economies are integrating, a process that ideally will enhance the growth and wealth of all the world's peoples. However, this much-desired process simply cannot go forward if the world economy continues to be subjected to what Mr. Reagan in his State of the Union called the "wild swings" in exchange rates.

Jack Kemp and Bill Bradley have recently held important conferences on this subject in Washington and Europe. It is no secret that the president is attracted to the idea of fixing the dollar's value to some identifiable standard, such as gold. In our view, stabilizing the value of capital commitments is exactly the right thing for a U.S. president to do. An international monetary conference with this goal at its center could fully occupy the seventh year of the Reagan presidency.

Mr. Reagan's chief national security legacy will be SDI. Systems to defend our military assets and ultimately our population will be a far firmer foundation for security than a continued commitment to a strategic policy of mutually assured destruction based on designing and building more ballistic missiles. But with SDI hampered by a "restrictive" interpretation of the ABM treaty, the president has one other important date on the five-year review of this treaty due in 1987. Suffice it to say that a serious review of this treaty must face up squarely to the meaning of what everyone concedes is a blatant Soviet violation—the phased-array radar installation at Krasnoyarsk.

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If Mr. Reagan gets this agenda on track, the Presidential Grand Prix of 1988 could turn out to be less compelling than its many recent predecessors the past 20 years. At some point in the recent past, it was still possible to argue whether what has been going on the past six years was a peculiar accident of one man's unique political personality. That argument has become irrelevant.

Like FDR, Ronald Reagan is remolding the country's primary institutions and the principles of its economic life in a way that will shape the actions of future political leaders. The policy achievements are real. The remaining years of this presidency look less like the playing out of an accident and more like the onset of an era.

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