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News Summary

OFFICE OF THE PRESS SECRETARY

TUESDAY, DECEMBER 9, 1986 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

U.S. -- NICARAGUA

McFarlane Claims Reagan OK'd Delivery -- Robert McFarlane, the former White House national security adviser, yesterday contradicted Administration claims that President Reagan did not give advance approval for an "indirect" arms shipment to Iran in August 1985.

(Washington Post, Washington Times, AP, Newhouse, UPI)

INTERNATIONAL NEWS

Honduras Says Sandinistas Pull Back -- U.S. helicopters ended an airlift of Honduran troops to a combat staging area near the border with Nicaragua at midday yesterday as U.S. and Honduran officials said Nicaraguan forces fell back across the frontier, pressed by a Honduran sweep.

(Washington Post)

NATIONAL NEWS

Administration Slashes Forecast For Economy -- The Reagan Administration yesterday sharply lowered its official forecast for economic growth during 1987, showing consumer spending rising substantially less than it has this year and business investment remaining very weak.

(Washington Post)

NETWORK NEWS (Monday Evening)

ADMINISTRATION -- The White House is working hard to get the situation under control and officials there believe they are making some progress.

BUCHANAN -- Patrick Buchanan has been attacking Congress and the press for criticizing the President.

SHULTZ TESTIMONY -- Secretary Shultz made it clear that he had been frozen out of the Iran arms dealing.



"Isn't it ridiculous how early they put up Christmas decorations?"

IRAN — NICARAGUA

AIDE TIES U.S. TO FUND TRANSFER McFarlane Says President's Word Treated As Intelligence 'Finding'

Former national security adviser Robert McFarlane testified yesterday that he was told last May by Lt. Col. North that "the U.S. government had applied part of the proceeds" from the Iranian arms sales "to support the contras," a contradiction of assertions by President Reagan and Attorney General Meese that Americans played no role in funneling the money to the Nicaraguan rebels.

In another controversial disclosure, McFarlane said the White House considered the President's oral approval in August 1985 of the shipment of U.S.-made arms from Israel to Iran to have the same authority as a written intelligence "finding," the legal mechanism authorizing U.S. government covert operations. Part of the controversy surrounding the secret arms sales centers on whether such an activity violated U.S. laws on transferring weapons to terrorist nations.

(Walter Pincus, Washington Post, A1)

McFarlane Claims Reagan OK'd Delivery

Robert McFarlane, the former White House national security adviser, yesterday contradicted Administration claims that President Reagan did not give advance approval for an "indirect" arms shipment to Iran in August 1985.

Testifying on the first day of a weeklong inquiry before the House Foreign Affairs Committee, Mr. McFarlane said Mr. Reagan gave prior authorization for "the indirect delivery of small levels of arms to Iran for the purpose of strengthening elements against terrorism."

(Jennifer Spevacek, Washington Times, A1)

McFarlane Testimony: Key Player On Iran, No Role On Contras

In four hours of testimony yesterday, former national security adviser McFarlane offered the House Foreign Affairs Committee a contradictory self-portrait.

He was at once a trusted emissary of President Reagan with detailed knowledge of the diplomatic goals of the Administration's Iranian overture and an opponent of bartering weapons for hostages who learned only tangentially about the diversion of the Iranian arms profits to aid the Nicaraguan contras.

McFarlane said the political climate created by the President may have led to the diversion. "One can imagine," he said, that, given Reagan's commitment to the "freedom fighters" in Nicaragua, the people working for the President were "clearly seized" with the idea of doing everything they could to sustain the contras after Congress cut off their aid. If the system "is not terribly disciplined," McFarlane suggested, he could see how the "interpolation" of Reagan's authority by subordinates led to the diversion.

(David Hoffman, Washington Post, A15)

McFarlane Never Discussed Money Transfer With Reagan

Former national security adviser Robert McFarlane has testified that he learned in May about U.S. arms profits from Iran being diverted to Nicaraguan rebels but never discussed it with President Reagan.

Testifying under oath Monday, McFarlane said he learned in May of the secret diversion of Iranian arms money to the Nicaraguan Contras -- six months before the link was exposed -- but he answered with a flat "no" when asked if he ever discussed that issue with the President.

(Elaine Povich, UPI)

Iran-Contra/McFarlane

Robert McFarlane, President Reagan's former national security adviser, contradicted previous accounts from Administration officials on Monday, testifying under oath that the President approved an "indirect" shipment of arms to Iran in August 1985.

As the public accounting of the Reagan Administration's foreign policy fiasco began on Capitol Hill, Secretary Shultz -- also under oath before the House Foreign Affairs Committee -- denied involvement in the transfer of Iranian arms sale profits to Nicaraguan rebels, saying he had "zero" knowledge of the "illegal" diversion of money.

Shultz, en route to London to consult with U.S. allies, later retracted his accusation that the diversion of some profits was an illegality, because "I don't know the facts and I don't know who did exactly what."

(Cliff Haas, AP)

McFarlane, Shultz Tell What They Knew -- 'Zero'

Two of President Reagan's key foreign policy advisers told a House committee investigating the Iran arms-Contra aid scandal they received little, if any, information about the secret operation, leading one panel member to damn the entire affair as an example of "staggering stupidity."

"It was mind-boggling myopia and staggering stupidity," Rep. Tom Lantos said of the affair.

"This was the most ludicrous, insane, counter-productive, hypocritical and duplicitous initiative I have ever heard of in all my years in the Congress," said Rep. Solarz after meeting with McFarlane in executive session. "It literally boggles the imagination."

(Michael Myers, UPI)

ENVOY TO BEIRUT BYPASSED SHULTZ

Ambassador Dealt With NSC On Hostages, Panel Told

The U.S. ambassador in Lebanon, bypassing Secretary Shultz, dealt secretly with representatives of the NSC about arms and hostages at the time of the Nov. 2 release of David Jacobsen, Shultz revealed to the House Foreign Affairs Committee yesterday.

In testimony that riveted and sometimes astounded the committee, Shultz again distanced himself from some of the most controversial aspects of the Administration's actions, using the case of the ambassador to Lebanon as new evidence of how he was denied full access to details of what was going on.

(John Goshko, Washington Post, A1)

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Shultz, 'Shocked,' Discloses White House Secretly Used U.S. Envoy In Hostage Talks

Secretary Shultz complained today that the White House, without informing him, had jumped the chain of command and established secret communications with the United States Ambassador in Lebanon on negotiations for the release of hostages.

The testimony was the latest in a series of statements by Mr. Shultz in which he said he had either been deprived of information or had picked up only "bits and pieces." (Bernard Gwertzman, New York Times, A1)

Envoy Bypassed Shultz To Aid Arms-For-Hostage Negotiators

Secretary Shultz yesterday told Congress the U.S. ambassador to Lebanon used "back channels" to work directly with White House aides on "hostage negotiations involving arms to Iran as an inducement."

White House spokesman Larry Speakes said President Reagan "didn't know" of Mr. Kelly's discussions with Col. North or of Mr. Kelly's earlier meeting with Robert McFarlane, a former White House national security adviser. (Richard Beeston, Washington Times, A1)

Shultz Terms Diversion Of Funds To Nicaraguan Rebels Illegal

Secretary Shultz said the White House went behind his back to enlist the U.S. ambassador in Beirut to free U.S. hostages and called elements of the Administration's Iran arms deals illegal.

Going further than President Reagan has in his comments on the affair, Shultz called the actions illegal.

Asked which part was illegal -- the diversion of funds to the contras, the arms sales or failure to notify Congress -- Shultz replied: "Very clearly it was a mistake to get involved in the illegal funds transfer to the contras. Some things took place that were illegal."

(Sue Baker, Reuter)

Shultz: 'I Kick Myself' About Iran Arms Sales

Secretary Shultz told a House panel Monday he worries he did not do enough to stop the sale of weapons to Iran and, "I rack my brains about that and I kick myself here and there."

He said he knew nothing about the "illegal" diversion of profits from the Iran arms sale to the Nicaraguan Contras.

En route to London, Shultz retracted his comment about the funds transfer being illegal. "I shouldn't jump to any conclusion and I take it back," Shultz told reporters aboard an Air Force jet. "I shouldn't say it's an illegality." (Walter Friedenberg, Scripps Howard)

Shultz Testimony

Secretary Shultz said Monday that passing profits from the secret Iran arms deals to Nicaraguan rebels was illegal and testified under oath he did not know of President Reagan's secret January decision to sell U.S. weapons to Iran.

And he said, "It was a mistake to get involved in the illegal funds transfer (to the Contras). I don't know the ins and outs of that.... But from what I have seen, and from what the attorney general said, some things took place that were illegal." En route to London, Shultz retracted his statement characterizing the diversion of profits from the Iran arms sales to the Contras as "illegal." (Sean McCormally, UPI)

Shultz Says Casey And Poindexter Misled Him On Iran

LONDON -- Secretary Shultz said today that CIA Director Casey and former National Security Adviser Poindexter assured him U.S. arms shipments to Iran had ended, but the shipments continued.

Shultz was speaking to reporters aboard his aircraft on his way to meet European ministers in Britain and Belgium.

Shultz said he was told last December that the operation had ended. "There was another period at the end of May after something happened that caused me to weigh in heavily, but I was told again that this operation had been told to stand down," he said.

(Charles Bremner, Reuter)

Iran/Shultz Testimony

Secretary Shultz's standing as the Reagan Administration's foreign policy architect and spokesman is again at issue with his disclosure that the White House actively kept him ignorant of the secretive Iran arms deals for most of this year.

Shultz's disclosures, which detailed an extraordinary web of intelligence and communications networks set up to bypass Shultz and normal foreign policy channels, "will make it difficult" for Shultz to work both in Washington and abroad, one official said. (David Wood, Newhouse)

U.S. Envoy Cited In Arms Deal Apparently A Novice In Mideast

John Kelly, the U.S. ambassador called home from Lebanon to explain his involvement in the arms-to-Iran operation, has been in Beirut less than four months and apparently had little Middle Eastern experience before his current assignment.

Department officials were at a loss yesterday to explain why Kelly had not kept his superiors informed of his "back-channel" communications with Vice Adm. John Poindexter, the President's former national security adviser, and his aide, Lt. Col. Oliver North, about negotiations involving American hostages in Lebanon. (David Ottaway, Washington Post, A14)

U.S. Ambassador To Lebanon Faces Questioning On Iran Affair

John Kelly, the American ambassador to Lebanon, faces questioning in Washington after Secretary Shultz said Kelly had spoken repeatedly with U.S. officials about bargaining for hostages with Iran without telling Shultz.

Kelly was ordered back to Washington "to be available to the FBI and other appropriate investigative bodies," Shultz said. The ambassador also was to meet with his superiors at the State Department, although Shultz departed for Brussels after the hearing Monday to hold his annual year-end talks with western European foreign ministers.

(Henry Gottlieb, AP)

Aides Say They Knew Nothing Of Kelly's Role

BEIRUT -- Senior U.S. Embassy officials here said today that they thought Ambassador John Kelly was going to Europe when he left Lebanon yesterday in response to an order to return to Washington to discuss his involvement in an operation to sell arms to Iran.

The embassy officials insisted that they had known nothing about Kelly's involvement in the affair, which Secretary Shultz told a congressional committee yesterday had been carried out without his knowledge.

(Nora Boustany, Washington Post, A14)

Ex-General's Role Crystallizes

Retired Air Force major general Richard Secord emerged yesterday as a secret arm of U.S. foreign policy, a jack-of-all-trades who, as a private businessman, was a central figure in selling arms to Iran, setting up the supply network to the Nicaraguan rebels and assisting in negotiations for release of American hostages in Lebanon.

For two months, the news media have explored Secord's hidden role in the clandestine air operation that supplied weapons to the contra rebels. He has been described as an organizer of the operation, working at the request of Lt. Col. North, the recently fired NSC official accused of diverting money from the Iran arms sales to aid the contras.

(Charles Babcock, Washington Post, A14)

Retired General Emerges As Pivotal Figure In Iran-Contra Arms Deal

Arms dealer and retired Air Force Gen. Richard Secord has emerged as a pivotal figure in secret arms sales to Iran and the Contras, congressional sources say.

The Senate Intelligence Committee is reported to have issued a subpoena for Secord, who is a partner with Iranian arms dealer Albert Hakim in Stanford Technology Trading Group International, a Northern Virginia electronic warfare consulting firm.

Secord could not be reached for comment Monday. His attorney, Thomas Green, did not return a reporter's telephone calls.

(Lance Gay, Scripps Howard)

SHULTZ SAYS SOVIETS WON'T PROFIT FROM IRAN-CONTRA AFFAIR

LONDON -- Secretary Shultz, on a mission to ease West European jitters over U.S. arms sales to Iran, says the Soviet Union will not be permitted to profit from America's problems over the affair.

"If they think there is an opening, they should get over it," Shultz said.

Despite the slowdown in U.S.-Soviet arms control negotiations, Shultz said the Reagan Administration will not soften its approach just to get an accord. "No one wants to see an agreement of any kind that is less than absolutely in our interest," Shultz said. (Barry Schweid, AP)

Shultz Meets With European Allies Today

LONDON -- Secretary Shultz, declaring the Administration is not "paralyzed" by the Iran arms-Contra aid scandal, begins talks with European allies today intended to soothe concern about U.S. foreign policy.

"I have a rebuilding job to do and that's what I'm going to try and do on this trip," Shultz told reporters aboard his Air Force jet on the flight to London Monday night.

Shultz said he accepts criticism that by staying aloof he did not do enough to stop the sales, but in his congressional testimony he warned that the matter should not wreck all U.S. foreign policy efforts.

(Matthew Quinn, UPI)

WEINBERGER RETURNS TO U.S. AFTER TALKS ON IRAN, ARMS

LONDON -- U.S. Defense Secretary Weinberger returns to Washington today after a nine-day trip in which he tried to explain President Reagan's motives in selling arms to Iran and to win NATO unity on arms control.

In London yesterday, U.S. defense officials who briefed reporters on the condition they not be identified said they were worried that the Soviet Union may try to exploit the growing crisis in Washington and press harder in arms control negotiations for an end to Reagan's "Star Wars" space-based missile defense system. (Carol Giacomo, Reuter)

Weinberger To Face Congress Over Iran Scandal

LONDON -- Defense Secretary Weinberger, leaving Britain today after a four-nation trip, has said he is willing to testify before Congress about his knowledge of the Iran arms-Contra aid affair and his role in it.

He has said he would be willing to appear before Congress to talk about his knowledge of the affair, but his spokesman, Robert Sims, said Monday he has not yet been asked to testify. (Richard Gross, UPI)

SPECIAL COUNSEL REQUEST CITES NORTH, ARMS SALES
No Others Named In Justice Dept. Petition

The Justice Department disclosed yesterday that it is seeking appointment of an independent counsel to investigate Marine Lt. Col. North and anyone else, in or out of government, who might have conspired with him in connection with arms sales to Iran and the diversion of funds obtained from those sales.

The special counsel's proposed jurisdiction would be limited to actions in January 1985 and later and would not specifically cover allegations of other suspected illicit transactions stemming from U.S. support for the Nicaraguan rebels, or contras, during the Reagan Administration.

(George Lardner, Washington Post, A10)

Meese Request For Counsel Doesn't 'Name Enough Names,' Democrats Say

But House and Senate Democrats had requested that specific allegations be included in the counsel's charge, including those detailing how arms sale profits went to Nicaraguan rebels.

"It's much too narrow," griped Rep. Don Edwards.

Rep. John Conyers accused Meese of trying to "deny the facts" that the Administration has illegally used the arms profits to back the rebels.

"It isn't specific enough and it doesn't name enough names," Conyers said.
(John Bennett, Scripps Howard)

Justice Wants Wide Powers For Independent Counsel In Iran Affair

The Justice Department is proposing sweeping authority for an independent counsel to investigate the Iran-Contra affair, suggesting that a criminal probe track the activities of former NSC aide Oliver North and others for the past two years.

In a broadly worded, four-page application seeking appointment of an independent counsel, Attorney General Meese also raises the possibility that immunity from prosecution might be granted to some people in the affair.
(Pete Yost, AP)

Meese Request For Prosecutor Too Narrow, Critics Say

Attorney General Meese is weakening the potential of an independent probe into the Iran arms-Contra aid scandal by limiting his request for a special prosecutor in the case, critics say.

Meese's formal request to a three-judge panel, made public Monday, does not mention giving a Watergate-style prosecutor the power to investigate possible illegality in sending arms -- not just money -- to the Nicaraguan Contra rebels.
(Lori Santos, UPI)

Iran/Special Counsel

The application filed by Attorney General Meese for appointment of an independent counsel to investigate the Iran arms and Contra aid scandal limits the scope of the inquiry to the arms shipments and diversion of profits from those shipments to the Nicaraguan Contras.

Some in Congress had hoped the investigation would examine the entire Contra aid program as well as the separate issue of whether the U.S. government diverted funds to guerrillas fighting other Marxist regimes.

Rep. Don Edwards, a member of the House Judiciary Committee, said Monday the application "suggests to the court that the court's mandate will be inappropriately limited." (Kathryn Kahler, Newhouse)

DOMESTIC REACTION

REAGAN AIDE TRIES TO SOOTHE GOVERNORS

Iran-Contras Affair Not Another Watergate, GOP Executives Told

PARSIPPANY, N.J. -- White House political director Mitchell Daniels tried today to reassure nervous Republican governors that the Iranian arms sale crisis is not another Watergate scandal that will damage their party.

Daniels, speaking at a luncheon meeting of GOP governors here, said he realized "many in America are troubled that we may relive the events of 1974, that somehow the nightmare will recur. This will not happen."

"There will not be a cover-up," he added later.

(Bill Peterson, Washington Post, A12)

GOP Governors

PARSIPPANY -- The Reagan Administration sent two emissaries here to meet with 23 Republican governors and governors-elect in an effort to defuse the growing Iranian arms sale controversy.

"There will be no coverup," Mitchell Daniels, Reagan's assistant for political and intergovernmental affairs, told the governors Monday at the Republican Governors Association meeting.

In addition, Treasury Secretary Baker, at a press conference held as he was leaving the Parsippany Hilton after discussing economic affairs, said "no" when asked if the President's chief of staff, Donald Regan, should be forced to step down because of the handling of the White House secret arms deal.

"There is certainly nobody going to second guess anybody." Baker said, who once held the chief of staff job. "I have been there and I know. We should not be second guessing anybody."

(Dan Weissman, Newhouse)

Wary GOP Leaders Take Wait-And-See Attitude On Iran Arms Controversy

PARSIPPANY, N.J. -- GOP leaders at the Republican Governors Conference here are publicly taking a wait-and-see attitude on the Iran arms controversy, but in private conversation many are downbeat.

"Most of us are waiting to see what comes now," said New Hampshire Gov. John Sununu, head of the GOP governors. Sununu said he could estimate the impact of the affair "if you tell me what's going to happen in the next 60 days."

But in less public conversations, top GOP officials gathered here acknowledged there are potential problems for their party.

They agreed the situation was potentially most serious politically for Vice President Bush since he is the front-runner for the 1988 GOP presidential nomination. (Peter Brown, Scripps Howard)

DEBATE SHARPENS ON WHETHER WHITE HOUSE IS BEING FORTHRIGHT

The revelation that the U.S. ambassador to Lebanon had been in secret communication with NSC officials in the White House over arms and hostage dealings without the knowledge of the State Department has sharpened debate about whether the Administration, as President Reagan has pledged, is attempting to make public all the facts -- or is covering them up.

Administration officials continue to say that "there will be no coverup," as White House political director Mitchell Daniels pledged to Republican governors meeting yesterday in New Jersey. Secretary Shultz spoke yesterday of the need to "get the dope out." But a senior Republican senator came close to charging that a cover-up has already been instituted. (Haynes Johnson, Washington Post, A10)

WHITE HOUSE AIDE BLASTS REPUBLICANS FOR DESERTING REAGAN

Patrick Buchanan, the feisty White House communications chief, blasted Republicans on Monday for deserting President Reagan over the Iran-Contra scandal, saying that with a few exceptions "the whole damn pack has headed for the tall grass."

Buchanan also compared Lt. Col. North, a White House aide who was fired in the wake of the scandal, with Americans who have broken the law for good cause over the course of history and eventually were regarded as heroes.

"The liberal news media are the last ones to be pointing their fingers at Ronald Reagan for not getting facts straight," Buchanan said.

(Terence Hunt, AP)

Buchanan Assails 'Liberal Lynch Mob'

White House Communications Director Patrick Buchanan yesterday opened a counterattack against congressional and media critics of President Reagan, charging the "liberal lynch mob" had "gone too far."

"The mood of the White House has dramatically shifted in the last few days," Mr. Buchanan said in a speech prepared for delivery in Miami last night.

"The liberal lynch mob went too far," Mr. Buchanan said. "We're talking about the media, people in the media whose reporting is filled with innuendos.

"No one believes there should be censorship, but that doesn't negate the fact that journalists have to be responsible," he said.

(Ralph Hallow, Washington Times, A1)

Reagan Aide Blasts Critics For Response To Iran Scandal

MIAMI -- White House communications director Patrick Buchanan last night blasted the news media and members of Congress for what he called an effort to cripple the Reagan Administration over the Iran-Contra scandal.

Buchanan, in a speech to a cheering pro-Reagan rally of anti-communist Cuban and Nicaraguan exiles in Miami, admitted that fired NSC head Adm. Poindexter and his aide, Lt. Col. North, "made some questionable decisions" in their handling of the affair.

But Buchanan praised the pair for what he said were purely patriotic intentions.

"If he (Lt. Col. North) ripped off the Ayatollah and kept \$30 million and gave it to the contras, then God bless Col. North," he told the crowds of 3,000.

(Reuter)

GOP Senators Dispute Buchanan's Claim They're Deserting Reagan

Two Republican members of a Senate Panel investigating the handling of the Iran-Contra controversy say they're not deserting President Reagan despite criticism of GOP senators from White House communications director Patrick Buchanan.

Sen. Durenberger said, "I tried to read myself into that piece and I couldn't.... I have my own feelings about what the President should or should not do to his staff, but I've not made them public."

Sen. Specter said, "I think he (Buchanan) doesn't recognize the separation of power, the difference between the executive and legislative branches. I don't think anyone is running for the tall grass. I think we're trying to cut the grass."

(Tim Ahern, AP)

IT'S BUSINESS AS USUAL AT 1600 PA. AVE.

The Reagan White House is conducting business as usual, despite heavy pressures to unravel and resolve the Iran-Contra affair, senior officials said yesterday.

"You probably won't believe this and the world probably won't believe this, but other business is going on," said Peter Roussel, a White House spokesman. "Sure it [Iran] is an issue, but peoples' lives aren't revolving around it."

(Mary Belcher, Washington Times, A5)

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Aides Say Reagan Believes Storm Is Abating

President Reagan believes the air is clearing over the worst crisis of his Administration, aides say, and is going about business unrelated to the scandal his communications director calls "Contragate."

White House spokesman Larry Speakes said Reagan believes his weekly radio address Saturday helped to calm the storm of controversy because he admitted the execution of his policy toward Iran "was flawed and mistakes were made."
(Helen Thomas, UPI)

FIRST LADY, GUIDING & CHIDING During Press Tour, She Denies Reports Of Quarrel

Mother Goose and Father Christmas took over the White House yesterday, but for tour guide Nancy Reagan they offered only a momentary respite from the Iran crisis.

Facing reporters at a press preview of White House Christmas decorations, the First Lady denied that she and President Reagan have been squabbling about whether Chief of Staff Donald Regan should be fired.

"No," she said when asked if the President had told her to "get off my goddamn back," as reported by The Washington Post in its Saturday editions.
(Donnie Radcliffe, Washington Post, C1)

First Lady Denies Report Of Family Tiff

Nancy Reagan, urging reporters to remember the season, denied a report that President Reagan rebuked her during a discussion of chief of staff Donald Regan, but did concede, "We disagree sometimes."

White House spokesman Larry Speakes said there was no credence to the report. "Absolutely no. It's not so," Speakes said. "I've never heard the President used that word."

Asked how the quote could have been published, he replied, "Somebody didn't get it right."
(Helen Thomas, UPI)

Mrs. Reagan Denies Quarreling With President Over Regan

Nancy Reagan says she and President Reagan have their differences, but that they never quarreled about whether the President should fire his chief of staff, Donald Regan, over the Iran controversy.

Mrs. Reagan, who is regarded by White House insiders as having great influence over the President's personnel decisions, replied in the negative again when she was asked whether the couple had disagreed over whether Regan should be let go.
(Susanne Schafer, AP)

LEAVING THE WATERGATE CLOSED

President Reagan's troubles over the Iran-Contra connection have been likened to Watergate but Julie Nixon Eisenhower refused to make any comparisons in her address to the Republican Governors Association in Parsippany, N.J. "The country needs a successful presidency," Richard Nixon's daughter said. "I would hate to see the end of his (Reagan's) term overshadowed by this."

Reporters obviously wanted her to compare Irangate to Watergate but Nixon headed it off by saying, "I feel I'm wasting your time."

(William Trott, UPI)

FOREIGN REACTION

SOVIET SAYS IRAN SCANDAL SHOWS U.S. IS DUPLICITOUS NEGOTIATOR

MOSCOW -- The Soviet Union today broke from what had been a cautious approach to the Iran arms sale scandal and attacked the Reagan Administration as an untrustworthy negotiating partner.

Deputy Foreign Minister Alexander Bessmertnykh told a press conference today that the clandestine U.S. arms sales to Tehran proved Soviet claims that the Reagan Administration has acted in duplicitous ways and even lied in its negotiations with Moscow.

"It is simply that the situation of supplying arms to Iran proved that we are right when we say that there are cases where the U.S. Administration has lied, and from this point of view this episode is interesting to us."

(Gary Lee, Washington Post, A16)

ISRAEL SOUGHT RELEASE OF ITS CAPTIVES

Shamir Says Soldiers Would Have Been Part Of U.S.-Iran Deal

JERUSALEM -- Israel had hoped for the eventual release of its own soldiers captured in Lebanon before the secret arms-for-hostages deal it brokered between the United States and Iran was prematurely exposed, Prime Minister Yitzhak Shamir said today.

"If there had not been any leaks and if the affair had not exploded, we could have got to the kidnapped soldiers because it was included in our agreement with the Americans," Shamir told a caucus of legislators of his Likud bloc. Asked if there was still a chance to gain their release, he replied, "It is now impossible to talk about it."

(Glenn Frankel, Washington Post, A14)

SHAMIR TELLS SENATORS NO ISRAELIS KNEW
OF CONTRA CONNECTION

TEL AVIV -- Prime Minister Yitzhak Shamir says none of the Israelis involved in the Iranian arms deal knew about profits being diverted to Nicaraguan rebels. But a U.S. official said the Justice Department still may want to talk to them.

In a meeting with U.S. Sens. Levin and Bingaman, the prime minister on Monday said his government had questioned those involved in the arms transfer, according to an announcement by his office. (Ruth Sinai, AP)

SAUDIS DISMISS LINK TO IRAN ARMS DEAL

RIYADH -- Saudi Arabia today dismissed press reports that it played a part in the secret U.S. arms deal with Iran.

An Information Ministry official said in a statement carried by the Saudi Press Agency that reports of Saudi involvement continued despite two denials. (Reuter story, Washington Post, A14)

U.S. ASKS SWISS AID IN CRIMINAL INVESTIGATION
OF SECORD, NORTH

GENEVA -- The U.S. government has formally asked the Swiss government to help in a criminal investigation of three Americans who are believed to have used two different Swiss bank accounts to funnel profits from clandestine arms sales to Iran to Nicaraguan rebels, according to Swiss officials.

Knowledgeable U.S. officials confirmed the request and that Secord and North were under investigation. A Justice Department spokesman had no comment on the matter. (Loren Jenkins; Washington Post, A1)

PAPANDREOU SAYS EUROPEANS "SOMEWHAT EXPOSED"
BY IRAN DEAL

ATHENS -- Greek Prime Minister Andreas Papandreou said that Greece and other European states felt "somewhat exposed" after being asked by Washington to be tough on terrorism and then learning of the arms deal with Iran.

"One aspect is that Greece, like the rest of the Europeans, felt somewhat exposed when pressed by our American friends to take a tough stand on terrorism, and then we learn about the arms deliveries to Iran," he said. (Reuter)

INTERNATIONAL NEWS

HONDURAS SAYS SANDINISTAS PULL BACK U.S. Helicopters End Airlift Of Elite Honduran Unit To Border

U.S. helicopters ended an airlift of Honduran troops to a combat staging area near the border with Nicaragua at midday yesterday as U.S. and Honduran officials said Nicaraguan forces fell back across the frontier, pressed by a Honduran sweep.

The Sandinistas were described as reluctant to engage in battle as Honduras made its most forceful response to a Sandinista incursion in five years of tension in the border area. As many as 10,000 U.S.-backed Nicaraguan rebels have been camped in the region during the past year.

A spokesman for the U.S. Embassy in Tegucigalpa, Arthur Skop, said four U.S. Chinook and five Huey helicopters returned to the base of Joint Task Force Bravo at the Palmerola airfield in western Honduras.

(Julia Preston, Washington Post, A1)

S. AFRICAN OFFICIAL DERIDES U.S. POLICY Foreign Minister Sees Further Clampdown

JOHANNESBURG -- Foreign Minister Roelof (Pik) Botha said today that South Africa will reluctantly have to distance itself from any attempts by the Reagan Administration to play a constructive role in this region's affairs because U.S. foreign policy has been discredited.

Botha said that by allowing its foreign policy to be co-opted by Congress with the passage of the antiapartheid sanctions bill, the White House had made negotiations between South Africa's white government and the black majority impossible, thereby guaranteeing a continuation of violence.

"It's an historic tragedy that a country like the United States cannot see this," Botha said in an hour-long interview in which the depth of the bitterness of the ruling National Party government toward Washington repeatedly came to the surface.

The United States, he said, will have to bear the responsibility for a prolongation of the current state of emergency in South Africa.

(William Claiborne, Washington Post, A21)

BILLIONAIRE AFRICAN LEADER HERE TO ASK FOR DEBT RELIEF FOR HIS COUNTRY

President Reagan welcomes the flamboyant billionaire president of Zaire to the White House Tuesday with public assurances the United States wants to stay his friend despite continuing corruption in his government.

U.S. Ambassador to Zaire Brandon Grove Jr. said corruption continues in the African nation, although he says there is less than there was during 1973 to 1983, when copper prices fell and an economic boom ended. But he says Zaire is important because it is potentially one of the richest African nations. Zaire, formerly the Belgian Congo, has vast mineral deposits.

(Ann McFeatters, Scripps Howard)

NATIONAL NEWS

ADMINISTRATION SLASHES FORECAST FOR ECONOMY

The Reagan Administration yesterday sharply lowered its official forecast for economic growth during 1987, showing consumer spending rising substantially less than it has this year and business investment remaining very weak.

Beryl Sprinkel, chairman of the Council of Economic Advisers, released the new numbers, which include the prediction of a 3.2 percent increase in the gross national product, adjusted for inflation, between the fourth quarter of this year and the fourth quarter of 1987. In the last official forecast issued in August, the Administration predicted real GNP would rise 4.2 percent next year.

A key assumption in the forecast is that the nation's huge trade deficit will be reduced next year by an amount equal to between one-half and one percent of GNP. (John Berry, Washington Post, A1)

Reagan Administration/Economic Outlook

The Reagan Administration, toning down its optimism from previous projections, predicts the economy will grow at a 3.2 percent rate next year, but private economists say the numbers still are too rosy.

With the latest forecast, "They're getting in the right ballpark, but I still think they're high" on the GNP forecast, said Lawrence Chimerine, chief economist for Chase Econometrics in bala Cynwyd, Pa.

"Good luck," said Chris Caton, senior economist with Data Resources Inc. in Lexington, Mass. His firm predicts the CPI will rise 4.3 percent next year and GNP will grow only 3 percent.

Doug Handler, economist with Wharton Econometric Forecasting Associates Inc. in Philadelphia, questioned Sprinkel's employment projection, given the current unemployment rate and the economic growth projection. (John Reilly, Newhouse)

White House Sees Slightly Higher Inflation, Moderate Growth In '87

White House economic advisers Monday predicted moderate growth in the economy next year but with a higher inflation rate.

Beryl Sprinkel, chairman of the Council of Economic Advisers, said there are no indications of a recession for 1987, as about three out of 10 economists have forecast. (Ann McFeatters, Scripps Howard)

NEXT SPEAKER OF HOUSE URGES TAX CUT DELAY

House Majority Leader James Wright unanimously elected by his fellow Democrats to be the next speaker of the House, suggested yesterday that a tax cut due the wealthiest taxpayers in 1988 be postponed as part of a program to reduce the federal deficit.

Wright, who pledged that Democrats will attack the deficit "not with gimmickry but with the guts to look truth in the eye," made the suggestion at a news conference shortly after the House Democratic Caucus chose him to succeed retiring Speaker O'Neill.

(Edward Walsh & Tom Kenworthy, Washington Post, A1)

-End of A-Section-

NETWORK NEWS SUMMARY

(Monday evening, December 8th)

ADMINISTRATION

NBC's Tom Brokaw: The White House is working hard to get the situation under control and officials there believe that they are making some progress. However, as Chris Wallace reports tonight, today they were also forced to deal with still another explosive report about the Iranian role and terrorism.

NBC's Chris Wallace: Aides say the President watched some sections of the testimony and was pleased that Shultz and McFarlane produced no new bombshells. They say Mr. Reagan realizes hearings are inevitable and wants to get through them as quickly as possible. But if that went relatively well, the White House had more trouble dealing with a story in Sunday's Miami Herald that the U.S. knew Iran paid for the 1983 bombings in Beirut that killed 258 Americans and despite that later sold arms to Iran. After the bombing of a Marine barracks Vice President Bush flew to Beirut and issued this warning:

(Bush: "We are not going to let a bunch of insidious terrorists, cowards, shape the foreign policy of the United States.")

Despite that tough talk, the Herald says the U.S. learned through intercepts of diplomatic messages that Iran sent \$1 million to Iran to pay for the bombings but that the U.S. took no action. Today White House officials denied there is any hard evidence linking Iran to the bombings. Robert McFarlane also played down any linkage.

(McFarlane: "Well, that I didn't know. I don't know if that's the case.")

Meanwhile there was more disarray among Republicans, former U.N. Ambassador Kirkpatrick charging that George Shultz and Donald Regan have failed to protect the President.

(Kirkpatrick: "Above all a Cabinet officer ought, if the President's policies are questioned, either rally round or get out, quite frankly.")

There are reports Nancy Reagan is pushing so hard for Regan's removal that she and the President have fought. Today She denied there is a first family feud.

(Nancy Reagan: "We disagree sometimes, everybody disagrees.")

Question: "Have you disagreed on Donald Regan?" Mrs. Reagan: "No, now come on, this is Christmas.")

But it isn't Christmas at the National Security Council where sources say new NSC Adviser Frank Carlucci is planning to clean house. Some of the officials who set up the Iranian arms deal for the President say they are now being treated as outcasts here, and that they started hiring lawyers for possible criminal prosecution.

(NBC-3)

BUCHANAN

ABC's Peter Jennings: The Secretary of State and the former National Security Adviser were commended on more than one occasion today for speaking their mind to Congress. Another member of the Reagan Administration has made some waves again by speaking his. The Director of the Communications office in the White House, Patrick Buchanan, has been attacking Congress and the press for criticizing the President.

ABC's Sam Donaldson: President Reagan's only appearance before cameras today was at an awards ceremony where he said not a word about his present difficulties, but that was not the case with his outspoken Communications Director Patrick J. Buchanan, who on the op-ed page of this morning's Washington Post cut loose on the critics with a roar.

(Buchanan: "Well I feel the Republicans in Congress should speak out in support of this President and not remain silent and I feel that the press and Democrats in Congress should give the President the benefit of the doubt.")

Actually Buchanan had lashed Republicans, with a few exceptions, for desertion. The whole damn pack is headed for the tall grass.

Accused the press of pursuing the rumination of another Republican president and seemed to excuse any illegal acts in the name of the Contras by recalling that Americans who had once helped escaped slaves and Americans who had run guns to Palestine also broke the law but are considered heroes.

(Buchanan: "Give men like Ollie North the benefit of the doubt even before they have been charged.")

The suggestion that some illegal acts ought to be condoned drew sharp responses, including this one from the Secretary of State.

(Shultz: "I don't believe that a Constitutional officer has a right to declare himself above the law. You have to carry out the law.")

Others were even more outspoken.

(Rep. Barnes: "He ought to be fired for this view that high officials have a responsibility to break the law when they personally think it is in the interest of our country.")

The White House strategy these days is to present a cooperative conciliatory face, but although the Buchanan article does just the opposite, sources say neither the Chief of Staff nor the President had any criticism of it, which caused one official to say ruefully, it may make us feel good, but it sure doesn't win us any friends. (ABC-4)

CBS's Bill Plante: President Reagan chose to ignore the revelations and conflicting testimony about his Iran policy, not so his Communications Director. Pat Buchanan squared off to confront critics and defend the President's men.

(Buchanan: "You've got to get out there and fight because it is a battle and we've got to support this President, he merits our support because of who he is and because what he stands for is so right for this country. Now, Ollie North may have made a mistake, as I have said. He is a man ahead of his time.")

Plante continues:

In an opinion column in today's Washington Post Buchanan joined the President in hailing fired NSC staffer North as a hero, comparing North to Americans who broke the law hiding slaves in the underground railroad. He also faulted most Republican law makers for not defending the President. The whole damn pack, he wrote, has headed for the tall grass.

(Buchanan: "People are trying to use this to overturn the President's mandate, to cripple this presidency, and in that kind of situation Republicans should come to the defense of their President the way the President has always come to their defense.")

(Sen. Arlen Specter: "I don't think that anyone is running for the tall grass. What we are trying to do is cut the grass.")

Some Democrats were even tougher on Buchanan.

(Rep. Barnes: "I think he ought to be fired for this view that high officials have a responsibility to break the law when they personally think it is in the interest of our country.")

The First Lady was trying to avoid controversy as she conducted reporters on a tour of the White House Christmas decorations. Mrs. Reagan denied a report that the President told her to get off my back on the subject of Chief of Staff Donald Regan. But she acknowledged:

(First Lady: "We disagree sometimes, everybody disagrees." Question: "Do you disagree on Donald Regan." Mrs. Reagan: "No, now come on, it's Christmas.")

But the Christmas spirit hasn't exactly settled in yet. It wasn't until about a week ago that President Reagan understood just how bad things were. Now he and his staff wait uneasily to see if new testimony from Poindexter or North further contradicts what they have already said about the President's involvement. (CBS-2)

Brokaw: One of the remarkable aspects of this scandal is the role of many leading Republicans in offering often pointed criticism of the President? This Republican criticism brought a sharp reaction from White House Communication Director Patrick Buchanan today in the Washington Post. Buchanan asked, is this how they repay the leader who has done more for the Republican party than any American since Theodore Roosevelt, who brought us back from Watergate? Buchanan went on to say about Lt. Col. North, and Ollie North is a hero. The day the United States ceases to produce soldiers of the kidney and spleen and heart and soul of Oliver North is the day this country enters on its irreversible decline. At the White House today I talked to Buchanan about his charges against fellow members of the Republican party.

Buchanan: A lot of Republicans on Capitol Hill are more frightened of the national press corps than they are loyal to Ronald Reagan. What I have urged them to do is look, stand up and speak out. No matter what has happened here Ronald Reagan is the best thing ever to have happened to this Republican party, he is doing more for us and done more for us than any body I can image.

Brokaw: But it's Dole and Laxalt and Goldwater, the lions of the Republican party, who have said that the President made mistakes here, who have been critical.

Buchanan: We've taken a lot of criticism and now it's time for the Republican party to help. Because as I said this is not only a legal question, this is a political battle, it is between Ronald Reagan and the Congress for control of the foreign policy agenda, it is over the battle in Central America whether or not the Contras are going to be funded or defunded, it is over SDI, it is over everything we won in 1984.

Brokaw: And Buchanan had a ringing endorsement for Lt. Col. North.

Buchanan: Col. North is one of the finest officers I've ever met. He is one of the best people I've ever worked for in the White House.

Brokaw: But the Attorney General has said that Oliver North apparently broke the law and he asked for an independent counsel to investigate all of this.

Buchanan: Ollie North had to go, he does not have to go undefended. Whatever he did, his motivation was to provide assistance to the freedom fighters in Central America.

Brokaw: You were here during Watergate, you know the price that can be paid for the President, for the Nation, for the Republican party if this drags on too long. Wouldn't it be better to end it soon?

Buchanan: We get our story out, we cooperate with all the committees and authorities but ultimately Tom, this is going to get down to a political struggle. Ultimately that's what Watergate was about, not simply what did the President know and when did he know it but who will control American foreign policy and whether decisions are going to be reversed on Capitol Hill that were taken by the American people in the election of 1984. (NBC-13)

SHULTZ TESTIMONY

NBC's John Dancy: Shultz made it clear that he had been frozen out of the Iran arms dealing, so frozen out that the U.S. ambassador in Beirut John Kelly was talking secretly with the White House and National Security Council staff members about the hostage situation without Shultz's knowledge. Shultz did not know until last weekend. (Secretary Shultz: "So I got a response for Mr. John Kelly and I will read his response. I met in Washington in July or August 1986 with Robert McFarlane who briefed me on the hostage negotiations involving arms to Iran as an inducement. Between the dates of October 30 and November 4, 1986, I had numerous conversations with Lt. Col. Oliver North and Richard V. Secord relating to the hostage negotiations with Iran. During that period I received and sent numerous 'backchannel' messages to and from the White House, Adm. Poindexter, concerning the hostage negotiations." Question: "Is that an unusual or unique situation or something in violation of any of the State Department regulations?" Shultz: "I hope it is unique.") But Ambassador Kelly, a career foreign service officer for 20 years, did not tell Shultz, leaving him in the dark. Shultz also maintained that he knew little about the Iran arms deal. As for money from the arms sale diverted to the Contras, Shultz said his knowledge was zero.

Dancy continues:

(Shultz: "My knowledge of what took place was sporadic and fragmentary and materially incomplete. So I'm not the witness to tell you all of the things that took place because I'm not informed. In so far as any question, I'm repeating, but I want to repeat, any question of diversion of funds to support the Nicaraguan democratic resistance, my knowledge was not fragmentary, it was nonexistent.")

Shultz said he had opposed selling arms to Iran but that the President had legal authority to do it. However, Shultz conceded:

(Shultz: "As the President has forthrightly stated 'that the execution of these policies was flawed and mistakes were made'.")

A Congressman wondered what exactly was the mistake?

(Shultz: "Well, very clearly it was a mistake to get involved in the illegal arms transfer, or funds transfer.")

Former National Security Adviser Robert McFarlane denies his meeting with the ambassador to Lebanon had been about the hostages. McFarlane, who was National Security Adviser when the Iran arms deal was hatched, testified he was aware of the Contra connection, that Lt. Col. Oliver North had told him.

(Question: "Did you say Ollie you're breaking the law? You know the law Mr. McFarlane." Robert McFarlane: "It did not seem to me to be at the time a matter where the authority did not exist.")

McFarlane said North and Poindexter would not have acted without higher authority, a congressman wondered if that authority came from the President.

(McFarlane: "I firmly believe that the President of the United States did not know of and did not approve such actions.")

Rather, McFarlane said the Administration's desire to help the Contras was so great that a climate was created at the White House in which Poindexter and North may have thought they had the authority for the funds transfer.

(McFarlane: In other words, kind of happened by inference that if such matters took place, and I don't know that they did, that this is a context in which it might have happened." Question: "My time is expired Mr. McFarlane, but there is nothing wrong with the system it is the people who are running the system.")

Frustrated congressmen did not get an answer today to the one central question, who was giving the orders. They are not likely to get many more answers tomorrow when they have called former National Security Adviser John Poindexter and Lt. Col. Oliver North before the committee. Both have previously refused to testify before another congressional committee. (NBC-Lead)

ABC's John McWethy reports while pointing a finger at others for breaking the law, George Shultz said that the State Department is clean. In his balancing act today he was uncharacteristically critical of the President's foreign policy but said that he, Shultz, is still very much a Reagan man. (ABC-Lead)

CBS's Phil Jones reports the major revelation by Shultz was his disclosure that one of his own ambassadors, John Kelly in Beirut, had sent a cable to Washington over the weekend admitting that he worked directly with the National Security Council. (CBS-Lead)

McFARLANE

ABC's Charles Gibson reports former National Security Adviser Robert McFarlane said the Iranian arms sale process started July 1985 when a third country conveyed some Iranians wanted contact with the United States. The currency of the undertaking to try and moderate Iranian behavior, he said, had to be arms and so a month later, he said, the President approved the principle of arms for Iran. And that contradicting, of course, Attorney General Meese's contention that the President did not approve arms sales until this year. McFarlane says when it was clear after six months the arms sales were not moderating Iranian behavior they should have been stopped. They were not, of course, and McFarlane says the President had become driven by a desire to free the hostages. That contradicting the President's frequent assertions he was not swapping arms for hostages. (ABC-2)

FIRST LADY

Jennings: The First Lady Nancy Reagan told reporters today that she and the President had not quarrelled over whether he should fire his Chief of Staff Donald Regan. Mrs. Reagan did say we disagree sometimes, everybody does. (ABC-5)

SWISS BANK

ABC's Barbara Walters reports Credit Suisse announced today it had frozen an account of an American company known as Lake Resources Inc. ABC News has learned that Lake Resources is the name and the account that was used in the transfer of money from Iran in the payment of weapons. (ABC-7)

CASEY

NBC's Art Kent reports an angry CIA Director struck back at his critics this evening insisting once again that neither he nor the CIA had done anything wrong in the Iran-Contra operation. Casey reserved his harshest criticism for Sen. Richard Lugar. (Casey: "I'm deeply disappointed that a U.S. Senator of Dick Lugar's stature and reputation has seen fit to rush to judgement without the benefit of the information which I and the CIA also are making available to our oversight committees.") Casey said the oversight committees would be convinced. (Casey: "I'm confident that those members who do have access to it will agree that the agency and I have acted in a lawful and proper manner.") Casey was adamant that the CIA was not even aware of any money from Iran other than the \$12 million that was owed the Pentagon for arms. Casey will be testifying in closed session before the House Foreign Affairs Committee Wednesday where he will again insist that the CIA is clean on the Iran arms deal. (NBC-4)

HONDURAS

Brokaw: The White House today used the word terminated to describe the end of unarmed U.S. military helicopter flights in Honduras. Those helicopters were used to airlift hundreds of Honduran troops to a border battle zone where Honduras claimed Nicaraguan soldiers had crossed in pursuit of the Contras.

NBC's Dennis Murphy reports the biggest fear (in Nicaragua) is that President Reagan will try to divert attention from his domestic troubles by using the skirmish in Honduras as a pretext for sending American troops into Nicaragua. The Nicaraguan show of force on the border is an attempt to keep the Contras pinned down in their camps until the political drama in Washington plays itself out.

(NBC-6, ABC-8, CBS-4)

ELEPHANT HERD

CBS's David Martin: In June of 1983 the Pentagon and CIA drew up a plan to stockpile military equipment in case Congress voted to cut off aid to the Contras. Although the CIA denies it, military officers working on the program say it was ordered by the President. The project was nicknamed Elephant Herd. The CIA prepared a list of \$32 million worth of military equipment it wanted the Pentagon to supply. Military officers called it the Christmas list because it contained more than the Contras could use at the time. Since Congress already had placed strict limits on what the CIA could spend in Central America, the plan called for the Pentagon to foot the bill. The Pentagon refused, although it did agree to declare three small planes surplus and give them to the CIA. The rest of the Christmas list was sharply pruned to about \$10 million worth of boots, uniforms and cannons, which the CIA paid for and shipped to the Contras. Two sources say Lt. Col. Oliver North worked directly with the CIA on operation Elephant Herd. Another officer involved in the operation: Army Col. James Longhoffer, a decorated combat veteran who was serving as the liaison between the CIA and the Army. Earlier this year Longhoffer was convicted by a court martial on charges stemming from an Army claim that he had failed to properly supervise secret operations. He was sentenced to a year of hard labor in Fort Leavenworth prison, but last month, in a move lawyers called unprecedented, the court of military review ordered Longhoffer released pending an appeal of his conviction.

(Question: "Did you expect to get out?" Longhoffer: "I was surprised. But I am very happy that the decision was in our favor.")

The court ordered Longhoffer release on November 25th, the same day his former colleague in operation Elephant Herd, North was fired, charged with conducting unauthorized secret operations, again to help the Contras. Longhoffer's lawyer said the timing of the release was just a coincidence. The CIA today says anyone who thought project Elephant Herd was ordered by the President was mistaken. (CBS-6)

INDEPENDENT COUNSEL

Brokaw: The Justice Department application for an independent counsel in this arms scandal was made public today. It was a broadly worded document that was most specific when it listed the specific qualifications of the counsel. It called for an appreciation of, among other things, international relations, national security, defense and foreign military sales. But it did not name any specific law that might have been violated or any possible wrong doer, other than Oliver North, by name. (NBC-5, ABC-6, CBS-3)

208 COMMITTEE

Rather: Until he was fired a few days ago, Oliver North participated in a government group called the 208 committee. This group was designed, so it is claimed, to hide money for help to the Nicaraguan rebels. Several congressional investigators have told CBS News that they are looking into this group's activities. (CBS-5)

EDITORIALS/COLUMNISTS

ADMINISTRATION/IRAN

The Little Fibs That Catch Up -- "One of the most astonishing things about the Iranian caper is how, all of a sudden, the American people stopped believing Ronald Reagan.... Probably the public knew full well all along that Reagan had a way of play-acting with the truth, but most instances were not on matters worth getting worked up over. Iran, terrorism and possible misuse of power are. The lesson is one of the oldest: If you don't tell the truth on small matters, you won't be believed on the big ones." (Des Moines Register, 12/5)

The Press and Ronald Reagan -- "As their hero's protective coating slips down around his ankles, the confirmed Reaganauts have begun trying to convince people (themselves included, probably) that he is the victim of an unusually bloodthirsty press. It is an old and predictable ploy, and it's never been so utterly baseless as in the present instance.... For a term and a half, the herd generally moved in the direction Reagan wanted, trampling down his political enemies in the process. If it is now doubling back on him, he at least has the consolation of knowing that he controlled it longer than most. Probably a small consolation in the present circumstances." (Arkansas Gazette, 12/4)

...And the News Media -- "Does Mr. Reagan think his nosedive in the polls -- the sharpest one-month decline ever recorded -- was caused by the press rather than by the voters' strong discontent with his Iranian dealings?... Such thinking in the Oval Office could foster a siege mentality in the White House with disastrous results for the remainder of the Reagan presidency." (San Diego Union, 12/3)

Secrecy, Mistakes Created Scandal -- "This business was so sensitive, so sacred, so secret that nobody could be trusted except a handful of White House intimates. The media couldn't be trusted. The Congress couldn't be trusted. And the people couldn't be trusted. That is a distorted and dangerous view of democracy. It profanes the ideal of government by the people.... The media should be criticized not because it exposed those mistakes, but because it failed for so long to do so." (USA Today, 12/8)

The Real Reagan -- "Whatever happened to Ronald Reagan? That is the puzzling question in light of his current foreign policy problems.... Yet in two major foreign policy confrontations lately -- the Reykjavik summit and the arms deal with Iran -- we have seen a very uncharacteristic Ronald Reagan.... Was Reagan so anxious to get an arms control agreement, and to get U.S. hostages freed, that he abandoned his traditional caution and position of strength in favor of impulsive and shortsighted initiatives?... What is needed is a President healed of his recent political wounds, and a foreign policy restored to vigor and integrity. Will the real Ronald Reagan please stand up?"

(John Hughes, Christian Science Monitor, 11/26)

No One Gave the Order to Abandon Reagan's Ship -- "Of all the lurid features in the bizarre tapestry of 'Contragate,' perhaps most revealing is the behavior of the Republican Party establishment, which owes all it has and all it is to Ronald Wilson Reagan. With a few honorable exceptions -- J. Strom Thurmond and Ted Stevens come to mind -- the whole damn pack has headed for the tall grass."

(Patrick Buchanan, Washington Post, 12/8)

1973 Revisited? -- "Americans will look kindly at a leader who levels with them, and who tells them that although he meant well, his decisions, in retrospect, were unwise. Two words -- 'I'm sorry' -- will go a long way in restoring public trust in Mr. Reagan, if they are genuinely uttered."

(Hartford Courant, 12/3)

A Big Step Toward Credibility -- "In any way of looking at this tragedy of misgovernment, the President was badly served by his staff -- whatever he knew about it or didn't know and whatever advice was given or withheld."

(Denver Post, 12/3)

Reagan Reacts -- "While one cannot condone the Reagan Administration's irrational policy of paying ransom, in the form of variously estimated amounts of armaments, to Iran to get back American hostages or the bizarre derivative of that policy, the so-called Nicaragua connection, it must be conceded at this writing that President Reagan is living up to his pledge to ascertain how the latter happened and how it can be prevented in the future. It is difficult to fault his recent actions."

(Union Leader, 12/3)

Is the Iran Crisis as Serious as Watergate? -- "Ronald Reagan will not be appearing in a rerun of Watergate. The allusions to Irangate, Northgate or Reagangate, the notion of a 794-day national trauma leading to the abdication of an American president, are unfair to Reagan, to the nation and to an understanding of what really is happening.... The outcome of this new Washington theater piece may include indictments, show hearings and new espionage tales. But what really is in question is whether it will result in new restraint on a president's power to operate without the knowledge or support of Congress and the people."

(Nicholas Horrock, Arkansas Gazette, 12/4)

The Fifth Horseman -- "While a low-key reorganization of the NSC is what the situation demands, Mr. Carlucci soon will have an opportunity to move this critical institution in the proper direction. If he uses his gifts for this purpose, the sad affair that began with Iran may produce a happy ending yet."

(Washington Times, 12/4)

Three Good Moves in the White House -- "Fresh air displaced some of the unsavory atmosphere pervading the White House. Late but welcome, two announcements Tuesday by President Reagan and one Monday offer hope that he is willing to sift through a record that has become ever more unsavory with revelations of bizarre, possibly illegal, double and triple dealing over arms for Iran and money for the Nicaraguan contras. The hope is that the President meant what he said to the public yesterday: 'You're entitled to have your questions answered.'"

(Minneapolis Star and Tribune, 12/3)

FOREIGN MEDIA REACTION

IRAN/CONTRA AFFAIR

"Republican congressmen have warmly welcomed President Reagan's admission over the weekend that mistakes were made in the Iran arms deal and his promise to set things right.... He did not specify what flaws were made or who was responsible, and he stopped short of saying he had actually made a mistake. However, his tone was markedly changed from his earlier defiance on the issues...." (Times, Britain)

"The cautiously formulated admission, which received quick positive response in Congress, followed almost word-for-word remarks made by Vice President Bush." (Le Matin, France)

"A change in President Reagan's crisis management is clearly discernable.... For the first time he used the term 'mistake.'... The new formula...is that the decision was right but the way it was carried out was wrong. That falls far short of an admission of guilt.... The strategy behind the new formula is clear: one has begun to protect the President after letting him stand in the storm center of the crisis for weeks. This strategy is wise because loss of confidence, paralysis and restriction of the White House's freedom to maneuver threatened to become a dangerous burden for the entire Western Alliance...." (Die Welt, West Germany)

HONDURAN BORDER INCIDENT

"The U.S. help was requested by the Honduran government. However, the U.S. action, coming at a time of uproar here over illegal and secret help to the Contras, is likely to fuel the controversy over the American role in attempting to put military pressure on Managua." (Times, Britain)

"The United States simply indicated that no American citizen was participating in the fighting, but the Nicaraguan Foreign Minister said an aircraft of probably U.S. origin had bombed Nicaraguan positions. Let's recall that Washington never hid its desire to destabilize the Marxist regime in Nicaragua." (Antenne-2 TV, France)

"Upon request by the armed forces and in view of the latest events at the border with Nicaragua...the Honduran government had asked the U.S. government for transport aircraft to take Honduran troops to El Paraiso department bordering Nicaragua. This request was honored immediately. For this reason, the Honduran government hereby thanks the U.S. government publicly...." (Radio America; Tegucigalpa, Honduras)

"Northern Nicaragua was subjected to criminal bombing yesterday, Nicaraguan Foreign Minister Miguel d'Escoto told a Managua news conference.... U.S. aircraft, which intruded from Honduras, attacked...Nicaraguan border settlements.... Tentative estimates put the number of injured in the piratic raids at eight. There are civilians among them." (TASS, Soviet Union)



News Summary

OFFICE OF THE PRESS SECRETARY

TUESDAY, DECEMBER 9, 1986 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

U.S. -- NICARAGUA

McFarlane Claims Reagan OK'd Delivery -- Robert McFarlane, the former White House national security adviser, yesterday contradicted Administration claims that President Reagan did not give advance approval for an "indirect" arms shipment to Iran in August 1985.

(Washington Post, Washington Times, AP, Newhouse, UPI)

INTERNATIONAL NEWS

Honduras Says Sandinistas Pull Back -- U.S. helicopters ended an airlift of Honduran troops to a combat staging area near the border with Nicaragua at midday yesterday as U.S. and Honduran officials said Nicaraguan forces fell back across the frontier, pressed by a Honduran sweep.

(Washington Post)

NATIONAL NEWS

Administration Slashes Forecast For Economy -- The Reagan Administration yesterday sharply lowered its official forecast for economic growth during 1987, showing consumer spending rising substantially less than it has this year and business investment remaining very weak.

(Washington Post)

NETWORK NEWS (Monday Evening)

ADMINISTRATION -- The White House is working hard to get the situation under control and officials there believe they are making some progress.

BUCHANAN -- Patrick Buchanan has been attacking Congress and the press for criticizing the President.

SHULTZ TESTIMONY -- Secretary Shultz made it clear that he had been frozen out of the Iran arms dealing.



"Isn't it ridiculous how early they put up Christmas decorations?"

IRAN — NICARAGUA

AIDE TIES U.S. TO FUND TRANSFER McFarlane Says President's Word Treated As Intelligence 'Finding'

Former national security adviser Robert McFarlane testified yesterday that he was told last May by Lt. Col. North that "the U.S. government had applied part of the proceeds" from the Iranian arms sales "to support the contras," a contradiction of assertions by President Reagan and Attorney General Meese that Americans played no role in funneling the money to the Nicaraguan rebels.

In another controversial disclosure, McFarlane said the White House considered the President's oral approval in August 1985 of the shipment of U.S.-made arms from Israel to Iran to have the same authority as a written intelligence "finding," the legal mechanism authorizing U.S. government covert operations. Part of the controversy surrounding the secret arms sales centers on whether such an activity violated U.S. laws on transferring weapons to terrorist nations.

(Walter Pincus, Washington Post, A1)

McFarlane Claims Reagan OK'd Delivery

Robert McFarlane, the former White House national security adviser, yesterday contradicted Administration claims that President Reagan did not give advance approval for an "indirect" arms shipment to Iran in August 1985.

Testifying on the first day of a weeklong inquiry before the House Foreign Affairs Committee, Mr. McFarlane said Mr. Reagan gave prior authorization for "the indirect delivery of small levels of arms to Iran for the purpose of strengthening elements against terrorism."

(Jennifer Spevacek, Washington Times, A1)

McFarlane Testimony: Key Player On Iran, No Role On Contras

In four hours of testimony yesterday, former national security adviser McFarlane offered the House Foreign Affairs Committee a contradictory self-portrait.

He was at once a trusted emissary of President Reagan with detailed knowledge of the diplomatic goals of the Administration's Iranian overture and an opponent of bartering weapons for hostages who learned only tangentially about the diversion of the Iranian arms profits to aid the Nicaraguan contras.

McFarlane said the political climate created by the President may have led to the diversion. "One can imagine," he said, that, given Reagan's commitment to the "freedom fighters" in Nicaragua, the people working for the President were "clearly seized" with the idea of doing everything they could to sustain the contras after Congress cut off their aid. If the system "is not terribly disciplined," McFarlane suggested, he could see how the "interpolation" of Reagan's authority by subordinates led to the diversion.

(David Hoffman, Washington Post, A15)

McFarlane Never Discussed Money Transfer With Reagan

Former national security adviser Robert McFarlane has testified that he learned in May about U.S. arms profits from Iran being diverted to Nicaraguan rebels but never discussed it with President Reagan.

Testifying under oath Monday, McFarlane said he learned in May of the secret diversion of Iranian arms money to the Nicaraguan Contras -- six months before the link was exposed -- but he answered with a flat "no" when asked if he ever discussed that issue with the President.

(Elaine Povich, UPI)

Iran-Contra/McFarlane

Robert McFarlane, President Reagan's former national security adviser, contradicted previous accounts from Administration officials on Monday, testifying under oath that the President approved an "indirect" shipment of arms to Iran in August 1985.

As the public accounting of the Reagan Administration's foreign policy fiasco began on Capitol Hill, Secretary Shultz -- also under oath before the House Foreign Affairs Committee -- denied involvement in the transfer of Iranian arms sale profits to Nicaraguan rebels, saying he had "zero" knowledge of the "illegal" diversion of money.

Shultz, en route to London to consult with U.S. allies, later retracted his accusation that the diversion of some profits was an illegality, because "I don't know the facts and I don't know who did exactly what."

(Cliff Haas, AP)

McFarlane, Shultz Tell What They Knew -- 'Zero'

Two of President Reagan's key foreign policy advisers told a House committee investigating the Iran arms-Contra aid scandal they received little, if any, information about the secret operation, leading one panel member to damn the entire affair as an example of "staggering stupidity."

"It was mind-boggling myopia and staggering stupidity," Rep. Tom Lantos said of the affair.

"This was the most ludicrous, insane, counter-productive, hypocritical and duplicitous initiative I have ever heard of in all my years in the Congress," said Rep. Solarz after meeting with McFarlane in executive session. "It literally boggles the imagination."

(Michael Myers, UPI)

ENVOY TO BEIRUT BYPASSED SHULTZ Ambassador Dealt With NSC On Hostages, Panel Told

The U.S. ambassador in Lebanon, bypassing Secretary Shultz, dealt secretly with representatives of the NSC about arms and hostages at the time of the Nov. 2 release of David Jacobsen, Shultz revealed to the House Foreign Affairs Committee yesterday.

In testimony that riveted and sometimes astounded the committee, Shultz again distanced himself from some of the most controversial aspects of the Administration's actions, using the case of the ambassador to Lebanon as new evidence of how he was denied full access to details of what was going on.

(John Goshko, Washington Post, A1)

Shultz, 'Shocked,' Discloses White House Secretly Used U.S. Envoy In Hostage Talks

Secretary Shultz complained today that the White House, without informing him, had jumped the chain of command and established secret communications with the United States Ambassador in Lebanon on negotiations for the release of hostages.

The testimony was the latest in a series of statements by Mr. Shultz in which he said he had either been deprived of information or had picked up only "bits and pieces." (Bernard Gwertzman, New York Times, A1)

Envoy Bypassed Shultz To Aid Arms-For-Hostage Negotiators

Secretary Shultz yesterday told Congress the U.S. ambassador to Lebanon used "back channels" to work directly with White House aides on "hostage negotiations involving arms to Iran as an inducement."

White House spokesman Larry Speakes said President Reagan "didn't know" of Mr. Kelly's discussions with Col. North or of Mr. Kelly's earlier meeting with Robert McFarlane, a former White House national security adviser. (Richard Beeston, Washington Times, A1)

Shultz Terms Diversion Of Funds To Nicaraguan Rebels Illegal

Secretary Shultz said the White House went behind his back to enlist the U.S. ambassador in Beirut to free U.S. hostages and called elements of the Administration's Iran arms deals illegal.

Going further than President Reagan has in his comments on the affair, Shultz called the actions illegal.

Asked which part was illegal -- the diversion of funds to the contras, the arms sales or failure to notify Congress -- Shultz replied: "Very clearly it was a mistake to get involved in the illegal funds transfer to the contras. Some things took place that were illegal."

(Sue Baker, Reuter)

Shultz: 'I Kick Myself' About Iran Arms Sales

Secretary Shultz told a House panel Monday he worries he did not do enough to stop the sale of weapons to Iran and, "I rack my brains about that and I kick myself here and there."

He said he knew nothing about the "illegal" diversion of profits from the Iran arms sale to the Nicaraguan Contras.

En route to London, Shultz retracted his comment about the funds transfer being illegal. "I shouldn't jump to any conclusion and I take it back," Shultz told reporters aboard an Air Force jet. "I shouldn't say it's an illegality." (Walter Friedenber, Scripps Howard)

Shultz Testimony

Secretary Shultz said Monday that passing profits from the secret Iran arms deals to Nicaraguan rebels was illegal and testified under oath he did not know of President Reagan's secret January decision to sell U.S. weapons to Iran.

And he said, "It was a mistake to get involved in the illegal funds transfer (to the Contras). I don't know the ins and outs of that.... But from what I have seen, and from what the attorney general said, some things took place that were illegal." En route to London, Shultz retracted his statement characterizing the diversion of profits from the Iran arms sales to the Contras as "illegal." (Sean McCormally, UPI)

Shultz Says Casey And Poindexter Misled Him On Iran

LONDON -- Secretary Shultz said today that CIA Director Casey and former National Security Adviser Poindexter assured him U.S. arms shipments to Iran had ended, but the shipments continued.

Shultz was speaking to reporters aboard his aircraft on his way to meet European ministers in Britain and Belgium.

Shultz said he was told last December that the operation had ended. "There was another period at the end of May after something happened that caused me to weigh in heavily, but I was told again that this operation had been told to stand down," he said.

(Charles Bremner, Reuter)

Iran/Shultz Testimony

Secretary Shultz's standing as the Reagan Administration's foreign policy architect and spokesman is again at issue with his disclosure that the White House actively kept him ignorant of the secretive Iran arms deals for most of this year.

Shultz's disclosures, which detailed an extraordinary web of intelligence and communications networks set up to bypass Shultz and normal foreign policy channels, "will make it difficult" for Shultz to work both in Washington and abroad, one official said. (David Wood, Newhouse)

U.S. Envoy Cited In Arms Deal Apparently A Novice In Mideast

John Kelly, the U.S. ambassador called home from Lebanon to explain his involvement in the arms-to-Iran operation, has been in Beirut less than four months and apparently had little Middle Eastern experience before his current assignment.

Department officials were at a loss yesterday to explain why Kelly had not kept his superiors informed of his "back-channel" communications with Vice Adm. John Poindexter, the President's former national security adviser, and his aide, Lt. Col. Oliver North, about negotiations involving American hostages in Lebanon. (David Ottaway, Washington Post, A14)

U.S. Ambassador To Lebanon Faces Questioning On Iran Affair

John Kelly, the American ambassador to Lebanon, faces questioning in Washington after Secretary Shultz said Kelly had spoken repeatedly with U.S. officials about bargaining for hostages with Iran without telling Shultz.

Kelly was ordered back to Washington "to be available to the FBI and other appropriate investigative bodies," Shultz said. The ambassador also was to meet with his superiors at the State Department, although Shultz departed for Brussels after the hearing Monday to hold his annual year-end talks with western European foreign ministers.

(Henry Gottlieb, AP)

Aides Say They Knew Nothing Of Kelly's Role

BEIRUT -- Senior U.S. Embassy officials here said today that they thought Ambassador John Kelly was going to Europe when he left Lebanon yesterday in response to an order to return to Washington to discuss his involvement in an operation to sell arms to Iran.

The embassy officials insisted that they had known nothing about Kelly's involvement in the affair, which Secretary Shultz told a congressional committee yesterday had been carried out without his knowledge.

(Nora Boustany, Washington Post, A14)

Ex-General's Role Crystallizes

Retired Air Force major general Richard Secord emerged yesterday as a secret arm of U.S. foreign policy, a jack-of-all-trades who, as a private businessman, was a central figure in selling arms to Iran, setting up the supply network to the Nicaraguan rebels and assisting in negotiations for release of American hostages in Lebanon.

For two months, the news media have explored Secord's hidden role in the clandestine air operation that supplied weapons to the contra rebels. He has been described as an organizer of the operation, working at the request of Lt. Col. North, the recently fired NSC official accused of diverting money from the Iran arms sales to aid the contras.

(Charles Babcock, Washington Post, A14)

Retired General Emerges As Pivotal Figure In Iran-Contra Arms Deal

Arms dealer and retired Air Force Gen. Richard Secord has emerged as a pivotal figure in secret arms sales to Iran and the Contras, congressional sources say.

The Senate Intelligence Committee is reported to have issued a subpoena for Secord, who is a partner with Iranian arms dealer Albert Hakim in Stanford Technology Trading Group International, a Northern Virginia electronic warfare consulting firm.

Secord could not be reached for comment Monday. His attorney, Thomas Green, did not return a reporter's telephone calls.

(Lance Gay, Scripps Howard)

SHULTZ SAYS SOVIETS WON'T PROFIT FROM IRAN-CONTRA AFFAIR

LONDON -- Secretary Shultz, on a mission to ease West European jitters over U.S. arms sales to Iran, says the Soviet Union will not be permitted to profit from America's problems over the affair.

"If they think there is an opening, they should get over it," Shultz said.

Despite the slowdown in U.S.-Soviet arms control negotiations, Shultz said the Reagan Administration will not soften its approach just to get an accord. "No one wants to see an agreement of any kind that is less than absolutely in our interest," Shultz said. (Barry Schweid, AP)

Shultz Meets With European Allies Today

LONDON -- Secretary Shultz, declaring the Administration is not "paralyzed" by the Iran arms-Contra aid scandal, begins talks with European allies today intended to soothe concern about U.S. foreign policy.

"I have a rebuilding job to do and that's what I'm going to try and do on this trip," Shultz told reporters aboard his Air Force jet on the flight to London Monday night.

Shultz said he accepts criticism that by staying aloof he did not do enough to stop the sales, but in his congressional testimony he warned that the matter should not wreck all U.S. foreign policy efforts.

(Matthew Quinn, UPI)

WEINBERGER RETURNS TO U.S. AFTER TALKS ON IRAN, ARMS

LONDON -- U.S. Defense Secretary Weinberger returns to Washington today after a nine-day trip in which he tried to explain President Reagan's motives in selling arms to Iran and to win NATO unity on arms control.

In London yesterday, U.S. defense officials who briefed reporters on the condition they not be identified said they were worried that the Soviet Union may try to exploit the growing crisis in Washington and press harder in arms control negotiations for an end to Reagan's "Star Wars" space-based missile defense system. (Carol Giacomo, Reuter)

Weinberger To Face Congress Over Iran Scandal

LONDON -- Defense Secretary Weinberger, leaving Britain today after a four-nation trip, has said he is willing to testify before Congress about his knowledge of the Iran arms-Contra aid affair and his role in it.

He has said he would be willing to appear before Congress to talk about his knowledge of the affair, but his spokesman, Robert Sims, said Monday he has not yet been asked to testify. (Richard Gross, UPI)

SPECIAL COUNSEL REQUEST CITES NORTH, ARMS SALES
No Others Named In Justice Dept. Petition

The Justice Department disclosed yesterday that it is seeking appointment of an independent counsel to investigate Marine Lt. Col. North and anyone else, in or out of government, who might have conspired with him in connection with arms sales to Iran and the diversion of funds obtained from those sales.

The special counsel's proposed jurisdiction would be limited to actions in January 1985 and later and would not specifically cover allegations of other suspected illicit transactions stemming from U.S. support for the Nicaraguan rebels, or contras, during the Reagan Administration.

(George Lardner, Washington Post, A10)

Meese Request For Counsel Doesn't 'Name Enough Names,' Democrats Say

But House and Senate Democrats had requested that specific allegations be included in the counsel's charge, including those detailing how arms sale profits went to Nicaraguan rebels.

"It's much too narrow," griped Rep. Don Edwards.

Rep. John Conyers accused Meese of trying to "deny the facts" that the Administration has illegally used the arms profits to back the rebels.

"It isn't specific enough and it doesn't name enough names," Conyers said.
(John Bennett, Scripps Howard)

Justice Wants Wide Powers For Independent Counsel In Iran Affair

The Justice Department is proposing sweeping authority for an independent counsel to investigate the Iran-Contra affair, suggesting that a criminal probe track the activities of former NSC aide Oliver North and others for the past two years.

In a broadly worded, four-page application seeking appointment of an independent counsel, Attorney General Meese also raises the possibility that immunity from prosecution might be granted to some people in the affair.
(Pete Yost, AP)

Meese Request For Prosecutor Too Narrow, Critics Say

Attorney General Meese is weakening the potential of an independent probe into the Iran arms-Contra aid scandal by limiting his request for a special prosecutor in the case, critics say.

Meese's formal request to a three-judge panel, made public Monday, does not mention giving a Watergate-style prosecutor the power to investigate possible illegality in sending arms -- not just money -- to the Nicaraguan Contra rebels.
(Lori Santos, UPI)

Iran/Special Counsel

The application filed by Attorney General Meese for appointment of an independent counsel to investigate the Iran arms and Contra aid scandal limits the scope of the inquiry to the arms shipments and diversion of profits from those shipments to the Nicaraguan Contras.

Some in Congress had hoped the investigation would examine the entire Contra aid program as well as the separate issue of whether the U.S. government diverted funds to guerrillas fighting other Marxist regimes.

Rep. Don Edwards, a member of the House Judiciary Committee, said Monday the application "suggests to the court that the court's mandate will be inappropriately limited."

(Kathryn Kahler, Newhouse)

DOMESTIC REACTION

REAGAN AIDE TRIES TO SOOTHE GOVERNORS

Iran-Contras Affair Not Another Watergate, GOP Executives Told

PARSIPPANY, N.J. -- White House political director Mitchell Daniels tried today to reassure nervous Republican governors that the Iranian arms sale crisis is not another Watergate scandal that will damage their party.

Daniels, speaking at a luncheon meeting of GOP governors here, said he realized "many in America are troubled that we may relive the events of 1974, that somehow the nightmare will recur. This will not happen."

"There will not be a cover-up," he added later.

(Bill Peterson, Washington Post, A12)

GOP Governors

PARSIPPANY -- The Reagan Administration sent two emissaries here to meet with 23 Republican governors and governors-elect in an effort to defuse the growing Iranian arms sale controversy.

"There will be no coverup," Mitchell Daniels, Reagan's assistant for political and intergovernmental affairs, told the governors Monday at the Republican Governors Association meeting.

In addition, Treasury Secretary Baker, at a press conference held as he was leaving the Parsippany Hilton after discussing economic affairs, said "no" when asked if the President's chief of staff, Donald Regan, should be forced to step down because of the handling of the White House secret arms deal.

"There is certainly nobody going to second guess anybody." Baker said, who once held the chief of staff job. "I have been there and I know. We should not be second guessing anybody."

(Dan Weissman, Newhouse)

Wary GOP Leaders Take Wait-And-See Attitude On Iran Arms Controversy

PARSIPPANY, N.J. -- GOP leaders at the Republican Governors Conference here are publicly taking a wait-and-see attitude on the Iran arms controversy, but in private conversation many are downbeat.

"Most of us are waiting to see what comes now," said New Hampshire Gov. John Sununu, head of the GOP governors. Sununu said he could estimate the impact of the affair "if you tell me what's going to happen in the next 60 days."

But in less public conversations, top GOP officials gathered here acknowledged there are potential problems for their party.

They agreed the situation was potentially most serious politically for Vice President Bush since he is the front-runner for the 1988 GOP presidential nomination.
(Peter Brown, Scripps Howard)

DEBATE SHARPENS ON WHETHER WHITE HOUSE IS BEING FORTHRIGHT

The revelation that the U.S. ambassador to Lebanon had been in secret communication with NSC officials in the White House over arms and hostage dealings without the knowledge of the State Department has sharpened debate about whether the Administration, as President Reagan has pledged, is attempting to make public all the facts -- or is covering them up.

Administration officials continue to say that "there will be no coverup," as White House political director Mitchell Daniels pledged to Republican governors meeting yesterday in New Jersey. Secretary Shultz spoke yesterday of the need to "get the dope out." But a senior Republican senator came close to charging that a cover-up has already been instituted.
(Haynes Johnson, Washington Post, A10)

WHITE HOUSE AIDE BLASTS REPUBLICANS FOR DESERTING REAGAN

Patrick Buchanan, the feisty White House communications chief, blasted Republicans on Monday for deserting President Reagan over the Iran-Contra scandal, saying that with a few exceptions "the whole damn pack has headed for the tall grass."

Buchanan also compared Lt. Col. North, a White House aide who was fired in the wake of the scandal, with Americans who have broken the law for good cause over the course of history and eventually were regarded as heroes.

"The liberal news media are the last ones to be pointing their fingers at Ronald Reagan for not getting facts straight," Buchanan said.

(Terence Hunt, AP)

Buchanan Assails 'Liberal Lynch Mob'

White House Communications Director Patrick Buchanan yesterday opened a counterattack against congressional and media critics of President Reagan, charging the "liberal lynch mob" had "gone too far."

"The mood of the White House has dramatically shifted in the last few days," Mr. Buchanan said in a speech prepared for delivery in Miami last night.

"The liberal lynch mob went too far," Mr. Buchanan said. "We're talking about the media, people in the media whose reporting is filled with innuendos.

"No one believes there should be censorship, but that doesn't negate the fact that journalists have to be responsible," he said.

(Ralph Hallow, Washington Times, A1)

Reagan Aide Blasts Critics For Response To Iran Scandal

MIAMI -- White House communications director Patrick Buchanan last night blasted the news media and members of Congress for what he called an effort to cripple the Reagan Administration over the Iran-Contra scandal.

Buchanan, in a speech to a cheering pro-Reagan rally of anti-communist Cuban and Nicaraguan exiles in Miami, admitted that fired NSC head Adm. Poindexter and his aide, Lt. Col. North, "made some questionable decisions" in their handling of the affair.

But Buchanan praised the pair for what he said were purely patriotic intentions.

"If he (Lt. Col. North) ripped off the Ayatollah and kept \$30 million and gave it to the contras, then God bless Col. North," he told the crowds of 3,000.

(Reuter)

GOP Senators Dispute Buchanan's Claim They're Deserting Reagan

Two Republican members of a Senate Panel investigating the handling of the Iran-Contra controversy say they're not deserting President Reagan despite criticism of GOP senators from White House communications director Patrick Buchanan.

Sen. Durenberger said, "I tried to read myself into that piece and I couldn't.... I have my own feelings about what the President should or should not do to his staff, but I've not made them public."

Sen. Specter said, "I think he (Buchanan) doesn't recognize the separation of power, the difference between the executive and legislative branches. I don't think anyone is running for the tall grass. I think we're trying to cut the grass."

(Tim Ahern, AP)

IT'S BUSINESS AS USUAL AT 1600 PA. AVE.

The Reagan White House is conducting business as usual, despite heavy pressures to unravel and resolve the Iran-Contra affair, senior officials said yesterday.

"You probably won't believe this and the world probably won't believe this, but other business is going on," said Peter Roussel, a White House spokesman. "Sure it [Iran] is an issue, but peoples' lives aren't revolving around it."

(Mary Belcher, Washington Times, A5)

-more-

Aides Say Reagan Believes Storm Is Abating

President Reagan believes the air is clearing over the worst crisis of his Administration, aides say, and is going about business unrelated to the scandal his communications director calls "Contragate."

White House spokesman Larry Speakes said Reagan believes his weekly radio address Saturday helped to calm the storm of controversy because he admitted the execution of his policy toward Iran "was flawed and mistakes were made."
(Helen Thomas, UPI)

FIRST LADY, GUIDING & CHIDING During Press Tour, She Denies Reports Of Quarrel

Mother Goose and Father Christmas took over the White House yesterday, but for tour guide Nancy Reagan they offered only a momentary respite from the Iran crisis.

Facing reporters at a press preview of White House Christmas decorations, the First Lady denied that she and President Reagan have been squabbling about whether Chief of Staff Donald Regan should be fired.

"No," she said when asked if the President had told her to "get off my goddamn back," as reported by The Washington Post in its Saturday editions.
(Donnie Radcliffe, Washington Post, C1)

First Lady Denies Report Of Family Tiff

Nancy Reagan, urging reporters to remember the season, denied a report that President Reagan rebuked her during a discussion of chief of staff Donald Regan, but did concede, "We disagree sometimes."

White House spokesman Larry Speakes said there was no credence to the report. "Absolutely no. It's not so," Speakes said. "I've never heard the President used that word."

Asked how the quote could have been published, he replied, "Somebody didn't get it right."
(Helen Thomas, UPI)

Mrs. Reagan Denies Quarreling With President Over Regan

Nancy Reagan says she and President Reagan have their differences, but that they never quarreled about whether the President should fire his chief of staff, Donald Regan, over the Iran controversy.

Mrs. Reagan, who is regarded by White House insiders as having great influence over the President's personnel decisions, replied in the negative again when she was asked whether the couple had disagreed over whether Regan should be let go.
(Susanne Schafer, AP)

LEAVING THE WATERGATE CLOSED

President Reagan's troubles over the Iran-Contra connection have been likened to Watergate but Julie Nixon Eisenhower refused to make any comparisons in her address to the Republican Governors Association in Parsippany, N.J. "The country needs a successful presidency," Richard Nixon's daughter said. "I would hate to see the end of his (Reagan's) term overshadowed by this."

Reporters obviously wanted her to compare Irangate to Watergate but Nixon headed it off by saying, "I feel I'm wasting your time."

(William Trott, UPI)

FOREIGN REACTION

SOVIET SAYS IRAN SCANDAL SHOWS U.S. IS DUPLICITOUS NEGOTIATOR

MOSCOW -- The Soviet Union today broke from what had been a cautious approach to the Iran arms sale scandal and attacked the Reagan Administration as an untrustworthy negotiating partner.

Deputy Foreign Minister Alexander Bessmertnykh told a press conference today that the clandestine U.S. arms sales to Tehran proved Soviet claims that the Reagan Administration has acted in duplicitous ways and even lied in its negotiations with Moscow.

"It is simply that the situation of supplying arms to Iran proved that we are right when we say that there are cases where the U.S. Administration has lied, and from this point of view this episode is interesting to us."

(Gary Lee, Washington Post, A16)

ISRAEL SOUGHT RELEASE OF ITS CAPTIVES

Shamir Says Soldiers Would Have Been Part Of U.S.-Iran Deal

JERUSALEM -- Israel had hoped for the eventual release of its own soldiers captured in Lebanon before the secret arms-for-hostages deal it brokered between the United States and Iran was prematurely exposed, Prime Minister Yitzhak Shamir said today.

"If there had not been any leaks and if the affair had not exploded, we could have got to the kidnapped soldiers because it was included in our agreement with the Americans," Shamir told a caucus of legislators of his Likud bloc. Asked if there was still a chance to gain their release, he replied, "It is now impossible to talk about it."

(Glenn Frankel, Washington Post, A14)

SHAMIR TELLS SENATORS NO ISRAELIS KNEW
OF CONTRA CONNECTION

TEL AVIV -- Prime Minister Yitzhak Shamir says none of the Israelis involved in the Iranian arms deal knew about profits being diverted to Nicaraguan rebels. But a U.S. official said the Justice Department still may want to talk to them.

In a meeting with U.S. Sens. Levin and Bingaman, the prime minister on Monday said his government had questioned those involved in the arms transfer, according to an announcement by his office. (Ruth Sinai, AP)

SAUDIS DISMISS LINK TO IRAN ARMS DEAL

RIYADH -- Saudi Arabia today dismissed press reports that it played a part in the secret U.S. arms deal with Iran.

An Information Ministry official said in a statement carried by the Saudi Press Agency that reports of Saudi involvement continued despite two denials. (Reuter story, Washington Post, A14)

U.S. ASKS SWISS AID IN CRIMINAL INVESTIGATION
OF SECORD, NORTH

GENEVA -- The U.S. government has formally asked the Swiss government to help in a criminal investigation of three Americans who are believed to have used two different Swiss bank accounts to funnel profits from clandestine arms sales to Iran to Nicaraguan rebels, according to Swiss officials.

Knowledgeable U.S. officials confirmed the request and that Secord and North were under investigation. A Justice Department spokesman had no comment on the matter. (Loren Jenkins, Washington Post, A1)

PAPANDREOU SAYS EUROPEANS "SOMEWHAT EXPOSED"
BY IRAN DEAL

ATHENS -- Greek Prime Minister Andreas Papandreou said that Greece and other European states felt "somewhat exposed" after being asked by Washington to be tough on terrorism and then learning of the arms deal with Iran.

"One aspect is that Greece, like the rest of the Europeans, felt somewhat exposed when pressed by our American friends to take a tough stand on terrorism, and then we learn about the arms deliveries to Iran," he said. (Reuter)

INTERNATIONAL NEWS

HONDURAS SAYS SANDINISTAS PULL BACK U.S. Helicopters End Airlift Of Elite Honduran Unit To Border

U.S. helicopters ended an airlift of Honduran troops to a combat staging area near the border with Nicaragua at midday yesterday as U.S. and Honduran officials said Nicaraguan forces fell back across the frontier, pressed by a Honduran sweep.

The Sandinistas were described as reluctant to engage in battle as Honduras made its most forceful response to a Sandinista incursion in five years of tension in the border area. As many as 10,000 U.S.-backed Nicaraguan rebels have been camped in the region during the past year.

A spokesman for the U.S. Embassy in Tegucigalpa, Arthur Skop, said four U.S. Chinook and five Huey helicopters returned to the base of Joint Task Force Bravo at the Palmerola airfield in western Honduras.

(Julia Preston, Washington Post, A1)

S. AFRICAN OFFICIAL DERIDES U.S. POLICY Foreign Minister Sees Further Clampdown

JOHANNESBURG -- Foreign Minister Roelof (Pik) Botha said today that South Africa will reluctantly have to distance itself from any attempts by the Reagan Administration to play a constructive role in this region's affairs because U.S. foreign policy has been discredited.

Botha said that by allowing its foreign policy to be co-opted by Congress with the passage of the antiapartheid sanctions bill, the White House had made negotiations between South Africa's white government and the black majority impossible, thereby guaranteeing a continuation of violence.

"It's an historic tragedy that a country like the United States cannot see this," Botha said in an hour-long interview in which the depth of the bitterness of the ruling National Party government toward Washington repeatedly came to the surface.

The United States, he said, will have to bear the responsibility for a prolongation of the current state of emergency in South Africa.

(William Claiborne, Washington Post, A21)

BILLIONAIRE AFRICAN LEADER HERE TO ASK FOR DEBT RELIEF FOR HIS COUNTRY

President Reagan welcomes the flamboyant billionaire president of Zaire to the White House Tuesday with public assurances the United States wants to stay his friend despite continuing corruption in his government.

U.S. Ambassador to Zaire Brandon Grove Jr. said corruption continues in the African nation, although he says there is less than there was during 1973 to 1983, when copper prices fell and an economic boom ended. But he says Zaire is important because it is potentially one of the richest African nations. Zaire, formerly the Belgian Congo, has vast mineral deposits.

(Ann McFeatters, Scripps Howard)

NATIONAL NEWS

ADMINISTRATION SLASHES FORECAST FOR ECONOMY

The Reagan Administration yesterday sharply lowered its official forecast for economic growth during 1987, showing consumer spending rising substantially less than it has this year and business investment remaining very weak.

Beryl Sprinkel, chairman of the Council of Economic Advisers, released the new numbers, which include the prediction of a 3.2 percent increase in the gross national product, adjusted for inflation, between the fourth quarter of this year and the fourth quarter of 1987. In the last official forecast issued in August, the Administration predicted real GNP would rise 4.2 percent next year.

A key assumption in the forecast is that the nation's huge trade deficit will be reduced next year by an amount equal to between one-half and one percent of GNP. (John Berry, Washington Post, A1)

Reagan Administration/Economic Outlook

The Reagan Administration, toning down its optimism from previous projections, predicts the economy will grow at a 3.2 percent rate next year, but private economists say the numbers still are too rosy.

With the latest forecast, "They're getting in the right ballpark, but I still think they're high" on the GNP forecast, said Lawrence Chimerine, chief economist for Chase Econometrics in Bala Cynwyd, Pa.

"Good luck," said Chris Caton, senior economist with Data Resources Inc. in Lexington, Mass. His firm predicts the CPI will rise 4.3 percent next year and GNP will grow only 3 percent.

Doug Handler, economist with Wharton Econometric Forecasting Associates Inc. in Philadelphia, questioned Sprinkel's employment projection, given the current unemployment rate and the economic growth projection. (John Reilly, Newhouse)

White House Sees Slightly Higher Inflation, Moderate Growth In '87

White House economic advisers Monday predicted moderate growth in the economy next year but with a higher inflation rate.

Beryl Sprinkel, chairman of the Council of Economic Advisers, said there are no indications of a recession for 1987, as about three out of 10 economists have forecast. (Ann McFeatters, Scripps Howard)

NEXT SPEAKER OF HOUSE URGES TAX CUT DELAY

House Majority Leader James Wright unanimously elected by his fellow Democrats to be the next speaker of the House, suggested yesterday that a tax cut due the wealthiest taxpayers in 1988 be postponed as part of a program to reduce the federal deficit.

Wright, who pledged that Democrats will attack the deficit "not with gimmickry but with the guts to look truth in the eye," made the suggestion at a news conference shortly after the House Democratic Caucus chose him to succeed retiring Speaker O'Neill.

(Edward Walsh & Tom Kenworthy, Washington Post, A1)

-End of A-Section-

NETWORK NEWS SUMMARY

(Monday evening, December 8th)

ADMINISTRATION

NBC's Tom Brokaw: The White House is working hard to get the situation under control and officials there believe that they are making some progress. However, as Chris Wallace reports tonight, today they were also forced to deal with still another explosive report about the Iranian role and terrorism.

NBC's Chris Wallace: Aides say the President watched some sections of the testimony and was pleased that Shultz and McFarlane produced no new bombshells. They say Mr. Reagan realizes hearings are inevitable and wants to get through them as quickly as possible. But if that went relatively well, the White House had more trouble dealing with a story in Sunday's Miami Herald that the U.S. knew Iran paid for the 1983 bombings in Beirut that killed 258 Americans and despite that later sold arms to Iran. After the bombing of a Marine barracks Vice President Bush flew to Beirut and issued this warning:

(Bush: "We are not going to let a bunch of insidious terrorists, cowards, shape the foreign policy of the United States.")

Despite that tough talk, the Herald says the U.S. learned through intercepts of diplomatic messages that Iran sent \$1 million to Iran to pay for the bombings but that the U.S. took no action. Today White House officials denied there is any hard evidence linking Iran to the bombings. Robert McFarlane also played down any linkage.

(McFarlane: "Well, that I didn't know. I don't know if that's the case.")

Meanwhile there was more disarray among Republicans, former U.N. Ambassador Kirkpatrick charging that George Shultz and Donald Regan have failed to protect the President.

(Kirkpatrick: "Above all a Cabinet officer ought, if the President's policies are questioned, either rally round or get out, quite frankly.")

There are reports Nancy Reagan is pushing so hard for Regan's removal that she and the President have fought. Today She denied there is a first family feud.

(Nancy Reagan: "We disagree sometimes, everybody disagrees." Question: "Have you disagreed on Donald Regan?" Mrs. Reagan: "No, now come on, this is Christmas.")

But it isn't Christmas at the National Security Council where sources say new NSC Adviser Frank Carlucci is planning to clean house. Some of the officials who set up the Iranian arms deal for the President say they are now being treated as outcasts here, and that they started hiring lawyers for possible criminal prosecution.

(NBC-3)

BUCHANAN

ABC's Peter Jennings: The Secretary of State and the former National Security Adviser were commended on more than one occasion today for speaking their mind to Congress. Another member of the Reagan Administration has made some waves again by speaking his. The Director of the Communications office in the White House, Patrick Buchanan, has been attacking Congress and the press for criticizing the President.

ABC's Sam Donaldson: President Reagan's only appearance before cameras today was at an awards ceremony where he said not a word about his present difficulties, but that was not the case with his outspoken Communications Director Patrick J. Buchanan, who on the op-ed page of this morning's Washington Post cut loose on the critics with a roar.

(Buchanan: "Well I feel the Republicans in Congress should speak out in support of this President and not remain silent and I feel that the press and Democrats in Congress should give the President the benefit of the doubt.")

Actually Buchanan had lashed Republicans, with a few exceptions, for desertion. The whole damn pack is headed for the tall grass.

Accused the press of pursuing the rumination of another Republican president and seemed to excuse any illegal acts in the name of the Contras by recalling that Americans who had once helped escaped slaves and Americans who had run guns to Palestine also broke the law but are considered heroes.

(Buchanan: "Give men like Ollie North the benefit of the doubt even before they have been charged.")

The suggestion that some illegal acts ought to be condoned drew sharp responses, including this one from the Secretary of State.

(Shultz: "I don't believe that a Constitutional officer has a right to declare himself above the law. You have to carry out the law.")

Others were even more outspoken.

(Rep. Barnes: "He ought to be fired for this view that high officials have a responsibility to break the law when they personally think it is in the interest of our country.")

The White House strategy these days is to present a cooperative conciliatory face, but although the Buchanan article does just the opposite, sources say neither the Chief of Staff nor the President had any criticism of it, which caused one official to say ruefully, it may make us feel good, but it sure doesn't win us any friends. (ABC-4)

CBS's Bill Plante: President Reagan chose to ignore the revelations and conflicting testimony about his Iran policy, not so his Communications Director. Pat Buchanan squared off to confront critics and defend the President's men.

(Buchanan: "You've got to get out there and fight because it is a battle and we've got to support this President, he merits our support because of who he is and because what he stands for is so right for this country. Now, Ollie North may have made a mistake, as I have said. He is a man ahead of his time.")

Plante continues:

In an opinion column in today's Washington Post Buchanan joined the President in hailing fired NSC staffer North as a hero, comparing North to Americans who broke the law hiding slaves in the underground railroad. He also faulted most Republican law makers for not defending the President. The whole damn pack, he wrote, has headed for the tall grass.

(Buchanan: "People are trying to use this to overturn the President's mandate, to cripple this presidency, and in that kind of situation Republicans should come to the defense of their President the way the President has always come to their defense.")

(Sen. Arlen Specter: "I don't think that anyone is running for the tall grass. What we are trying to do is cut the grass.")

Some Democrats were even tougher on Buchanan.

(Rep. Barnes: "I think he ought to be fired for this view that high officials have a responsibility to break the law when they personally think it is in the interest of our country.")

The First Lady was trying to avoid controversy as she conducted reporters on a tour of the White House Christmas decorations. Mrs. Reagan denied a report that the President told her to get off my back on the subject of Chief of Staff Donald Regan. But she acknowledged:

(First Lady: "We disagree sometimes, everybody disagrees." Question: "Do you disagree on Donald Regan." Mrs. Reagan: "No, now come on, it's Christmas.")

But the Christmas spirit hasn't exactly settled in yet. It wasn't until about a week ago that President Reagan understood just how bad things were. Now he and his staff wait uneasily to see if new testimony from Poindexter or North further contradicts what they have already said about the President's involvement. (CBS-2)

Brokaw: One of the remarkable aspects of this scandal is the role of many leading Republicans in offering often pointed criticism of the President? This Republican criticism brought a sharp reaction from White House Communication Director Patrick Buchanan today in the Washington Post. Buchanan asked, is this how they repay the leader who has done more for the Republican party than any American since Theodore Roosevelt, who brought us back from Watergate? Buchanan went on to say about Lt. Col. North, and Ollie North is a hero. The day the United States ceases to produce soldiers of the kidney and spleen and heart and soul of Oliver North is the day this country enters on its irreversible decline. At the White House today I talked to Buchanan about his charges against fellow members of the Republican party.

Buchanan: A lot of Republicans on Capitol Hill are more frightened of the national press corps than they are loyal to Ronald Reagan. What I have urged them to do is look, stand up and speak out. No matter what has happened here Ronald Reagan is the best thing ever to have happened to this Republican party, he is doing more for us and done more for us than any body I can image.

Brokaw: But it's Dole and Laxalt and Goldwater, the lions of the Republican party, who have said that the President made mistakes here, who have been critical.

Buchanan: We've taken a lot of criticism and now it's time for the Republican party to help. Because as I said this is not only a legal question, this is a political battle, it is between Ronald Reagan and the Congress for control of the foreign policy agenda, it is over the battle in Central America whether or not the Contras are going to be funded or defunded, it is over SDI, it is over everything we won in 1984.

Brokaw: And Buchanan had a ringing endorsement for Lt. Col. North.

Buchanan: Col. North is one of the finest officers I've ever met. He is one of the best people I've ever worked for in the White House.

Brokaw: But the Attorney General has said that Oliver North apparently broke the law and he asked for an independent counsel to investigate all of this.

Buchanan: Ollie North had to go, he does not have to go undefended. Whatever he did, his motivation was to provide assistance to the freedom fighters in Central America.

Brokaw: You were here during Watergate, you know the price that can be paid for the President, for the Nation, for the Republican party if this drags on too long. Wouldn't it be better to end it soon?

Buchanan: We get our story out, we cooperate with all the committees and authorities but ultimately Tom, this is going to get down to a political struggle. Ultimately that's what Watergate was about, not simply what did the President know and when did he know it but who will control American foreign policy and whether decisions are going to be reversed on Capitol Hill that were taken by the American people in the election of 1984. (NBC-13)

SHULTZ TESTIMONY

NBC's John Dancy: Shultz made it clear that he had been frozen out of the Iran arms dealing, so frozen out that the U.S. ambassador in Beirut John Kelly was talking secretly with the White House and National Security Council staff members about the hostage situation without Shultz's knowledge. Shultz did not know until last weekend. (Secretary Shultz: "So I got a response for Mr. John Kelly and I will read his response. I met in Washington in July or August 1986 with Robert McFarlane who briefed me on the hostage negotiations involving arms to Iran as an inducement. Between the dates of October 30 and November 4, 1986, I had numerous conversations with Lt. Col. Oliver North and Richard V. Secord relating to the hostage negotiations with Iran. During that period I received and sent numerous 'backchannel' messages to and from the White House, Adm. Poindexter, concerning the hostage negotiations." Question: "Is that an unusual or unique situation or something in violation of any of the State Department regulations?" Shultz: "I hope it is unique.") But Ambassador Kelly, a career foreign service officer for 20 years, did not tell Shultz, leaving him in the dark. Shultz also maintained that he knew little about the Iran arms deal. As for money from the arms sale diverted to the Contras, Shultz said his knowledge was zero.

Dancy continues:

(Shultz: "My knowledge of what took place was sporadic and fragmentary and materially incomplete. So I'm not the witness to tell you all of the things that took place because I'm not informed. In so far as any question, I'm repeating, but I want to repeat, any question of diversion of funds to support the Nicaraguan democratic resistance, my knowledge was not fragmentary, it was nonexistent.")

Shultz said he had opposed selling arms to Iran but that the President had legal authority to do it. However, Shultz conceded:

(Shultz: "As the President has forthrightly stated 'that the execution of these policies was flawed and mistakes were made'.")

A Congressman wondered what exactly was the mistake?

(Shultz: "Well, very clearly it was a mistake to get involved in the illegal arms transfer, or funds transfer.")

Former National Security Adviser Robert McFarlane denies his meeting with the ambassador to Lebanon had been about the hostages. McFarlane, who was National Security Adviser when the Iran arms deal was hatched, testified he was aware of the Contra connection, that Lt. Col. Oliver North had told him.

(Question: "Did you say Ollie you're breaking the law? You know the law Mr. McFarlane." Robert McFarlane: "It did not seem to me to be at the time a matter where the authority did not exist.")

McFarlane said North and Poindexter would not have acted without higher authority, a congressman wondered if that authority came from the President.

(McFarlane: "I firmly believe that the President of the United States did not know of and did not approve such actions.")

Rather, McFarlane said the Administration's desire to help the Contras was so great that a climate was created at the White House in which Poindexter and North may have thought they had the authority for the funds transfer.

(McFarlane: In other words, kind of happened by inference that if such matters took place, and I don't know that they did, that this is a context in which it might have happened." Question: "My time is expired Mr. McFarlane, but there is nothing wrong with the system it is the people who are running the system.")

Frustrated congressmen did not get an answer today to the one central question, who was giving the orders. They are not likely to get many more answers tomorrow when they have called former National Security Adviser John Poindexter and Lt. Col. Oliver North before the committee. Both have previously refused to testify before another congressional committee. (NBC-Lead)

ABC's John McWethy reports while pointing a finger at others for breaking the law, George Shultz said that the State Department is clean. In his balancing act today he was uncharacteristically critical of the President's foreign policy but said that he, Shultz, is still very much a Reagan man. (ABC-Lead)

CBS's Phil Jones reports the major revelation by Shultz was his disclosure that one of his own ambassadors, John Kelly in Beirut, had sent a cable to Washington over the weekend admitting that he worked directly with the National Security Council. (CBS-Lead)

McFARLANE

ABC's Charles Gibson reports former National Security Adviser Robert McFarlane said the Iranian arms sale process started July 1985 when a third country conveyed some Iranians wanted contact with the United States. The currency of the undertaking to try and moderate Iranian behavior, he said, had to be arms and so a month later, he said, the President approved the principle of arms for Iran. And that contradicting, of course, Attorney General Meese's contention that the President did not approve arms sales until this year. McFarlane says when it was clear after six months the arms sales were not moderating Iranian behavior they should have been stopped. They were not, of course, and McFarlane says the President had become driven by a desire to free the hostages. That contradicting the President's frequent assertions he was not swapping arms for hostages. (ABC-2)

FIRST LADY

Jennings: The First Lady Nancy Reagan told reporters today that she and the President had not quarrelled over whether he should fire his Chief of Staff Donald Regan. Mrs. Reagan did say we disagree sometimes, everybody does. (ABC-5)

SWISS BANK

ABC's Barbara Walters reports Credit Suisse announced today it had frozen an account of an American company known as Lake Resources Inc. ABC News has learned that Lake Resources is the name and the account that was used in the transfer of money from Iran in the payment of weapons. (ABC-7)

CASEY

NBC's Art Kent reports an angry CIA Director struck back at his critics this evening insisting once again that neither he nor the CIA had done anything wrong in the Iran-Contra operation. Casey reserved his harshest criticism for Sen. Richard Lugar. (Casey: "I'm deeply disappointed that a U.S. Senator of Dick Lugar's stature and reputation has seen fit to rush to judgement without the benefit of the information which I and the CIA also are making available to our oversight committees.") Casey said the oversight committees would be convinced. (Casey: "I'm confident that those members who do have access to it will agree that the agency and I have acted in a lawful and proper manner.") Casey was adamant that the CIA was not even aware of any money from Iran other than the \$12 million that was owed the Pentagon for arms. Casey will be testifying in closed session before the House Foreign Affairs Committee Wednesday where he will again insist that the CIA is clean on the Iran arms deal. (NBC-4)

HONDURAS

Brokaw: The White House today used the word terminated to describe the end of unarmed U.S. military helicopter flights in Honduras. Those helicopters were used to airlift hundreds of Honduran troops to a border battle zone where Honduras claimed Nicaraguan soldiers had crossed in pursuit of the Contras.

NBC's Dennis Murphy reports the biggest fear (in Nicaragua) is that President Reagan will try to divert attention from his domestic troubles by using the skirmish in Honduras as a pretext for sending American troops into Nicaragua. The Nicaraguan show of force on the border is an attempt to keep the Contras pinned down in their camps until the political drama in Washington plays itself out.

(NBC-6, ABC-8, CBS-4)

ELEPHANT HERD

CBS's David Martin: In June of 1983 the Pentagon and CIA drew up a plan to stockpile military equipment in case Congress voted to cut off aid to the Contras. Although the CIA denies it, military officers working on the program say it was ordered by the President. The project was nicknamed Elephant Herd. The CIA prepared a list of \$32 million worth of military equipment it wanted the Pentagon to supply. Military officers called it the Christmas list because it contained more than the Contras could use at the time. Since Congress already had placed strict limits on what the CIA could spend in Central America, the plan called for the Pentagon to foot the bill. The Pentagon refused, although it did agree to declare three small planes surplus and give them to the CIA. The rest of the Christmas list was sharply pruned to about \$10 million worth of boots, uniforms and cannons, which the CIA paid for and shipped to the Contras. Two sources say Lt. Col. Oliver North worked directly with the CIA on operation Elephant Herd. Another officer involved in the operation: Army Col. James Longhoffer, a decorated combat veteran who was serving as the liaison between the CIA and the Army. Earlier this year Longhoffer was convicted by a court martial on charges stemming from an Army claim that he had failed to properly supervise secret operations. He was sentenced to a year of hard labor in Fort Leavenworth prison, but last month, in a move lawyers called unprecedented, the court of military review ordered Longhoffer released pending an appeal of his conviction.

(Question: "Did you expect to get out?" Longhoffer: "I was surprised. But I am very happy that the decision was in our favor.")

The court ordered Longhoffer release on November 25th, the same day his former colleague in operation Elephant Herd, North was fired, charged with conducting unauthorized secret operations, again to help the Contras. Longhoffer's lawyer said the timing of the release was just a coincidence. The CIA today says anyone who thought project Elephant Herd was ordered by the President was mistaken. (CBS-6)

INDEPENDENT COUNSEL

Brokaw: The Justice Department application for an independent counsel in this arms scandal was made public today. It was a broadly worded document that was most specific when it listed the specific qualifications of the counsel. It called for an appreciation of, among other things, international relations, national security, defense and foreign military sales. But it did not name any specific law that might have been violated or any possible wrong doer, other than Oliver North, by name. (NBC-5, ABC-6, CBS-3)

208 COMMITTEE

Rather: Until he was fired a few days ago, Oliver North participated in a government group called the 208 committee. This group was designed, so it is claimed, to hide money for help to the Nicaraguan rebels. Several congressional investigators have told CBS News that they are looking into this group's activities. (CBS-5)

EDITORIALS/COLUMNISTS

ADMINISTRATION/IRAN

The Little Fibs That Catch Up -- "One of the most astonishing things about the Iranian caper is how, all of a sudden, the American people stopped believing Ronald Reagan.... Probably the public knew full well all along that Reagan had a way of play-acting with the truth, but most instances were not on matters worth getting worked up over. Iran, terrorism and possible misuse of power are. The lesson is one of the oldest: If you don't tell the truth on small matters, you won't be believed on the big ones." (Des Moines Register, 12/5)

The Press and Ronald Reagan -- "As their hero's protective coating slips down around his ankles, the confirmed Reaganauts have begun trying to convince people (themselves included, probably) that he is the victim of an unusually bloodthirsty press. It is an old and predictable ploy, and it's never been so utterly baseless as in the present instance.... For a term and a half, the herd generally moved in the direction Reagan wanted, trampling down his political enemies in the process. If it is now doubling back on him, he at least has the consolation of knowing that he controlled it longer than most. Probably a small consolation in the present circumstances." (Arkansas Gazette, 12/4)

...And the News Media -- "Does Mr. Reagan think his nosedive in the polls -- the sharpest one-month decline ever recorded -- was caused by the press rather than by the voters' strong discontent with his Iranian dealings?... Such thinking in the Oval Office could foster a siege mentality in the White House with disastrous results for the remainder of the Reagan presidency." (San Diego Union, 12/3)

Secrecy, Mistakes Created Scandal -- "This business was so sensitive, so sacred, so secret that nobody could be trusted except a handful of White House intimates. The media couldn't be trusted. The Congress couldn't be trusted. And the people couldn't be trusted. That is a distorted and dangerous view of democracy. It profanes the ideal of government by the people.... The media should be criticized not because it exposed those mistakes, but because it failed for so long to do so." (USA Today, 12/8)

The Real Reagan -- "Whatever happened to Ronald Reagan? That is the puzzling question in light of his current foreign policy problems.... Yet in two major foreign policy confrontations lately -- the Reykjavik summit and the arms deal with Iran -- we have seen a very uncharacteristic Ronald Reagan.... Was Reagan so anxious to get an arms control agreement, and to get U.S. hostages freed, that he abandoned his traditional caution and position of strength in favor of impulsive and shortsighted initiatives?... What is needed is a President healed of his recent political wounds, and a foreign policy restored to vigor and integrity. Will the real Ronald Reagan please stand up?"

(John Hughes, Christian Science Monitor, 11/26)

No One Gave the Order to Abandon Reagan's Ship -- "Of all the lurid features in the bizarre tapestry of 'Contragate,' perhaps most revealing is the behavior of the Republican Party establishment, which owes all it has and all it is to Ronald Wilson Reagan. With a few honorable exceptions -- J. Strom Thurmond and Ted Stevens come to mind -- the whole damn pack has headed for the tall grass."

(Patrick Buchanan, Washington Post, 12/8)

1973 Revisited? -- "Americans will look kindly at a leader who levels with them, and who tells them that although he meant well, his decisions, in retrospect, were unwise. Two words -- 'I'm sorry' -- will go a long way in restoring public trust in Mr. Reagan, if they are genuinely uttered."

(Hartford Courant, 12/3)

A Big Step Toward Credibility -- "In any way of looking at this tragedy of misgovernment, the President was badly served by his staff -- whatever he knew about it or didn't know and whatever advice was given or withheld."

(Denver Post, 12/3)

Reagan Reacts -- "While one cannot condone the Reagan Administration's irrational policy of paying ransom, in the form of variously estimated amounts of armaments, to Iran to get back American hostages or the bizarre derivative of that policy, the so-called Nicaragua connection, it must be conceded at this writing that President Reagan is living up to his pledge to ascertain how the latter happened and how it can be prevented in the future. It is difficult to fault his recent actions."

(Union Leader, 12/3)

Is the Iran Crisis as Serious as Watergate? -- "Ronald Reagan will not be appearing in a rerun of Watergate. The allusions to Irangate, Northgate or Reagangate, the notion of a 794-day national trauma leading to the abdication of an American president, are unfair to Reagan, to the nation and to an understanding of what really is happening.... The outcome of this new Washington theater piece may include indictments, show hearings and new espionage tales. But what really is in question is whether it will result in new restraint on a president's power to operate without the knowledge or support of Congress and the people."

(Nicholas Horrock, Arkansas Gazette, 12/4)

The Fifth Horseman -- "While a low-key reorganization of the NSC is what the situation demands, Mr. Carlucci soon will have an opportunity to move this critical institution in the proper direction. If he uses his gifts for this purpose, the sad affair that began with Iran may produce a happy ending yet."

(Washington Times, 12/4)

Three Good Moves in the White House -- "Fresh air displaced some of the unsavory atmosphere pervading the White House. Late but welcome, two announcements Tuesday by President Reagan and one Monday offer hope that he is willing to sift through a record that has become ever more unsavory with revelations of bizarre, possibly illegal, double and triple dealing over arms for Iran and money for the Nicaraguan contras. The hope is that the President meant what he said to the public yesterday: 'You're entitled to have your questions answered.'"

(Minneapolis Star and Tribune, 12/3)

FOREIGN MEDIA REACTION

IRAN/CONTRA AFFAIR

"Republican congressmen have warmly welcomed President Reagan's admission over the weekend that mistakes were made in the Iran arms deal and his promise to set things right.... He did not specify what flaws were made or who was responsible, and he stopped short of saying he had actually made a mistake. However, his tone was markedly changed from his earlier defiance on the issues...." (Times, Britain)

"The cautiously formulated admission, which received quick positive response in Congress, followed almost word-for-word remarks made by Vice President Bush." (Le Matin, France)

"A change in President Reagan's crisis management is clearly discernable.... For the first time he used the term 'mistake.'... The new formula...is that the decision was right but the way it was carried out was wrong. That falls far short of an admission of guilt.... The strategy behind the new formula is clear: one has begun to protect the President after letting him stand in the storm center of the crisis for weeks. This strategy is wise because loss of confidence, paralysis and restriction of the White House's freedom to maneuver threatened to become a dangerous burden for the entire Western Alliance...." (Die Welt, West Germany)

HONDURAN BORDER INCIDENT

"The U.S. help was requested by the Honduran government. However, the U.S. action, coming at a time of uproar here over illegal and secret help to the Contras, is likely to fuel the controversy over the American role in attempting to put military pressure on Managua." (Times, Britain)

"The United States simply indicated that no American citizen was participating in the fighting, but the Nicaraguan Foreign Minister said an aircraft of probably U.S. origin had bombed Nicaraguan positions. Let's recall that Washington never hid its desire to destabilize the Marxist regime in Nicaragua." (Antenne-2 TV, France)

"Upon request by the armed forces and in view of the latest events at the border with Nicaragua...the Honduran government had asked the U.S. government for transport aircraft to take Honduran troops to El Paraiso department bordering Nicaragua. This request was honored immediately. For this reason, the Honduran government hereby thanks the U.S. government publicly...." (Radio America; Tegucigalpa, Honduras)

"Northern Nicaragua was subjected to criminal bombing yesterday, Nicaraguan Foreign Minister Miguel d'Escoto told a Managua news conference.... U.S. aircraft, which intruded from Honduras, attacked...Nicaraguan border settlements.... Tentative estimates put the number of injured in the piratic raids at eight. There are civilians among them." (TASS, Soviet Union)