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FRIDAY, DECEMBER 12, 1986 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

IRAN -- NICARAGUA

Reagan Aides, Concern Rising, Seek Guidance -- Aides to President Reagan are said to have concluded, for the first time in his tenure, that they are unable to quell a major crisis and have begun to ask former White House officials for advice.

(New York Times, Washington Post, AP, Reuter)

Iranian Arms Dealer Says He Arranged Hostage Release -- Iranian arms dealer Manucher Ghorbanifar said last night he went to Lebanon to personally arrange the release of three American hostages and said there was hope the remaining five could eventually be freed.

(Washington Post, AP, Reuter)

INTERNATIONAL NEWS

NATO Foreign Ministers Rally Behind U.S. Arms Plans -- Washington's West European allies appear to have set doubts aside and rallied behind American ideas on arms control that emerged at the U.S.-Soviet summit in Iceland.

(Washington Post, Reuter)

NETWORK NEWS (Thursday Evening)

CASEY TESTIMONY -- Members of Congress are trying to establish just when the CIA director knew money made from arms sales to Iran was being diverted to the contras.

SHULTZ/NATO -- Secretary Shultz is trying to repair the damage of the disclosure about arms sales to Iran.

SALT II/WEINBERGER -- Secretary Weinberger accused the Soviets of violating SALT II terms all along.

A Little Perspective

On the first day of public hearings on "Irangate," more than 200 reporters watched the affair; only about a dozen members of the public showed up.

Thursday, Dec. 11, 1986/THE DETROIT NEWS

IRAN — NICARAGUA

OUTSIDE ADVISERS URGE REAGAN TO ACT ON CRISIS Ability To Govern Effectively Said At Risk

Elder statesmen from both parties have conferred privately with President Reagan in recent days as part of an effort by longtime associates to persuade him that he must take additional strong action to rescue himself from the damage caused by the Iran arms crisis.

Informed sources said yesterday Reagan has talked at the White House with former Democratic national chairman Robert Strauss and former secretary of state William Rogers about the Iran crisis and that former Senate majority leader Howard Baker has met with Vice President Bush.

The three reportedly offered differing advice on how Reagan should cope with the crisis but agreed that he cannot remain passive while investigations into the Iran affair accelerate. They also suggested that more is at stake for the President than public relations and that the success of his presidency and his ability to govern effectively in the final two years of his term is at risk, the sources said.

In a letter to The Washington Post published today, Senator Dole said the impasse threatening Reagan's credibility and leadership could be broken if two former aides, Vice Adm. Poindexter and Lt. Col North, volunteered "to go to the President and tell him everything" about the Iran operations. That advice reflected one line of action recommended privately to Reagan, but others think that he needs to make even stronger moves.

(David Hoffman & David Broder, Washington Post, A1)

Reagan Aides, Concern Rising, Seek Guidance

Aides to President Reagan are said to have concluded, for the first time in his tenure, that they are unable to quell a major crisis and have begun to ask former White House officials for advice.

Present and former officials said today that the decision to look for outside help reflected concern in the White House that the crisis over the secret Iran arms sale and the diversion of proceeds to Nicaraguan rebels was increasing.

(Gerald Boyd & Bernard Weinraub, New York Times, A1)

Report: Reagan Aides Seek Outside Help To Solve Crisis

NEW YORK -- White House aides are looking for outside help to extricate President Reagan from the crisis of confidence sparked by the Iran-contra arms deal, The New York Times reported today.

The search for outside help from former White House officials indicates that current aides feel the crisis is worsening, according to present and former officials cited by the newspaper.

White House Chief of Staff Donald Regan has approved the approach, the newspaper said, citing sources who said the plan may be an attempt by Regan to quell demands that he resigns.

(Reuter)

Pressure Stays On Reagan To Fire Key Aides

Congressional pressure increased today for President Reagan to fire key advisers who say they didn't know that funds from U.S. arms sales to Iran were shifted to finance Nicaragua rebels.

Richard Lugar said yesterday he wants CIA Director Casey ousted as well as White House Chief of Staff Donald Regan.

"There needs to be a separation. We need to separate those who will be involved in the investigation from those who need to run the country -- they can't do both," Lugar told Reuters through a spokesman.

Rep. Broomfield said, "I think we need a fresh start."

(Michael Posner, Reuter)

Donald Regan Hangs On, Despite Rockiest Of Days

If Donald Regan is still White House chief of staff after the first of the year, he will have beaten the odds in this politically savvy city where the smart money rides only on winners.

But President Reagan's tough-talking White House boss is not taking hints from the bookmakers and appears determined to ride out the storm over his stewardship during the gravest political crisis of Reagan's presidency.

Regan's response has been to drop out of sight. At recent public events, when he normally would be at Reagan's side, the chief of staff has stayed out of range of the ever-vigilant cameras. And he was conspicuously absent from the Reagan's private Christmas ball for members of Congress Tuesday night.

"He's disappeared from sight because he's working on the budget," explained Larry Speakes.

(Michael Putzel, AP)

IRAN AFFAIR AND PUBLIC ETHICS Scandal Is Seen As Symptomatic Of Other National Ills

As the American people anguish over the latest scandal involving the presidency, the question arises: Is the Iran-contra affair simply another example of poor management and unlawful activity in government, or does it reflect changing social and moral attitudes touching a whole spectrum of institutions?

Social critics suggest that the probing of the Iran-contra caper, expected to go on for months, may prove salutary for the nation if it compels a reexamination of ethical standards and attitudes toward the law at every level of society, inside and outside government.

(Charlotte Saikowski, Christian Science Monitor, A1)

PRESIDENT REAGAN/AIDES

President Reagan purposely cut out some top aides from his Jan. 17 authorization to sell arms to Iran, apparently bypassing his own procedure for circulating national security decisions, White House spokesman Larry Speakes said Thursday.

In a White House beribboned for the holidays but under siege from the widening foreign policy scandal, Speakes refused to acknowledge a report in The Washington Post that a 1982 "national security decision directive" by Reagan set up a system for notifying eight top U.S. foreign and defense policy officials of key decisions. (Ira Allen, UPI)

REAGAN TO UNVEIL 'NATIONAL SECURITY STRATEGY' IN JANUARY, AIDE SAYS

President Reagan will unveil a comprehensive "national security strategy" in January to try to explain what the United States is trying to achieve with its defense and foreign aid budgets, a White House official said Thursday.

Ronald Sable, a special assistant to the President for national security affairs who has worked on the document, said work on the plan began long before Reagan came under fire over the Iran arms deal and the apparent disarray in his foreign policy apparatus surrounding the Iceland summit.

(Frank Morring, Scripps Howard)

REAGAN SIDESTEPS IRAN-CONTRA SCANDAL

President Reagan, facing a long siege with the Iran arms-Contra aid scandal, has turned his attention to next year's budget and domestic programs as investigators rummage through his files.

Larry Speakes said that Reagan is maintaining an "even Keel" during the heavy barrage from Capitol Hill and the media about the secret operation that diverted up to \$30 million in arms sales profits from Iran to the Nicaraguan rebels. (Helen Thomas, UPI)

ARMS AND HOSTAGES: DEALINGS THAT WENT SOUR Khashoggi Put Up Millions Of Dollars; U.S. Withheld An Arms Shipment When Hostages Were Not Freed

A clearer and more detailed outline of the secret dealings between the United States and Iran involving the selling of U.S. arms and the freeing of American hostages held in Lebanon emerged this week from congressional investigations and closed-door hearings, according to sources familiar with these inquiries on Capitol Hill.

The dealings between the United States and Iran from August 1985 until this October became contentious during this year, and on one occasion the United States held back an arms shipment because an expected release of hostages did not occur, informed sources said yesterday. (Walter Pincus, Washington Post, A1)

CASEY EVALUATION ENCOURAGED TALKS
Israeli Data On 'Moderates' In Iran Judged Bona Fide

CIA Director Casey encouraged the secret White House initiative toward Iran in the summer of 1985 by providing his own intelligence evaluation, which supported Israeli claims that "moderates" in Iran were willing to open talks with the United States, informed sources said yesterday.

Casey, who has consistently described his and the CIA's role in the Iran affair as minimal, was asked to make the evaluation by Robert McFarlane, then national security adviser to President Reagan, according to the sources. This followed a July 1985 meeting in Washington between McFarlane and David Kimche, then director general of the Israeli Foreign Ministry and a 30-year veteran of the Israeli Mossad secret intelligence service.

(Bob Woodward, Washington Post, A1)

Order To Bypass Congress On Iran Called CIA Idea

Government officials said today that the CIA originally proposed the idea of keeping the Iran arms sale secret from Congress. They said the agency took the unusual step in the first draft of what became a Presidential order guiding the program.

The decision not to tell Congress was a crucial step in the Iran affair, according to Administration officials, because it meant that the entire operation had to be run outside normal channels.

(Stephen Engelberg, New York Times, A1)

WHITE HOUSE WARNED ABOUT CIA ARMS LINK

PORTLAND -- The Reagan Administration was alerted early this year to possible CIA involvement in a secret June 1985 plan to sell F-4E fighter jets to Iran, said an Oregon businessman who sought approval to ship arms to Iran.

Richard Brenneke informed the senior military aide to Vice President Bush, a senior State Department official and a Marine intelligence officer about the alleged CIA arms deal, according to Brenneke letters provided by the federal government in a New York arms-sales trial.

(J.H. Doyle, Washington Times, A1)

WHITE HOUSE TURNS OVER SECRET DOCUMENTS TO SENATE PANEL

The White House Thursday began giving the Senate Intelligence Committee secret documents detailing the private network set up to funnel arms financed by the Iranian arms sale to the Contras.

"Privatization of the (Contra) war -- that's a good word for what happened," said Committee Chairman Durenberger, who has been negotiating with the White House for the NSC documents since last week.

(Lance Gay, Scripps Howard)

White House Sends Documents To Senate Intelligence Committee

Embattled CIA Director Casey said Thursday he was aware in October the secret U.S. arms sales to Iran had gone awry but the nation's top intelligence officer said he did not know the profits were diverted to Nicaraguan rebels until it was announced publicly last month.

At the White House, NSC staff members were gathering documents subpoenaed by the Senate Intelligence Committee, which Thursday received about half of the specific memos and reports it sought. (UPI)

JUDGE NARROW SEARCH FOR SPECIAL PROSECUTOR

A special court seeking an independent prosecutor to investigate the Iran arms-Contra aid scandal has narrowed its search, but the list of candidates "changes day to day," according to a judge on the panel.

U.S. Appeals Judge George MacKinnon of the District of Columbia said Thursday he would not identify any of the candidates being considered.

However, legal sources said Lawrence Walsh, 74, has emerged as one of the leading candidates for the job. (Judi Hasson, UPI)

ABRAMS SAYS DONATION WAS TO TIDE OVER REBELS Aide Doubts Contras Got Iran Arms Profits

Assistant Secretary of State Elliott Abrams says he sought to raise several million dollars for the Nicaraguan contra rebels from a foreign government -- widely identified as the oil-rich sultanate of Brunei -- in order to "bridge the gap" between periods of congressional funding.

Abrams, the State Department's "point man" for support of the rebels fighting the government of Nicaragua, said in an interview that as of two weeks ago the money he solicited for the contras from "a heavy hitter" abroad had not been received. Since then, the matter has been taken out of his hands by State Department legal adviser Abraham Sofaer, he said.

(Don Oberdorfer & Joanne Omang, Washington Post, A16)

RODINO PANEL ASKS MEESE TO EXPLAIN HIS ROLE Head Start Sought For Select Committee Probe

The House Judiciary Committee, formally launching its own preliminary inquiry, called on Attorney General Meese yesterday for a detailed explanation of his role in the Reagan Administration's secret arms sales to Iran and subsequent events leading to Meese's Nov. 25 disclosure that millions of dollars had been diverted to help the rebel forces in Nicaragua.

Chairman Peter Rodino told Meese in a seven-page letter that the panel is exploring the Justice Department's involvement in the Iran-contra affair so that the panel can assist in the full-dress investigation to be begun in January by a select House committee.

(George Lardner, Washington Post, A16)

Iran/Rodino/Meese

The chairman of the House Judiciary Committee has asked Attorney General Meese to provide detailed information about his own knowledge and advisory role in the sale of weapons to Iran and the diversion of the funds to the Nicaraguan rebels.

In his letter, the New Jersey Democrat said testimony this week before the House Foreign Affairs Committee "indicated that members of the President's Cabinet, as well as NSC members and staff, were involved in discussions concerning, and advice rendered, relative to the Iran arms sales and the diversion of funds to the Contras.

(Robert Cohen, Newhouse)

HOUSE INVESTIGATORS QUESTION WHITTLESEY'S LINK
TO CONTRA FUNDS

House investigators are probing whether Faith Whittlesey, U.S. Ambassador to Switzerland, helped set up a Swiss bank account for funneling Iranian arms sale profits to the Contras.

Her lawyer, Michael Horowitz of Washington, said she knew nothing about the secret bank accounts, which Attorney General Meese has said were used to funnel up to \$30 million to the Nicaraguan rebels.

(John Bennett, Scripps Howard)

BYPASSING SHULTZ -- 'IT HAPPENS ALL THE TIME'

Secretary Shultz was indignant when he learned that the U.S. ambassador to Lebanon had kept him in the dark on the Iran issue, but several experts say the practice is routine.

"It happens all the time," said Norman Bailey, who once served as a special assistant to President Reagan on the NSC staff.

"Ambassadors do not work for the State Department, they work for the President," said Bailey, now a Washington lawyer.

(George Gedda, AP)

REAGAN BOUNCED BACK ONCE BEFORE

Once before in his presidency, Ronald Reagan reversed a deep slide in his public standing and eventually pumped his poll ratings back to daunting heights. But can he make the magic work again?

The continuing scandal surrounding arms sales to Iran has hammered Reagan's poll figures -- a 21-point drop in his job rating in a month, according to the CBS News/New York Times survey. Other polls reflect similar plunges.

But Reagan has been here before and worse -- at least in terms of the polls.

But these doubts have not drained the tremendous reservoir of good will that remains for Reagan. Americans still think he is honest, in fact, more honest than most people in public office, even according to the CBS/New York Times poll that found many disbelieving him on this issue. And they like him.

(Evans Witt, News Analysis, AP)

DOMESTIC REACTION

NEW OPTIMISM FOR DEMOCRATS Hopes For '88 Are Buoyed By Republicans' Crisis

WILLIAMSBURG, VA. -- Elected Democratic moderates who gathered here today to begin shaping a party agenda for the 1988 presidential campaign found themselves diverted by a strange sensation: they actually feel they may win.

The surge in hopefulness -- mostly an outgrowth of the Iran-contra scandal -- suffused the Democratic Leadership Council's issues conference with a curious mix of giddiness, sobriety and pragmatism.

"The biggest mistake we could make is to view the Iran affair as a free pass to the White House," council chairman and former Virginia governor Charles Robb warned. "...Not even the most partisan Democrat can take any real delight in the President's very serious predicament."

(Paul Taylor, Washington Post, A3)

Democrats Shy Away From Overconfidence

WILLIAMSBURG -- Democrats meeting here see political gains in the crisis they call "Gippergate," but their main focus is on new approaches to trade, defense and deficit spending problems.

Iran did draw some partisan rhetoric, however. Mr. Robb said the big question about Mr. Reagan is "What did he know and when did he forget it?"

(Thomas Brandt, Washington Times, A2)

MCFARLANE DEFENDS U.S. EFFORTS TO ESTABLISH CONTACTS WITH IRANIANS

American overtures to moderate Iranian officials may still be good strategy, yet such a major foreign policy effort requires the support of Congress and the American people, former national security adviser Robert McFarlane says.

He insisted in a speech Thursday that the attempt to make contacts with authorities within the hostile Tehran regime was "sensible, apparently feasible, and perhaps still a valuable course to pursue."

(Harry Rosenthal, AP)

HILL ASKING: WHO GOT THE ARMS MONEY?

Congressional investigators yesterday said they are still puzzled after weeks of testimony about what happened to the money said to have been skimmed off the proceeds from secret arms sales to the Khomeini regime.

Mr. Casey and the man he said originally tipped him off that something might have gone wrong with the arms sales -- New York businessman Roy Furmark -- testified separately before different committees yesterday.

But Sen. Cohen said the committee still is unsure of where the funds went and to whom.

(Christopher Simpson & Michael Hedges, Washington Times, A1)

THE PRESIDENCY/BUCHANAN

In his bare-knuckle attempt to defend President Reagan in the Iran-Contra crisis, Patrick Buchanan, White House communications director, may be adding to the damage with his demands for damn-the-facts-support-the-President loyalty.

It's the same sort of loyalty Buchanan advocated in the midst of the Watergate scandal when he was speechwriter for President Richard Nixon.

Buchanan prefers the public to view the dispute as a political brawl. He angrily accuses leading Republicans in Congress of deserting the President under fire instead of rallying to his side. Buchanan's tactics, however, are likely to accelerate the politicization of the issue.

(Miles Benson, Newhouse)

SHCHARANSKY WARNS IRAN FLAP ENCOURAGES SOVIET HUMAN RIGHTS VIOLATIONS

Former Soviet dissident Anatoly Shcharansky warned Thursday that the Soviet Union is encouraged to escalate human rights repression by the U.S. preoccupation with the weapons sale to Iran and diversion of profits to the Contra rebels in Nicaragua.

"The Soviet Union can have more encouragement in this situation to continue strong repression against dissidents, Jews and so on..." said Shcharansky. "The sooner America will go over this, will recover from this crisis, the better it will be for all of us and definitely for the international situation and for the subject of human rights."

(Robert Estill, Copley)

IRAN ARMS/COURTS

NEW YORK -- The attorney for one of 13 defendants charged with scheming to illegally sell \$2 billion in arms to Iran sought information Thursday on CIA Director Casey's contacts with a New York businessman.

The businessman, Roy Furmark, reportedly tipped Casey Oct. 7 on the diversion of profits from the Iran arms sales to the Nicaraguan rebels.

(UPI)

FOREIGN REACTION

IRAN/SAUDI ARABIA/NORTH

The key Iranian and Saudi Arabian middlemen in the Iran arms sale say fired White House aide Oliver North probably controlled the swiss accounts that held money from the deal.

Speaking on the television program "20-20," the Iranian, Manucher Ghorbanifar, and the Saudi, Adnan Khashoggi, said Iran initiated the contacts. They said then-White House national security adviser Robert McFarlane responded by asking for Iranian help in getting hostages out of Lebanon.

Khashoggi said he believed President Reagan approved the arrangement before the first shipment to Iran, which he said was in August 1985.

(AP)

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Iranian Arms Dealer Says He Arranged Hostage Release

Iranian arms dealer Manucher Ghorbanifar said last night he went to Lebanon to personally arrange the release of three American hostages and said there was hope the remaining five could eventually be freed.

He appeared on ABC's 20/20 with Saudi arms dealer, his friend Adnan Khashoggi, who has said the idea of restoring better U.S. relations with Iran and encouraging moderate elements in its revolutionary government was first raised by Ghorbanifar. (Reuter)

Middlemen In Arms Deals Say North Controlled Swiss Bank Accounts

Ousted White House aide Oliver North apparently controlled Swiss bank accounts through which up to \$35 million was deposited in the secret Iran arms deals he coordinated, say two key middlemen in the transactions.

North, a Marine lieutenant colonel then on the NSC, seemed to be acting largely on his own, the pair said in a television interview detailing for the first time North's purported role in the affair.

(Jim Drinkard, AP)

Iranian Deal Middlemen Put Focus Back On North

The Iranian arms deal, as outlined by the key Iranian and Saudi middlemen, puts fired White House aide North back at center stage as the principal figure in the mystery of what happened to as much as \$35 million.

The two middlemen told Barbara Walters of ABC-TV's "20/20" that they were surprised to learn from press accounts that the weapons actually cost the U.S. government only \$12.2 million.

"It means they (North and other participants) have overcharged the government" of Iran, said Khashoggi, a Saudi billionaire who provided much of the advance money for the purchases. (Robert Parry, AP)

CRISIS HASN'T WEAKENED REAGAN, SOVIET ARMS NEGOTIATORS WARNED

A senior Republican Administration official said yesterday he is worried that Soviet arms control negotiators may think President Reagan has been weakened by the Iran arms controversy and base their strategy on that assumption.

The official, speaking on condition that he not be identified, said chief Soviet negotiator Viktor Karpov has been told that "they should not miscalculate, because it would be in neither of our interests."

(Jeremiah O'Leary, Washington Times, A3)

NATO ALLIES GET ASSURANCES FROM SHULTZ

BRUSSELS -- The NATO allies, assured by Secretary Shultz that the Iran arms scandal will not bog down U.S. foreign policy, have approved a new initiative toward Moscow on conventional forces.

By most accounts, Shultz's statement on the Iran arms scandal was warmly received in his closed-door meeting with his 15 counterparts.

But there was little support for President Reagan's proposal at the October Iceland summit to eliminate superpower strategic nuclear weapons, and criticism of the Administration's violation of the 1979 SALT II treaty last month by fielding the 131st B-52 bomber outfitted to carry cruise missiles. (Matthew Quinn, UPI)

IRAN PAID FOR MILLIONS IN U.S. ARMS AND WANTS THEM

Iran is pressing the United States to turn over nearly \$300 million worth of weaponry purchased by Tehran in the days of the Shah but never delivered, despite the furor over the secret U.S. arms sales to Iran.

Tehran is asking the Claims Tribunal affiliated with the International Court of Justice in The Hague, the Netherlands, to order all Iranian materiel held in this country shipped to Iran, said Amir Zamani, a spokesman for Iran's mission to the United Nations. (Bryan Brumley, AP)

ISRAELI ECONOMY DEPENDS ON NO-QUESTIONS-ASKED ARMS SALES

JERUSALEM -- When the Carter Administration cut off military aid to the rightist regime of Guatemala because it refused to accept human rights requirements, Israel was one of several countries that filled the gap. Today Guatemalan troops wear Israeli uniforms, tote Israeli automatic rifles and conduct counterinsurgency operations learned from Israeli instructors.

The justifications they offer include the need to support friendly regimes in an international climate hostile to Israel; the need to honor requests and aid the interests of the United States, Israel's chief ally, and the role arms sales can play in providing a form of life insurance for small, vulnerable Jewish communities in Third World states.

But another factor invariably has come to dominate Israel's decisions about where and to whom it should sell arms: the economic imperative.

(Glenn Frankel, Washington Post, A1)

IRAN TORTURE VICTIMS BLAST REAGAN

LOS ANGELES -- President Reagan's secret arms sales to Iran's so-called "moderates" will only worsen relations with that country after the Ayatollah Khomeini dies, a group of alleged Iranian torture victims warned Thursday.

"I have to frankly tell you," said 25-year-old Robabeh Boudaghi, "the first (time) I heard this word 'moderate' was when I came out of Iran. I was extremely surprised. There are no moderates whatsoever with the Khomeini regime. They all have a common view as far as the war (with Iraq), they all support repressing the people and they all support terrorism."

(Robert Knowles, Copley)

INTERNATIONAL NEWS

NATO MINISTERS PROPOSE CHANGE IN FORUM FOR CONVENTIONAL ARMS TALKS

BRUSSELS -- The 16 members of NATO agreed today on a new forum for talks on conventional arms reductions in Europe, as Secretary Shultz continued his efforts to ease widespread concerns about the U.S.-Iranian weapons scandal.

A U.S. official said Shultz told a private meeting of NATO foreign ministers here that "there is absolutely no obsessive preoccupation...in Washington" with the Iranian weapons deal.

Shultz's discussion of Iran came near the beginning of a day of talks focused primarily on conventional and strategic arms control, according to U.S. and other diplomatic officials.

(Jeffrey Smith, Washington Post, A19)

NATO Foreign Ministers Rally Behind U.S. Arms Plans

BRUSSELS -- Washington's West European allies appear to have set doubts aside and rallied behind American ideas on arms control that emerged at the U.S.-Soviet summit in Iceland.

The 16 NATO foreign ministers meeting here to join in new talks on cutting troop levels across Europe, backed the U.S. stance in closed-door speeches yesterday, officials said.

(Charles Bremner, Reuter)

SOVIETS BUILDING 3 RADARS, U.S. SAYS

The United States has spotted three new radars under construction in the Soviet Union that appear to be part of a nationwide ballistic missile defense system, Defense Secretary Weinberger said yesterday.

Pentagon officials, elaborating on Weinberger's remarks to the American Legislative Exchange Council, said that the three new installations appear to be the final links in the antiballistic missile detection net. However, they said the new radars do not violate the 1972 Antiballistic Missile (ABM) Treaty. (George Wilson, Washington Post, A9)

DEFENSE CHIEF BLASTS SOVIET 'HYPOCRISY' ON SALT II

Defense Secretary Weinberger, accusing the Soviet Union of the "ultimate hypocrisy," says the Kremlin's promise to stay within limits of the SALT II treaty is "another Soviet lie."

Weinberger termed the accord Thursday a "dusty and useless shibboleth" that President Reagan scrapped because the Soviet Union repeatedly violated its provisions, despite his warnings to Moscow.

"Their ultimate hypocrisy is their recent statement that they will 'continue to observe SALT II's limits,' with their atheistic hands piously raised, proclaiming another Soviet lie," Weinberger said.

(Richard Gross, UPI)

SOVIETS ARE CHALLENGED ON ACTIONS IN EAST ASIA
U.S. Aide Urges Less Military Activity

A senior State Department official challenged the Soviet Union last night to reduce military activity in East Asia as a necessary step to closer ties with China and noncommunist nations in the region.

Assistant Secretary of State Gaston Sigur, speaking to the World Affairs Council of Northern California in San Francisco, responded to Soviet leader Mikhail Gorbachev's suggestions in a July 29 speech in Vladivostok of a more active Soviet policy in the area.

(Don Oberdorfer, Washington Post, A54)

HASENFUS' TERM AFFIRMED BY MANAGUA COURT

MANAGUA -- American prisoner Eugene Hasenfus appeared in court today to hear his sentence to 30 years in prison confirmed and read a second time.

The appellate division confirmed the decision by the Popular Anti-Somocista Tribunal. "The undersigned members of the appellate division...confirm in each and every point the decision reached by the Popular Tribunal," said Armengol Cuadra Lopez, president of the appellate division.

(Washington Post, A14)

HASENFUS QUOTED AS SAYING HIS MISSIONS TO REBELS WERE
'ILLEGAL AS HELL'

SAN FRANCISCO -- Eugene Hasenfus, the first and only American prisoner of the Contra war against the Nicaraguan government, says recent revelations show that his supply missions to the rebels were "illegal as hell."

Members of the National Lawyers Guild delegation said Hasenfus told them he hoped to be released soon, quoting him as saying: "The month of December will tell the tale."

(Louis Trager, Scripps Howard)

BAKER ACKNOWLEDGES CONSTRAINTS ON GERMAN POLICY

Treasury Secretary Baker, who has been a persistent critic of West German economic policy, last night held out an olive branch to the Bonn government, saying "we must be cognizant of the upcoming German elections as we consider the possibilities of future policy coordination."

In a speech to the Chicago Economics Club, Baker -- who is scheduled to meet with Finance Minister Gerhard Stoltenberg this weekend -- in effect acknowledged the political constraints that inhibit any move to expand the German economy until after the election on Jan. 25.

(Hobart Rowen, Washington Post, D9)

NATIONAL NEWS

PANEL DRAFTS ALTERNATIVE CATASTROPHIC -- ILLNESS PLAN

The Council of Economic Advisers is drafting its own version of a plan to provide medical insurance against "catastrophic" illness, a plan in which Medicare beneficiaries would be given government-funded vouchers with which to buy policies from private insurance companies, according to insurance industry and government sources.

The CEA plan, which the agency refused to discuss, would be put before the President as one possible "private sector" alternative to the Medicare catastrophic-illness proposal developed by Secretary of HHS Otis Bowen. The HHS plan would provide insurance through direct expansion of government Medicare benefits. The sources said it is possible the CEA voucher plan might be intended only for those too poor to buy private plans otherwise.
(Spencer Rich, Washington Post, A11)

Bowen, OMB Compromise On Some Doctor Payments

HHS Secretary Bowen has agreed to a compromise budget proposal that would drastically alter the way hospital-based physicians are paid for treating Medicare patients, Administration sources said yesterday.

Bowen had objected to a Reagan Administration proposal in the draft budget for fiscal 1988 to change the reimbursement system for all doctors who treat hospitalized Medicare patients, including outside physicians such as surgeons.
(AP story, Washington Post, A11)

RETAIL SALES CLIMB 0.5% IN NOVEMBER

Retail sales rose 0.5 percent in November, following a record 5.2 percent decline the previous month, as strong consumer confidence boosted holiday sales.

The Commerce Department reported that consumer spending would have been even higher last month had it not been for a sharp drop in automobile sales after major auto makers ended cut-rate financing plans. Excluding auto sales, retail sales rose 0.9 percent last month.

(Jane Seaberry, Washington Post, D9)

Retail Sales Rebound Sharply In November

The Commerce Department says retail sales surged ahead in November, rebounding from the previous month's record drop, but many private analysts offered only restrained optimism about the direction of the nation's economy. Total sales rose 0.5 percent in November to a seasonally adjusted \$122.25 billion, the department reported Thursday. The gain came despite a new decline in car sales, which had dragged October's overall sales down a huge 5.2 percent.
(AP)

HILL SKEPTICAL ABOUT NEW SEC IMAGE
Agency Official Sees Boesky Case As Deterrent To Insiders

Securities and Exchange Commission enforcement chief Gary Lynch told a House panel yesterday the Ivan Boesky insider trading case has given the SEC credibility on Wall Street and put fear into the hearts of those who might consider violating the securities laws.

But several members of the House subcommittee headed by Rep. Dingell appeared unconvinced, as they questioned the commission's ability to detect illegal insider stock trading and deter future violations.

(David Vise, Washington Post, D9)

REAGAN'S MEDIA EVENTS
Christmas Parties For The Fourth Estate

The sharkskins were hung on the coat hooks with care, in hopes that the President soon would be there.

And there he was last night, for the second night in a row, standing with Mrs. Reagan, greeting the press during its annual Christmas party at the White House: Ronald Reagan, the man who, embroiled in Iranscam woes, less than two weeks ago told Time magazine's Hugh Sidey that the "whole thing boils down to a great irresponsibility on the part of the press...I have this bitter bile in my throat these days. I've never seen the sharks circling like they now are with blood in the water."

But there was no bile. No blood. No water (except in glasses, and not much of that, stronger stuff being the beverage of choice).

"As far as the receiving line was concerned," said NBC's Chris Wallace, who attended the Wednesday night party, "I give the President and Mrs. Reagan high marks for showing up and standing there for an hour, shaking hands with some people they probably don't like too much right now."

(Victoria Dawson, Washington Post, C1)

NETWORK NEWS SUMMARY

(Thursday Evening, December 11, 1986)

CASEY TESTIMONY

NBC's Tom Brokaw: So many people knew about the sale of arms to Iran and the diversion of profits to the contras. It was hard to believe it stayed a secret as long as it did. Today, CIA Director William Casey confirmed that he first heard about the contra connection from a New York businessman almost a month before it was officially disclosed.

NBC's John Dancy reports Casey said it was inquiries from a New York businessman who tipped him off about the diversion of funds to the contras. Casey's story to a House committee makes it clear that the CIA director was receiving signals about the diversion at least seven weeks before Attorney General Meese found out and told the President. Casey is said to have told John Poindexter who promised to look into it. There is no evidence that Casey told President Reagan.

(Sen. William Cohen: "I think that each day that passes, each witness that comes before the committee -- the picture becomes clear and the story more confounding.")

(Rep. Dante Fascell: "It's like a very gigantic jigsaw puzzle that's got a puzzle on both sides and is three-dimensional. So if you don't have great structural vision -- Rubic's cube is a better example.")

Brokaw reports that Attorney General Meese told NBC News today that the Reagan Administration believes that a channel of communications -- with what he called the more responsible elements of the Iranian government -- remains open.

NBC's Marvin Kalb reports from the State Department that they are picking up signals that Iran remains interested in dealing with the West.

NBC's Chris Wallace: The President and Mrs. Reagan made one public appearance today -- for the lighting of the National Christmas Tree.

(TV Coverage: President and the First Lady.)

Behind the happy scenes, sources say the First Lady is involved in power politics to remove Donald Regan. The sources say Mrs. Reagan is talking with two of the President's closest advisers, Stu Spencer and Michael Deaver. They all believe Regan must go to help the White House get past the Iranian arms scandal. Deaver himself is under investigation in a different case. Sources tell NBC News he met with the President last week to discuss the situation. By all accounts Mr. Reagan so far is resisting pressure to fire his chief of staff. The First Lady denies she is pushing for Regan's dismissal. But Mrs. Reagan has acknowledged in the past -- working to protect to her husband. In a NBC documentary last year, discussing other incidents, she said she has often been more aware of the President that staffers are hurting him.

Wallace continued:

(First Lady: "It never occurs to him that that's what they're doing."

Wallace: Then what happens when you see that's what they're doing?

First Lady: "I try to stop it -- by telling him or by telling someone else.")

As for Regan, he has disappeared from his usual public spot beside the President recently. After getting advice he should lower his profile. There is no hiding from the arms scandal for Regan or the President. A television program saluting Mr. Reagan on his birthday next February has been cancelled because sponsors are backing out. A syndicated program praises the President.

(Commentator: "Reagan's Way" -- the real story of one man's path to the presidency.)

The program distributors say the sponsors don't want to get too close to Mr. Reagan right now.

(Sidney Love, SYR Enterprises, Inc.: "The fear, not only a public relations situation, but also they thought it was bad business at this point.")

All of this only adds to the gloom here. Sources close to the Reagans describe them as angry and hurt -- feeling deserted by friends and hounded by critics and worried that their place in history is suddenly in doubt. (NBC-Lead)

ABC's Peter Jennings: For the second day in a row members of Congress are trying to establish once and for all just when the CIA director knew that money made by selling arms to Iran was being diverted to the contras. Casey has admitted he does remember getting an early hint of the contra connection, but he said he never knew the details.

ABC's Charles Gibson reports members of Congress aren't satisfied with Casey's testimony.

(Rep. Peter Kostmayer: "According to Mr. Casey, Mr. Furmark remarked almost in passing that incidently it was possible that some of this money might be diverted to other sources and really left it at that.")

ABC's Barbara Walters reports from Monte Carlo that according to Adnan Khashoggi, President Reagan gave his approval before the first shipment of arms to Iran in August 1985.

ABC's Sam Donaldson: All the happy signs of Christmas were on hand, but not since Jimmy Carter declined to light the tree during his Iranian hostage crisis has the occupant of the White House faced such a bleak Christmas season. President Reagan tried not to let it show.

(President Reagan: "To everyone Christmas is a time of happiness and cheer. A time of peace and goodwill and good tidings.")

The button to light the tree was actually pressed by eight-year-old Byron White of Greenbelt, Maryland. Asked about his political troubles, the President replied he has no trouble with Christmas. For her part, Mrs. Reagan is not letting Christmas interfere with her efforts in her husband's behalf. Mrs. Reagan's name surfaced today in connection with the continuing pressure to force the resignation of Donald Regan.

Donaldson continued:

The New York Times reported that the First Lady has enlisted the aid of Michael Deaver and Stuart Spencer in her effort to persuade the President that Regan must go -- an effort the First Lady denied earlier this week when asked about a published report that she and the President had quarreled over Regan.

(Reporter: "Have you been fighting over this with the President?"
First Lady: "No." Reporter: "Do you ever fight?" First Lady: "We disagree sometimes, everybody disagrees.")

The last time Regan was seen by the press with his boss was a week ago yesterday. Sources say the President is still standing by him, but that the First Lady, Deaver and Spencer hope to change his mind this weekend. Another piece of bad news for the President came in today. A syndicated television documentary on his life with which was to run on his birthday next February 6 has been cancelled. It appears the sponsors fearing a backlash from the Iranian arms sales story pulled out. (ABC-Lead)

CBS's Dan Rather: CIA Director William Casey changes his story about what he knew and when he knew it. His first inkling of skimming and laundering of profits from arms sales to the Iranians -- Casey now says came in talks with a former law client and Casey named a Canadian connection.

CBS's Phil Jones reports Casey claimed again today that he first learned about it when Attorney General Meese told everybody on November 25. However, he did say that a conversation with a New York businessman earlier on October 7 did precipitate the questions about the diversion of funds which prompted a call to John Poindexter.

(Rep. Peter Kostmayer: "Mr. Furmark apparently said to Mr. Casey that some of this money -- the Canadian money -- some of this money may have diverted other places. He didn't say this money has been diverted to the contras in Nicaragua.")

(Sen. William Cohen: "I think that each day that passes, each witness that comes before the committee -- the picture becomes clear and the story more confounding.")

This afternoon Rep. Peter Rodino sent a seven-page letter to Attorney General Meese requesting documents, calendars and telephone logs associated with the Justice Department's handling of this investigation. And there was more criticism of the President tonight.

(Sen. David Durenberger: "He can't have an admiral, a lt. colonel and several other officers of the United States government walking around claiming the Fifth Amendment and not take that responsibility himself.")

Durenberger added that government officials involved should either take off their uniforms or take off their Fifth Amendments.

(CBS-Lead)

SHULTZ/NATO

Brokaw reports Secretary Shultz and other foreign NATO ministers said that they are now ready for new East-West talks on troop reductions, the so-called conventional forces, throughout Europe. (NBC-8)

CBS's Tom Fenton reports Secretary Shultz is trying to repair the damage about the disclosure about arms sales to Iran, but in one sense it is already too late. CBS News has been told that while Shultz has been meeting with NATO foreign ministers in Belgium, a dozen West German arms salesmen are already in Tehran offering to sell desperately needed weapons to Iran. (CBS-4)

CARLUCCI

Rather reports that Frank Carlucci confirmed today that one of the units that he supervises in the Sears Roebuck division involved in international arms dealings is a consulting firm that advises companies on the world market in military hardware. Carlucci emphasized that the consulting work did not involve lethal weapons. (CBS-6)

HASENFUS

Brokaw reports high officials of the Sandinista government have told NBC News that Eugene Hasenfus could be released shortly after the first of the year. (ABC-2, NBC-6)

CBS's David Martin reports CBS News has been told of a link between the U.S. government and the Hasenfus operation it claims to know nothing about. Informed military sources say one of the key figures in that operation also was working for the Pentagon and CIA in covert airlifting of equipment for U.S. military and intelligence operations. (CBS-2)

CONTRAS

CBS's Juan Vasquez reports Nicaragua's neighbors are tired of harboring the U.S.-backed armies -- in Honduras, border fighting with Nicaragua becomes more frequent, the contras are increasingly seen as a nuisance and the welcome is wearing thin. (CBS-3)

SALT II/WEINBERGER

Rather reports Secretary Weinberger accused the Soviets of violating SALT II terms all along -- violating them now with new missile systems and Weinberger said the Soviets are getting ready to break the ABM treaty of 1972 with more new radar devices. (CBS-7)

SOVIET/AFGHANISTAN

ABC's Bob Zelnick reports the war for the Soviets with Afghanistan is going very badly -- Soviet casualties have been twice as high as previous U.S. estimates -- with nearly 25,000 killed in seven years of war. (ABC-3)

OPEC

NBC's Mike Jensen reports from New York experts say the OPEC ministers may be able to agree on enough production cuts to stop the price slide and may even be able to get the price of crude oil up a dollar or two. But they say gasoline and heating oil prices will probably not go up very much in 1987. (NBC-3)

NOFZIGER

Brokaw reports Lyn Nofziger may soon be the subject of an investigation of another independent counsel. NBC's Carol Stern reports the Justice Department is on the verge of asking for the investigation of Nofziger. Nofziger allegedly took money and stock from two companies in exchange for representing them in Washington less than a year after he left the White House. (NBC-2)

MORTGAGE RATES

Brokaw reports the government said that interest rates for fixed-rate home mortgages fell last month -- the fifth straight monthly decline -- reaching the lowest level in eight years. The average mortgage interest rate is now 10 and one-third percent. (CBS-12, NBC-5)

RETAIL SALES

Rather reports the Commerce Department said that retail sales in November rose five-tenths of one percent. (CBS-10)

SOUTH AFRICA PRESS RESTRICTIONS

NBC's Mike Boettcher reports from Johannesburg the white-minority government today became the nation's chief censor once again -- it imposed severe restrictions on anti-government reporting. (ABC-5, NBC-7)

NATIONAL CHRISTMAS TREE

Rather: President Reagan helped flip the switch at night-fall to light up a tradition -- the National Christmas Tree. This year a thirty-foot Colorado spruce. The tree lighting has taken place for 62 years except the two Christmases when American hostages were being brutalized in Iran. (CBS-13)

EDITORIALS/COLUMNISTS

IRAN/NICARAGUA

Without Cover-Up Try, Reagan May Overcome Iran Arms Crisis -- "If, in fact, it was a touch of 'sentimentality' (about the hostages) that influenced him to disregard the warnings from Secretary Weinberger and Secretary Shultz, it is a manifestation of the quality of warmth and decency that has made him a popular President even with those who disagree with him.

Unless President Reagan or some of his top aides compound this mistake with willfully false reports or devious cover-ups, the American people will in time forgive his well-intentioned misjudgment in putting the lives of hostages ahead of consistent foreign policy and political expediency. To President Reagan the decision was not a 'mistake' because he still believes the lives and freedom of the hostages was worth the personal political pain caused by deviation from a consistent foreign policy position. He has demonstrated that the freedom and lives of each American hostage concerns him and that he did not let arguments for consistent foreign policy keep him from doing what he believed to be right even when the gamble unleashed a barrage of political criticism."

(Clark Mollenhoff, Fort Dodge, Iowa, The Messenger, 12/1)

Blind Loyalty Is A Dangerous Guide To Action -- "...The President is right to have placed his faith in the democratic processes of government, in the good sense of the people and in his own vision of the nation's role in the world.... The important thing is to get this issue behind us. No matter what people think of the Iran arms sales, and many justifiably disagree, Americans want the President to be able to complete his term as an effective, strong leader. Americans are not going to forget what this great man has done to restore dignity and strength to the office of the presidency during these past six years."

(Ed Rollins, Washington Post, 12/11)

White House Needs A New 'News Plan' -- "...Hold more press conferences, soon and often. Appear to be involved and in touch with the American people. Call in the principal players, without their lawyers, one at a time, and demand they tell him what was going on. Order the military men to tell all.... Tell the nation everything he knew before these interrogations and everything he found out from the principal players.... Release much of the paper work involved in the arms sales to Iran, the hostage negotiations, and the financing of the contras.... The alternatives to a radical, pre-emptive presidential initiative will likely result in a weakened president who, in the next two years, must deal with a hostile Congress, a foreign policy in serious disarray, and an aggressive adversary in the Soviet Union."

(John Ehrlichman, USA Today, 12/11)

We Can't Put It Behind Us Just Yet -- "...More hearings will provide more revelations. Some of them undoubtedly will be embarrassing to the Administration and may be embarrassing to the nation. It is, however, the way we operate. And in the midst of all the revelations it may be of some comfort to realize that all over the world other people in other lands wish their governments operated that way too."

(Otis Pike, Chicago Sun-Times, 12/10)

EDITORIALS/COLUMNISTS (continued)

Tough Talk, Act Weak -- "...Will the American people forgive Ronald Reagan for this massive contradiction of his own oft-stated policy? Undoubtedly. From Camelot to the Sante Fe Trail, image transcends reality. Talk tough, and the world will think you're Teddy Roosevelt, even if you frequently behave like Jimmy Carter."

(Don Feder, Boston Herald, 12/10)

Washington's Less-Than-Great Expectations -- "...The casual manner with which most in the Congress and in the media treated Poindexter and North's performance tells a lot about how low our expectations about the conduct of public officials have been. Too often we confuse legality and morality. To often we refuse to see that not everything that is legal is also honorable. No wonder so many Americans lack basic trust in their government...."

(Dimitri Simes, Christian Science Monitor, 12/11)

Taking The Fifth -- "...If there appears to have been a broad conspiracy, with perhaps higher authorities involved, this should be regarded as one of those cases where the American people will be better served by full disclosure than by prosecution of military officers of however exalted a rank. As to whether and when the special counsel should consider granting immunity to these or any individuals to get at the full truth, that is a question that can be addressed later, when investigators know a lot more than is known now."

(Baltimore Sun, 12/9)

Iran's Murderous Role -- "Iran's complicity in the 1983 terrorist bombings that killed 258 Americans in Beirut, and White House knowledge of Iran's involvement, make the Reagan Administration's unsavory dealings with Tehran look even worse.... Iran has learned that it will be forgiven the wholesale killing of Americans if it will make deals hostage by hostage."

(Hartford Courant, 12/10)

BUCHANAN

With All That Is Known, A Snow Job Just Won't Do -- "...Perhaps because of bitter memories, there is little evidence that Republicans in Congress are rallying to Buchanan's call. Indeed, there is more reason to believe that it is producing exactly the opposite effect. Democrats and Republicans alike on Capitol Hill are beginning to wonder what could be the reason for continuing to deny the obvious. Some suspect that the only plausible rationale is an effort to avoid even more damaging disclosures. That suspicion may be unfair, but it is the predictable result of a public-relations strategy based on misrepresentation. The natural human response is to wonder, 'If they are lying about this, are they lying about other things, too?'"

(Jody Powell, Los Angeles Times, 12/10)

Shut Up, Pat -- "...So Mr. Buchanan, for a variety of reasons, should shut up. President Reagan has already begun to take the steps necessary to contain and limit the damage Contragate is doing to his Administration. The Reagan revolution is above all a matter of principle rather than 'loyalty.' As long as Mr. Reagan himself keeps that firmly in mind, he will come out of this all right."

(Detroit News, 12/10)

LETTERS TO THE EDITOR

"Who is running this country -- President Reagan or the media? I, and millions like me, chose Mr. Reagan and I would thank the media to let him do it.... Controversy may bring sponsors to the networks, but it can destroy the nation."

(Langhorne Meyer, Havertown, Philadelphia Inquirer, 12/11)

"...If all the chief executive officers of our larger corporations had to face the same editorial harassment of the media (press, TV and radio) as that being carried out against our President and the executive branch, not a single major industry in this country could survive."

(Arthur Allen, Buffalo News, 12/8)

"Those who are perpetuating this story in order to make cannon fodder of the President are attempting to gain political mileage in the most selfish of ways: At the expense of the nation which they purport to serve."

(Ronald Dudley, Birmingham News, 12/2)

"For six years the national media have let the Reagan Administration run amok in Central America, Africa and the Mideast. Isn't it about time to find out what's going on, where our dollars are going, and why? Why does it always have to take national scandal to get any information around here?"

(Dale Hopkins, Muir Beach, San Francisco Chronicle, 12/6)

"Concerning comments by President Ronald Reagan about Iran: He is beginning to sound more like former President Richard Milhouse Nixon; and regarding his foreign policy, he is beginning to act more like former President Jimmy Carter."

(Ladislaus Scroggins, Sacramento Bee, 12/2)

"We need to ask why the Reagan presidency may join the previous failures. One common thread running throughout the troubles of Lyndon B. Johnson, Richard M. Nixon and Ronald Reagan has been a contempt for the rule of law and democratic process combined with an arrogance of power that induced these men to think they could violate their oaths of office and get away with it."

(Paul Goodman, El Cerrito, Ca., New York Times, 12/10)

"President Reagan has made a shambles of United States foreign policy.... I am tired of the misinformation, the disinformation, and the lies."

(Cynthia Foster, Jamaica Plain, Boston Herald, 12/6)

"It seems very questionable that the First Amendment is meant to protect the dissemination of hostile rumors whose obvious, and apparently desired, effect is to damage the President, and thus the presidency, and inevitably the government and the nation."

(Frank Oman, Easton, Baltimore Sun, 12/11)

"The arms deal has given (Democrats) an issue for the national election in 1988 with which they will probably deal defeat to the Republicans -- a defeat not based on the merits of the Democratic Party but on the demerits of the Republican Party, earned by the incumbent President."

(Eleanor Finch, Bethesda, Washington Post, 12/11)