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News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, JANUARY 9, 1987 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

NATIONAL NEWS

Healthy Reagan Returns Home, Says He Feels Great -- President Reagan, smiling broadly and predicting that he'd soon be horseback riding again, yesterday returned to the White House after prostate surgery and a cancer checkup.

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

FEDERAL BUDGET

Baker Sees No Summit On Budget -- The Reagan Administration, after signaling a willingness to meet with congressional leaders to resolve differences in the 1988 federal budget, yesterday backpedaled from the idea of a budget summit.

(Washington Times, AP, McClatchy)

IRAN -- NICARAGUA

Arms Sold For Hostages, Senate Panel Concludes -- A Senate Intelligence Committee report says President Reagan authorized resumption of arms shipments to Iran in January 1986 on the understanding that all U.S. hostages in Lebanon would be released, NBC News reported last night.

(Washington Times, AP, Reuter, UPI)

NETWORK NEWS (Thursday Evening)

SENATE INTELLIGENCE COMMITTEE REPORT -- The report made available to NBC News had been sanitized by the CIA and the White House.

PRESIDENT'S RETURN TO WHITE HOUSE -- President Reagan was back at the White House today a full day ahead of schedule after what his doctor called a remarkable recovery.

WALL STREET -- Wall Street did it today, closing above 2,000 for the first time in the Street's history.

DOW JONES RISES ABOVE 2,000 FOR THE 1st TIME

NEW YORK -- The Dow Jones industrial average cracked the 2,000 level for the first time Thursday as the stock market extended its early-1987 rally through a fifth straight session.

Analysts noted the market has enjoyed an unusually strong advance so far this month, with many smaller secondary stocks rising even more sharply than the blue chips in the Dow. It finished at 2,002.25 points.

The upsurge has been widely interpreted as a sign of new life in the bull market that began nearly 4½ years ago. (AP, 1/8)

NATIONAL NEWS

REAGAN FEELS 'GREAT,' LEAVES THE HOSPITAL Back In White House After Prostate Surgery

President Reagan returned home from the Bethesda naval hospital yesterday morning, declaring "I feel great" as he left three days after prostate surgery.

He was walking somewhat stiffly through the brisk winter air as he emerged from a Marine helicopter on the White House south lawn. Applauding aides greeted the President, who was accompanied by his wife, Nancy, with colorful signs ranging from a formal "Welcome home Mr. President" to a funky "You're Cool." One urged him to "Go Get 'Em," and another called for "4 more years."

(Cristine Russell, Washington Post, A11)

Healthy Reagan Returns Home, Says He Feels Great

President Reagan, smiling broadly and predicting that he'd soon be horseback riding again, yesterday returned to the White House after prostate surgery and a cancer checkup.

The President, with his wife Nancy by his side, waved to the crowd and gave a thumbs-up sign.

Mr. Reagan joked with reporters, telling the White House press corps that he planned an appendectomy for an encore to his four-day hospital stay.

(Willis Witter, Washington Times, A3)

Reagan, Raring To Go, Told To Take It Easy For Now

President Reagan, intent on resuming his cherished horseback riding "pretty soon," was to spend his first full day at the White House after surgery, out of the public eye and under doctor's orders to avoid strenuous work.

White House spokesman Larry Speakes said Reagan was to have his daily session with chief of staff Donald Regan and get a briefing from National Security Adviser Frank Carlucci in the private quarters, which comprise the upper floors of the main White House building.

(Susanne Schafer, AP)

Reagan Returns To White House For Reduced Workload

His spirits high but activities restricted, President Reagan is back at the White House to convalesce from prostate surgery and ease into his work as aides confront an array of political challenges.

Reagan, walking stiffly, made a buoyant return to the White House Thursday after what his doctor called a "remarkable recovery" from this week's surgery and a battery of tests that detected no recurrence or spread of colon cancer.

Pressed on whether he was ready to go back to work, Reagan replied, "Of course, but I never stopped."

(Norman Sandler, UPI)

Reagan Recuperating At Home, Facing Political Headaches

President Reagan, back at the White House after being hospitalized for prostate surgery and cancer tests, is expected to resume a limited schedule next week and grapple with headaches like the Iran crisis.

Reagan faces such daunting problems as how to deal with various inquiries into the secret sale of arms to Tehran and the diversion of profits to U.S.-backed Nicaraguan rebels. (Gene Gibbons, Reuter)

PRESIDENT REAGAN/JUMP START

President Reagan, facing what could be the worst two years of his political life, will attempt to jump start his stalled Administration when he delivers his Jan. 27 State of the Union address to a joint session of Congress.

It will be one of the most challenging and important speeches Reagan has ever delivered as he battles against lame-duck status, struggles to resurrect his agenda, and tries to regain momentum lost in the Iran-Contra scandal and the disappointment of Republican defeats last November and a succession of foreign policy missteps prior to the election.

(Miles Benson, Newhouse)

LEADERS ENDORSE BENNETT FOR ARMED SERVICES

House Democratic leaders recommended election of Rep. Charles Bennett as chairman of the House Armed Services Committee yesterday, but congressional officials said the main battle for the job is likely to be between Rep. Marvin Leath and the ousted chairman, Rep. Aspin.

Bennett, 76, was endorsed as Aspin's successor by the House Democratic Steering and Policy Committee, the leadership organization headed by Speaker James Wright, by a vote of 16 to 11. But the organization had endorsed retention of Aspin before his ouster by a vote of 130 to 124 Wednesday by the Democratic Caucus.

(Edward Walsh, Washington Post, A4)

Bennett Leads Two Others For Aspin's Job

The House is already taking its first break, but virtually every Democrat will get no break from Les Aspin, Charles Bennett, Marvin Leath and Nick Mavroules regarding the Armed Services Committee chairmanship.

Bennett, because of his seniority on the committee, was nominated Thursday to replace him by a Democratic panel that recommends candidates for chairman to the full 258-member House Democratic Caucus.

(Eliot Brenner, UPI)

CHALLENGING THE WHITE HOUSE ON FOREIGN AFFAIRS

The new 100th Congress is just itching to take on President Reagan on foreign affairs and defense. The Democrats have regained control of the Senate after six years.

Katie, bar the door. There are as many proposals for the nation's security as there are research groups holding seminars and military journals packed into the mailman's pouch.

Any new Congress opens for business in an innovative mood. This year's has the incentive of a wounded President whose once overwhelming popularity is skidding over the Iran-Contra scandals.

(Barry Schweid, AP)

RECURRENT QUALITY PROBLEMS AT PENTAGON CITED BY GAO

New weapons and equipment purchased by the Defense Department suffer from widespread deficiencies because of sloppy and inadequate monitoring by the Pentagon, according to a General Accounting Office report released yesterday.

The GAO investigation found that mandatory government inspections sometimes are not conducted and, in other cases, the Defense Department allows contractors to perform government inspections on their own products. The report also concluded that Pentagon inspectors have no system for identifying recurrent quality problems.

(Molly Moore, Washington Post, A9)

U.S. WRITEOFF OF \$2 BILLION IN FARM LOANS

The government, in another acknowledgement of the foundering farm economy, plans this year to write off as uncollectible about \$2 billion in delinquent Farmers Home Administration loans to farmers.

"There still are some legal hoops we have to go through, but we ought to write off these loans," FmHA administrator Vance Clark said yesterday. "They are carried on the books as assets, but I am a realist -- the majority is not collectible."

(Ward Sinclair, Washington Post, D1)

MARKET SURGES PAST 2000 Buying Attributed To Surplus Of Cash

Showing new life and strength, Wall Street's four-year-old bull market made history yesterday when the Dow Jones industrial average crossed the 2000 mark in heavy trading.

A late buying surge took the Dow to 2002.25, a gain of 8.30 points for the day and a jump of 106.30 points in the five days of trading since New Year's.

(Stan Hinden, Washington Post, D1)

PIERCE WANTS SOVIETS TO USE U.S. MATERIALS

If Housing and Urban Development Secretary Samuel Pierce has his way, he may be remembered as the man who brought American building materials to the Soviet Union.

Pierce, who has maintained a low profile during his six years as HUD secretary, told a National Press Club luncheon yesterday that one of his goals is to increase the use of American products in the Soviets' \$50 billion-a-year home building industry. "They must utilize technology from outside their country to meet their goals," he said, noting that he hopes to have between 100 and 150 American firms, including major home building suppliers, participate in a construction exhibition in Moscow in May. If his efforts are successful, Pierce said, he hopes some of the firms will have orders in hand before the exhibition opens.

(Bill McAllister, Washington Post, D2)

BUCHANAN COULD BE CONSERVATIVE ENTRY IN 1988 PRESIDENTIAL RACE

Republican campaign strategists are weighing the potential impact of a wild-card entry in the 1988 presidential race: White House communications director Patrick Buchanan.

"I have no doubt that Pat Buchanan is going to become a candidate for President of the United States," said Howard Phillips, chairman of the Conservative Caucus.

Long a favorite of conservatives, the 48-year-old White House aide has gained new prominence recently with his slashing attacks on critics of President Reagan.

(Donald Rothberg, AP)

SPEAKES/PRESS BRIEFING RECORD

Presidential spokesman Larry Speakes is closing in on what his colleagues believe is a White House record. Before he leaves President Reagan's employment to join Merrill Lynch Feb. 1 as a senior vice president at a six-figure salary, Speakes believes he will have conducted his 2,000th press briefing. He generally holds two official briefings daily, and yesterday afternoon he conducted No. 1,977. The only previous press secretary who might have come close, Speakes' deputy Pete Roussel believes, is the late Jim Hagerty, who served under Dwight Eisenhower. But press briefings then were not scheduled as regularly as they are now. It's not the same as Babe Ruth hitting 60 home runs, but a record is a record and Speakes will take what he can get...

(Chuck Conconi, Washington Post, B3)

FEDERAL BUDGET

REAGAN AGENDA EMBEDDED IN BUDGET

President Reagan's new budget was greeted on Capitol Hill this week by the now-familiar refrain that it was "dead on arrival," that neither Democrats nor Republicans will go along with his push for sharp domestic cuts and another hefty increase in defense spending.

This is the fifth year in a row that bipartisan majorities in Congress have raised the flag of rebellion against Reagan's budget priorities. And once again, it's clear that Congress will pull the President's spending blueprint apart and make some changes before the session is over.

(Leo Rennert, News Analysis, McClatchy)

BAKER SEES NO SUMMIT ON BUDGET

The Reagan Administration, after signaling a willingness to meet with congressional leaders to resolve differences in the 1988 federal budget, yesterday backpedaled from the idea of a budget summit.

Treasury Secretary Baker told the Senate Budget Committee a summit is unlikely because it has "always been in the President's view a code word for 'Let's put a tax increase on the table.'"

(Walter Andrews, Washington Times, A2)

White House Meeting Still Needed On Budget, Senator Says

The chairman of the Senate Budget Committee says he's still pushing for a top-level strategy session on the budget with President Reagan, despite the cool reception given to the idea thus far by top Administration officials.

But Sen. Chiles says he's no longer going to call it a "budget summit," after Treasury Secretary Baker claimed Reagan equates that phrase with putting a tax increase on the bargaining table.

"I'm going to erase that from my vocabulary," Chiles told Baker on Thursday at the conclusion of two days of hearings on Reagan's trillion-dollar budget for fiscal 1988.

(Tom Raum, AP)

Budget Summit

The Senate Budget Committee is keeping pressure on the White House to participate in a budget summit in order to reach "a grand compromise" to reduce the federal deficit.

Treasury Secretary Baker conceded Thursday in testimony before the budget panel that there are, in effect, new taxes contained in the President's \$1.02 trillion budget proposal for fiscal 1988. But Baker said Reagan would have nothing to do with any meeting at which raising taxes is a topic.

(Paula Schwed, Newhouse)

WHITE HOUSE TIES TO PRIVATIZATION SEEN

The top White House officer said Thursday that while the Administration may have acted too hastily last year in proposing to sell all five of the nation's federal power marketing agencies, it is still firmly committed to eventual "privatization" of the Bonneville Power Administration.

The comments by James Miller, director of OMB, lend credence to the view of several Northwest lawmakers that the Administration budget suggests the White House is engaging in a "divide and conquer" strategy by turning its focus to the sale of the much smaller Alaska and Southeastern power administrations. (David Whitney, McClatchy)

Reagan Again Hopes To Cut Deficit By Selling Billions In U.S. Land

The ridicule rebounded from coast to coast. Ronald Reagan was proposing to sell off America's crown jewels -- prime pieces of national parkland.

The Reagan Administration says now that then-Interior Secretary James Watt got a bit carried away in outlining how far he wanted to go in "privatizing" America. Watt also admitted some of his suggestions were "stupid."

But here Reagan is again, proposing a big chunk of his deficit reduction plan come from selling \$5 billion worth of the country's assets, including "excess" real estate. (Ann McFeatters, Scripps Howard)

DEFENSE BUDGET'S NUCLEAR TILT WORRIES CONGRESS, PENTAGON

President Reagan's \$312 billion military budget request continues the Administration's emphasis on nuclear force modernization and missile defense while reducing planned purchases of major conventional weapons systems in virtually every category.

That tilt is provoking concern from Congress, the Pentagon and private think tanks. (Warren Strobel, Washington Times, A1)

DEFENSE: EVEN WITH CRACKDOWN, SPENDING WILL CREST FOR YEARS Wave Of Back Orders Must Be Paid; 'Stretchouts' Will Boost Prices

The fine print of President Reagan's defense budget shows that his 10-year, \$2.7 trillion rearmament program is bound for turmoil even if Congress does the unexpected and approves every dollar he has requested for the new two-year defense budget spanning the rest of his term in office.

The Defense Department's procurement and research catalogues show that in restructuring the defense budget to conform to new realities, the Administration reversed field in several key areas and pushed up the price of many weapons as it robbed Peter to pay Paul.

(George Wilson, Washington Post, A21)

REAGAN PROPOSALS DRAW CRIES OF RAGE FROM HOUSING INDUSTRY

The battle lines have been drawn in Washington with the future of the FHA loan program at stake.

Housing officials read with dismay President Reagan's latest plans to tighten up FHA's lending regulations as part of his proposed budget for fiscal 1988.
(Burt Hubbard, Scripps Howard)

WHERE FUNDS FLOW, SO WOULD WATER Reagan Budget Nominates 15 Western Projects For Increases

Secretary Donald Hodel told reporters earlier this week that the department intended to concentrate spending on projects that are "nearer completion," partly to speed up water deliveries to farmers and towns benefiting from the projects and partly to hasten the day when the beneficiaries have to start paying back the federal government.

Interior officials have taken pains to stress that they are "not abandoning" any projects, but Wayne Merchant, acting assistant secretary for water and science, acknowledged that initial reaction from Capitol Hill has been "the predictable one." (Cass Peterson, Washington Post, A21)

REAGAN'S FIRST HILL SHOWDOWN ALREADY BREWING Pocket-Vetoed \$20 Billion Clean-Water Bill Revived In House By Lopsided 406-8

The House set in motion the first legislative confrontation between President Reagan and the 100th Congress yesterday by giving over-whelming approval to a \$20 billion clean-water bill that Reagan pocket-vetoed last year.

The bill, identical to the measure that Reagan rejected after the 99th Congress adjourned, was approved by a vote of 406 to 8, a margin far larger than the two-thirds needed to override a veto.

(Edward Walsh, Washington Post, A8)

Reagan Challenged By Clean-Water Vote

In the first show of Democratic muscle in the new Congress, the House of Representatives Thursday overwhelmingly approved a \$20 billion measure to clean up the nation's lakes and streams.

Despite assurances that they were not trying to "embarrass anyone," the 406-8 vote revealed a new confidence and willfulness among opponents of Reagan Administration policies that shows the President could have serious trouble accomplishing his goals in the final two years of his term.

(John Johnson, McClatchy)

House Passes Earlier-Vetoed \$20 Billion Clean Water Bill

The House opened the 100th Congress's first battle with the Administration yesterday by easily approving a \$20 billion clean water bill that President Reagan killed late last year despite unanimous congressional support.

"H.R.1 is not a budget buster," said Rep. Howard, chairman of the House Public Works and Transportation Committee. "The President made a mistake vetoing the bill, and it's up to us to give im a second chance."

(Washington Times, A3)

White House Waiting As House Defies Clean Water Veto

The White House is not saying whether President Reagan will again veto what it believes is a budget-busting \$20 billion clean water bill the Democratic-controlled Congress is working quickly to send to his desk.

After the House on Thursday overwhelmingly passed the bill to reauthorize and strengthen the Clean Water Act, White House spokesman Albert Brashear declined to say how Reagan might react to the bipartisan congressional defiance.

"We'll wait and see," he said. "This is a spending matter pure and simple." Congress, he said, "cannot continue to raise concerns about high deficits while continuing to pass budget-busting bills."

(David Goeller, AP)

REAGAN'S 1988 BUDGET PLAN HIT FARM LOAN PROGRAM HARD

The Farmers Home Administration's loan program to help hard-pressed farmers stay in business will come in for some radical surgery if Congress goes along with President Reagan's budget proposals.

Under the Reagan budget proposal announced this week, the FmHA's overall operation would be reduced 39 percent in fiscal 1988 to slightly less than \$5 billion from the \$8.2 billion Congress has appropriated for 1987..

(Don Kendall, AP)

IRAN — NICARAGUA

AIDES' BRIEF TIED HOSTAGES' FREEDOM TO MISSILE DELIVERY Paper Said Swap May Be 'Only Recourse'

A background paper prepared for President Reagan last January at the time he approved the secret shipment of U.S. weapons to Iran said the arms sales would be discontinued if all the American hostages in Lebanon were not released after the first 1,000 TOW antitank missiles were delivered, White House officials said yesterday.

The background paper, portions of which were made available to The Washington Post, noted that it was against U.S. policy to make concessions to terrorists, but said an approach to Iran using weapons shipments "may well be our only way to achieve the release of the Americans held in Beirut." The word "only" was underlined in the paper.

A senior White House official said it appears that the President was never given the background paper, but was briefed on it orally.

(David Hoffman, Washington Post, A1)

REPORT: REAGAN DIDN'T KNOW ABOUT DIVERSION BUT SOUGHT HOSTAGE RELEASE

A draft report by the Senate Intelligence Committee contains no evidence that President Reagan knew about the diversion of money from arms sales to Iran to Nicaragua's Contra rebels, NBC News reported Thursday night.

But contrary to President Reagan's assertion that he was not swapping arms for hostages, the report says that Reagan authorized resumption of arms shipments to Iran in January 1986 with the understanding that all U.S. hostages would be released, or there would be no more shipments, the network reported. (AP)

Arms Sold For Hostages, Senate Panel Concludes

A Senate Intelligence Committee report says President Reagan authorized resumption of arms shipments to Iran in January 1986 on the understanding that all U.S. hostages in Lebanon would be released, NBC News reported last night.

The report's finding contradicts the White House's insistence that it was not swapping arms for hostages in the controversial deals with Iran.

The report also says that CIA Director Casey urged the Administration to have a cover story in case the secret arms deal was ever revealed. (Martin Sieff, Washington Times, A1)

Senate Intelligence Committee Report

A secret Senate report on the Iran-Contra affair details President Reagan's decision to ship U.S. arms to Iran to free American hostages despite his denials the move was an arms-for-hostages swap, NBC News reported Thursday night.

The network obtained a copy of the report, described as "sanitized by the CIA and the White House," and said it was based on testimony heard by the Senate Intelligence Committee. (Sean McCormally, UPI)

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Senate Panel May Seek To Query Foreign Officials On Arms Sales

Contrary to President Reagan's assertion that he was not swapping arms for hostages, a Senate committee report says Reagan authorized resumption of arms shipments to Iran last January with the understanding all U.S. hostages would be released, NBC News reported Thursday.

And while the report found no evidence the President knew about the diversion of money from Iran arms sales to Nicaragua's Contra rebels, it raised questions about the roles of key Administration officials.

Sen. Daniel Inouye said his select committee may send investigators to Israel, Switzerland, Brunei, and possibly Iran, as part of its quest to get a complete picture of the Reagan Administration's arms sales to Iran and financial dealings involving the Nicaraguan rebels. (Jim Drinkard, AP)

Reagan Reportedly Intended To Swap Iranian Arms For Hostages

Despite President Reagan's assertions he did not swap arms for hostages, the Administration dispatched weapons to Iran last year with the understanding that kidnapped Americans would be freed, according to published reports.

Citing an unpublished Senate Intelligence Committee staff report, NBC News said CIA Director Casey warned at one point that revelations of the Iranian arms sales could be very damaging and that if the sales were disclosed publicly they should be portrayed as a political attempt to reach out to moderates in Iran. As it turned out, that was the tact adopted by the Administration. (Lawrence Knutson, AP)

Senate Report Says Iran Arms Were To Buy Hostage Release

A secret draft Senate report on its intelligence committee's three-week preliminary investigation into the sale of U.S. arms to Iran says President Reagan approved the sales as an arms-for-hostages deal despite his denial, according to NBC News.

However, Reagan apparently did not know that profits from the sale would be diverted to Nicaraguan rebels, the NBC account, aired last night, said.

NBC said it showed Reagan specified in a January 6, 1986, order that he was approving the Iran arms sales with the understanding that all American hostages in Lebanon would be released. (Jim Adams, Reuter)

White House Tries To Marshal Facts

While the Senate Intelligence Committee report on the Iran arms affair has leaked out, the White House is struggling to get straight its own version of events.

"The difficulty is that most of the '85 period does not have records, adequate records, and in many cases no records at all of the transactions, so it is difficult to reconstruct," a senior Administration official said yesterday. (Mary Belcher & Willis Witter, Washington Times, A1)

SENATORS SAID TO FIND POINDEXTER HAD WIDER ROLE IN FUND DIVERSION

Vice Adm. Poindexter, President Reagan's former national security adviser, played a larger role than previously suspected in diverting Iran arms profits to the Nicaraguan rebels, according to a secret Senate Intelligence Committee report obtained today by NBC News.

The television network said in its evening news broadcast that Admiral Poindexter, who later resigned, rebuffed a suggestion last October from William Casey, the Director of the CIA, that he ask the White House counsel to investigate the diversion. The admiral replied, according to reported testimony before the committee, that he could not trust the counsel to keep the matter secret. (R.W. Apple, New York Times, A1)

Poindexter/Iran Arms

National security adviser John Poindexter suspected early on that money from the Iran arms deal was being diverted to the Contras, but he never acted on the information, NBC News reported Thursday night.

The network, which obtained a copy of the Senate Intelligence Committee report on the Iran arms-Contra aid scandal, said Poindexter and his aide, Lt. Col. North, often misled or ignored their superiors.

The network said White House chief of staff Donald Regan confronted Poindexter Nov. 24 about the scheme, asking him, "How could you let this happen?" Poindexter replied that he felt sorry for the Contras. (UPI)

BUSH, ISRAELI OFFICIAL DISCUSSED IRAN ARMS

A key Israeli figure in the Iran arms scandal briefed Vice President Bush last July 29 on the sale of U.S. weapons to Iran and the status of American hostages in Lebanon, the White House said Thursday.

White House spokesman Larry Speakes and Bush spokesman Marlin Fitzwater said Bush held an unannounced meeting with Israeli antiterrorism adviser Amiram Nir at the request of NSC aide Oliver North, the alleged architect of the Iran-Contra cash scheme.

The White House blamed the State Department for having the information suppressed, called the Bush-Nir meeting "entirely appropriate" and urged the committee to release the information, along with its report. (Norman Sandler, UPI)

Iran Arms/Vice President Bush

Diplomatically delicate references to Israel and Vice President Bush were edited out of a secret Senate committee report on the Iran-Contra affair at the Administration's request, a White House spokesman said Thursday.

The deletions were made as Administration officials worked with staff members preparing a draft report on the 15 days of closed Senate Intelligence Committee hearings into the scandal over secret sales of U.S. weapons to Iran and the apparent diversion of profits from the deals to aid the U.S. backed Nicaraguan rebels. (Sean McCormally, UPI)

SENATE INTELLIGENCE COMMITTEE REPORT

The Senate Intelligence Committee is working on a final report on the Iran arms affair that may include transcripts and documents not in an early draft and the White House will not be allowed to review it, senators and aides said Thursday.

"Our committee did not vote against releasing a public report," Sen. Boren told reporters. "It voted against releasing that report."

Asked if the White House would be allowed to review a final version, Boren said, "No, I don't think that would be appropriate."

(Dana Walker, UPI)

OFFICIALS SAY IRAN SHOULD STOP TRYING TO LINK U.S. ASSETS TO HOSTAGE ISSUE

The Administration is suggesting that Iran might get back \$500 million tied up in the United States sooner if it would stop linking the issue to the holding of U.S. hostages in the Middle East.

The Reagan Administration has rejected Iranian officials' assertions that the fate of American hostages in Lebanon rests on the return of the impounded funds.

(AP)

NEW NSC CHIEF WANTS TO BE NATIONAL SECURITY 'BROKER'

Just days into his new job, national security adviser Frank Carlucci has taken charge with a determination to rein in the NSC staff and avoid the turf battles that felled one of his four predecessors under President Reagan.

In short order, as Reagan's fifth national security adviser in six years, Carlucci has replaced one-third of the top NSC staff, redefined its mission and begun operating with a promise of direct access to the Oval office.

(Norman Sandler, UPI)

SPECIAL COUNSEL SEEKS GRAND JURY

Walsh Wants Panel To Begin Work On Iran-Contra Scandal By Feb. 1

Independent counsel Lawrence Walsh hopes to have a federal grand jury sworn in this month to investigate the Iran-contra scandal, sources close to the inquiry said yesterday.

Walsh, appointed under a broad mandate to uncover any federal crimes that might have been committed in the international operations, wants the jury ready to start work by Feb. 1, the sources said. The panel would be used in the initial stages of the investigation to subpoena records and take secret testimony.

(George Lardner, Washington Post, A18)

ABRAMS SEES AN UPRISING TOPPLING THE SANDINISTAS
Contra Military Victory Viewed As Unlikely

The Reagan Administration's chief official for Latin America yesterday ruled out the possibility of a "classical military victory" by U.S.-backed Nicaraguan rebels, saying instead that a popular uprising will eventually oust the leftist Sandinista government there.

Elliott Abrams, assistant secretary of state for inter-American affairs, speaking to European journalists, said political parties in their countries "are not doing enough" to support democratic opposition groups in Nicaragua. His remarks were made in an electronic news conference arranged by the U.S. Information Agency's Worldnet system.

(Joanne Omang, Washington Post, A19)

Abrams: Congress Will Aid Contras Rather Than Abandon Nicaraguan People

Assistant Secretary of State Elliott Abrams said Thursday neither the Iran-Contra affair nor Democratic control of the Senate will keep Congress from approving more military aid for the Nicaraguan rebels.

Returning from secret talks in Miami with the Costa Rican foreign minister in connection with a new diplomatic overture, Abrams said, "The debate is over" on Capitol Hill on whether the Sandinista government is a menace to its neighbors and to the United States.

"Republicans and Democrats still have to confront what is for us a real national security problem, a second Cuba, this time on the mainland of the Americas," Abrams said on Worldnet, a televised news conference beamed to western Europe.

(Barry Schweid, AP)

OAS, WITH WARY NOD FROM U.S., BACKS NEW
CENTRAL AMERICAN PEACE INITIATIVE

The Organization of American States, with a reluctant nod from the United States, is backing a new diplomatic mission aimed at ending the conflict in Central America.

The Reagan Administration has been cool to the initiative because of what Assistant Secretary of State Elliott Abrams called "a danger of unwise compromises" which could undermine the U.S.-backed Contra guerrillas in their fight with Nicaragua's leftist government.

(Bryan Brumley, AP)

INTERNATIONAL NEWS

SHULTZ ARRIVES IN AFRICA Senegal Speech Calls For 'New Partnership'

DAKAR -- Secretary Shultz, making his debut in Africa, called today for a "new partnership" between black Africa and the United States based on a shared vision of free enterprise as the basis for economic development.

In what was billed as the major speech of his eight-day trip to sub-Saharan Africa, Shultz hailed the turn away from socialism and toward capitalist principles of free market management among a growing number of African countries during the past few years.

(David Ottaway, Washington Post, A25)

South Africa, Chad, Economy Dominate Shultz Talks In Africa

DAKAR -- Secretary Shultz appears to be facing immediate pressure to do more to end apartheid in South Africa as he begins a six-nation African tour.

Assistant Secretary of State Chester Crocker told reporters last night that apartheid had been a major theme of Shultz' talks with Senegalese President Abdou Diouf, along with the continent's economic crisis and Chad.

(Michael Battye, Reuter)

Shultz/Africa Trip

DAKAR -- Secretary of State George Shultz said Thursday Western nations shoulder some blame for Africa's economic crisis and offered a "new partnership" based on a move from state-dominated economies to capitalism.

In an address to a Senegalese business group kicking off a six-nation tour of sub-Saharan Africa, Shultz cited South Africa's policy of apartheid as one of the continent's "man-made scourges" that have compounded its economic problem.

(Matthew Quinn, UPI)

U.S. REPORTER ORDERED OUT OF SOUTH AFRICA

JOHANNESBURG -- South Africa today tightened curbs on its local press, and soon afterwards New York Times correspondent Alan Cowell said he had been ordered to leave the country.

The latest move against a foreign correspondent was made public shortly after South Africa imposed new curbs on its own media, restricting news and comment about its guerrilla opponents fighting for black majority rule.

(Adrian Croft, Reuter)

PENTAGON CAN'T CONFIRM IDENTIFICATION OF SHIP

Pentagon officials have closed the file on the case of a missile-like object that was fired at a Navy helicopter in the Persian Gulf, though the chopper crew identified the attacker as a Greek merchant ship.

The Pentagon said Thursday it could not confirm the crew's account.

U.S. officials said they unofficially closed the incident because of a lack of evidence in identifying the vessel.

(Richard Gross, UPI)

-End of A-Section-

NETWORK NEWS SUMMARY

(Thursday evening, January 8th)

SENATE INTELLIGENCE COMMITTEE REPORT

NBC's Tom Brokaw: All week the White House has been pressing the Senate Intelligence Committee to release its report on the Iran-contra affair confident that it would reinforce President Reagan's claim that he did nothing wrong. But the report also contains the President's original order for the initial shipment of arms to Iran and that order differs significantly from the President's later version of those events. In the report it says that when he authorized the Iranian arms shipments last January, it was with the clear understanding that all of the hostages would be released or there would be no more shipments. The President has denied that this was an arms for hostage deal, and of course even though all the hostages were not released, the arms shipments did go on. This report is based only on testimony heard so far, which is why the Democrats didn't want to release it, it is incomplete.

NBC's John Dancy: The report made available to NBC News had been sanitized by the CIA and the White House, certain phrases and names have been blacked out in the report. The report draws the most extensive picture yet of how the Iran arms deal worked, but it shed little light on the diversion of funds to the contras. The Intelligence Committee report says CIA Director Casey was aware of the possibility money had been diverted to the contras as early as October 7th, 1986, much early than Casey has said. The report also says that by mid-October CIA officials were panicked over the possibility that this man, Iranian arms dealer Gorbaniyar, was about to blow the whistle on the secret Iranian arms shipment. The report reveals that the U.S. gave Iran intelligence information on Iraq and the Soviet Union. The report demonstrates vividly how Secretary Shultz was frozen out of the Iran arms deal, apparently at the demand of John Poindexter. When Shultz learned in late April 1986 that an arms deal might be in the works and inquired about it, Poindexter told him there was no such program and failed to tell him about a coming meeting in Iran. The report tells of Oliver North learning of the Iran arms deal after others in the NSC had started it, then moving to take operational control of it. According to the report, President Reagan first approved of the deal at a meeting with the his National Security Council August 6th, 1985. Robert McFarlane, who was National Security Adviser at the time, testified that he heard the President give oral approval to replacing arms Israel would ship to Iran. But the report concludes there is no known documentation of this decision by the President. The first shipment took place September 1st, 1985 and two weeks later, September 14th, the Rev. Benjamin Weir was released by his Lebanese captors. In November, a further shipment using CIA-supplied aircraft at North's request. CIA officials were nervous and asked for presidential approval after the fact on what they had done. To get that approval, CIA chief counsel Stanley Sporkin, drafted a document called a finding for the President's signature.

Dancy continues:

The finding says I determine it is essential to limit prior notice and direct the director of Central Intelligence to refrain from reporting this finding to Congress until I otherwise direct. The President signed the finding January 6th, but at a January 7th White House meeting, no one informed George Shultz of the finding or that any arms deal was underway. The Intelligence Committee report draws a picture of the White House being lured deeper and deeper into the deal by the Iranians who kept promising to help release hostages and set up a high level meeting in return for arms. There are many omissions in the report, it never clearly establishes how much money went to the contras or if any did. It never clearly establishes that North was acting alone without orders from above. And as for the President, the report says only that he seemed surprised when told of the diversion of funds to the contras.

Brokaw: North and Poindexter, who so far have refused to tell what they know about the case, are described in this report as key players often operating on their own, misleading or ignoring their superiors.

NBC's Fred Francis: North was a late comer to the Iran arms deal. The committee's report says the Marine officer was given an operational role in November of 1985. But North, whose CIA code name was "Good," quickly made himself the key player, the pivot man in the entire scheme. In December of 1985, the report says, Secretaries Shultz, Weinberger and adviser McFarlane all expressed displeasure with the Iranian middle men and recommended to the President that the initiative be cancelled. At that time, North wrote in a memo "if the program is terminated then the hostages will die." North's view prevailed. North brought in Richard Secord who was also involved in supplying the Nicaraguan contras. Secord handled many of the details of shipping the weapons to Iran and although the committee had little evidence of diversion of profits to the contras, independent sources say Secord handled that too. The committee's report says it has circumstantial evidence and the testimony of White House Chief of Staff Regan and Attorney General Meese that the diversion of funds to the contras was North's idea. A memo found in North's safe dated April 4th, 1986, outlined a plan to divert \$12 million from the Iran arms profits to the contra rebels, but the committee could not prove that that money was spent on the contras or whether anyone else in the White House knew of the plan. The report says John Poindexter could have seen that early memo but there is no evidence of that. Poindexter, the report says, at the very least suspected early on that Iran money was being skimmed off but failed to act. The report says that on November 24th, when Regan confronted Poindexter asking: How could you let this happen? Poindexter replied that he felt sorry for the contras. Poindexter, according the committee, was not a passive bystander to events. When Casey suggested on November 16th that Poindexter get the White House counsel to investigate the contra money, Poindexter reportedly replied he could not trust the White House lawyer to keep things quiet. The committee could not prove or disprove whether Poindexter or North ever told the President that the contras were being funded with money from Iran.

Brokaw: This Senate Intelligence Committee report also describes an early and important involvement in the Iran-contra affair by Casey and other officials of the intelligence agency.

NBC's Art Kent: According to the committee report the first CIA official involved in the Iran arms deal is also the man most responsible for sounding the alarm at the CIA that Iran arms funds were going to the contras. He is Charles Allen, one of a small group of very senior CIA men called national intelligence officers who report directly to Casey. In September of 1985, the report says, North asked Allen for increased intelligence on arms broker Gorbanifar and other Iranians. Two months later the CIA was involved in flying arms from Israel's Ben-Gurion airport to Iran. With the CIA now officially supporting the Iran arms shipments, the report says Gorbanifar, the Iranian middle man, suggested to a CIA contact in March of 1986 that money be diverted from the arms sales to the contras, but it was not until October 1st that CIA official Charles Allen became suspicious. Allen told Robert Gates, then CIA deputy director. On October 7th Gates and Allen briefed Casey. On October 9th, Casey and Gates asked North about the diversion, the report says North denied it, but did mention a Swiss bank account. On October 10th, New York businessman Roy Furmark called Casey and warned that some of the money was being diverted. Four days later Casey met again with Gates and Allen and Gates ordered an internal CIA investigation. After looking into it, Casey met with Poindexter. By this time, the committee report says, Casey knew funds were being diverted to the contras. Casey has consistently denied he knew for sure of the contra diversion until Meese made his announcement this November. The Senate Committee report criticizes the CIA director for being less than candid when he appeared before them on November 21st, and makes it clear there were many more questions, questions that Casey cannot answer now that he is hospitalized. Robert Gates told the committee that it was CIA policy to not even want to know about funds being diverted to the contras. If we even knew, Gates said, we might be blamed for it.

Brokaw: This is the report, remember, that the White House wanted to make public. And standing by at the White House tonight is Chris Wallace. Chris, in the report the President's justification for sending the arms to Iran last January, the so-called intelligence finding, indicates that if all of the hostages are not released after the first shipment, there will be no more shipments. The President has said that this was not an arms for hostage deal and, of course, there were other shipments. Is there any explanation for that tonight?

NBC's Chris Wallace: No, no explanation at all Tom. The fact of the matter is as you look at the chronology as it is stated in the report, it becomes clear that this really was an arms for hostages deal, that over and over again that the Administration was interested primarily in the return of the hostages, that they would send arms to Iran, that the hostages wouldn't be released but then the Iranians would say 'just one more shipment and you'll get them'. And it is very interesting that the report notes that Casey at one point said: You know this thing may all come out and it will be very damaging so we should have a cover story that this wasn't an arms for hostages deal at all, it was a political attempt to reach out to the moderates in Iran.

Brokaw: What about the President and his men, are they at all embarrassed that the President was not in control of this situation, that many of the people who worked for him were able to range so far afield with out his knowledge?

Wallace: Tom, let's face it, this is a very damaging report. It indicates that top officials were lying to each other, that the Administration may have been braking laws and yet the White House has been urging its release. Why? Because the report also says that there is no evidence that Ronald Reagan knew about the diversion of funds to the contras. And at this point that's all that the White House really cares about. No matter how bad the President looks or any of his aides look, the key point is that the President didn't about the diversion. That's what they want to have established.

Brokaw: It is worth pointing out once again that this is a report based on testimony. It's incomplete so far but this is what the Senate Intelligence Committee has heard and what it has put in its report up to this point. (NBC-Lead)

CBS's Dan Rather: CBS News has been told more about the involvement of President Reagan's aides in the favorable editing of a Senate Intelligence Committee draft report on the Iran-contra scandal. That editing shrank the report down, it turns out, from 148 pages to 133 after deletions requested mostly for what were called diplomatic reasons. Phil Jones also reports that GOP efforts to make the report public are widely considered premature because key testimony from 12 of the committee's 37 witnesses hasn't even been transcribed yet. (CBS-5)

PRESIDENT'S RETURN TO WHITE HOUSE

Brokaw: President Reagan was back at the White House today a full day ahead of schedule after what his doctor called a remarkable recovery from prostate surgery. As he left Bethesda Naval Hospital reporters asked what medical advice he had been given and the President joked: Keep out of the cold. At the White House the President said he felt great. Asked by reporters what he could do for an encore, he replied an appendectomy. The White House said later that he had that operation in July 1985. (TV coverage of the President departing Bethesda and arriving at the White House.) The President will resume an Oval Office schedule sometime next week. One problem that will be waiting for him is bipartisan opposition in Congress to sharp cuts in his proposed budget for anti-drug programs, programs that just a few months ago the President hailed as crucial to this country.

NBC's Andrea Mitchell: Two-hundred sixty-one pounds of cocaine seized earlier this week near Los Angeles, estimated street value \$44 million. A clinic in San Francisco, 450 people want treatment but there is no room for them. The pushers and smugglers aren't cutting back on their side of the drug war, but if the Reagan Administration has its way the government will. The President and his wife had called the anti-drug campaign a national crusade and they launched it in a joint address to the nation. The President said he knew it would be expensive.

Mitchell continues:

(President Reagan: "If there is going to be extra burden imposed on the treatment centers and so forth, we are going to have to find funds for that.")

Although the White House insisted that it was not a campaign gimmick, it was a major theme last fall.

(President Reagan: "For your future and your country, just say no.")

When Mr. Reagan signed the law making more money available to fight drug abuse, even leading Democrats were applauding. Congress thought it was a three year commitment. But Mr. Reagan's new budget calls for less money for prevention, treatment and law enforcement. The applause has stopped on Capitol Hill.

(Rep. Rangel: "So nothing the President has ever said has indicated that he's had a commitment to put resources behind the rhetoric.")

And around the country people who deal with addicts say their patients feel cheated by the President's promises of help.

(Treatment Center Director: "And this can probably have a worse devastating impact on their sobriety, on their continued addiction and on the community's health than if he would have done nothing at all.")

The White House says the money was needed only to get the programs started so it can be cut from the new budget now that programs are underway. Leading congressmen have an answer to the Reagan cuts, they plan to just say no. (NBC-4)

ABC's Peter Jennings: President Reagan is going to sleep in his own bed tonight. We all knew that Mr. Reagan had come through his prostate surgery with flying colors, but it's better for every one to have the President in the White House and not in the hospital.

ABC's Sheilah Kast: Three days after his prostate surgery, President Reagan said thanks and farewell to the Bethesda Naval Hospital staff and turned his attention to going home. How did he feel?

(President Reagan: "I feel great." Question: "Ready to get back to work?" President: "Of course, I haven't stopped.")

At the White House, Vice President Bush was waiting and a crowd of staffers and visitors with hand lettered welcome home posters. The President was asked what he would do for an encore.

(President Reagan: "An appendectomy.")

Mr. Reagan promised he would resume horse back riding soon when the weather is warmer, but his doctors warned against any vigorous exercise or heavy lifting for six weeks. He was welcomed by top aides but the only one he met with alone later was Chief of Staff Regan. The President will spend the next several days in the residence before venturing back to the Oval Office for a few hours a day next week. But the House of Representatives didn't wait for that to confront him with a challenge. It took the clean water bill he vetoed two months ago, \$18 billion over eight years for water treatment projects, and passed it again, 406 to 8. The Senate is expected to take it up next week.

(Rep. Howard: "My conclusion is that the opposition to this is based on the premise that there should be no federal role in protecting the environment.")

(Rep. Mineta: "A veto of this legislation will demonstrate what many of us have known for sometime, and that is that this Administration's commitment to the environment is vague and meager.")

Kast continues:

The President calls this bill a budget buster, but he is willing to compromise. He has offered \$12 billion, double his original proposal. It is an approach his aides would like to take with many of his budget proposals, more cooperation than confrontation. (ABC-Lead)

Rather: President Reagan is back at the White House tonight after four days in the hospital. Bill Plante reports new questions about the arms for Iran fiasco are waiting for Mr. Reagan, including where did the money go?

CBS's Bill Plante: President Reagan left Bethesda Naval Hospital after doctors pronounced his condition excellent, obviously happy to be going home.

(President Reagan: "I feel great." Question: "Ready to get back to work?" President: "Of course, I haven't stopped.")

Receiving a hero's welcome from White House staff members, Mr. Reagan was ready with a joking retort when asked what he planned to do for an encore.

(President Reagan: "An appendectomy.")

But as the President returns from the hospital serious attention is turning back to the Iran-contra scandal and more potentially embarrassing questions for the Administration. Was Oliver North dispensing cash from his National Security Council office safe? Sources tell CBS News that North did keep large amounts of cash in the White House about two years ago before setting up Swiss bank accounts. The money was apparently given by private donors to aid the contra rebels at a time when Congress had forbidden direct or indirect military aid. As far back as July 1985, a self-described mercenary told CBS News about the deliveries of cash.

(Peter Glibbery: "The money came down from the national security council. The \$10,000 a month was not coming from the CIA it was coming from the National Security Council itself.")

There is also the question of the missing \$10 million, money solicited by the State Department from the Sultan of Brunei supposedly for humanitarian aid to the contras. Secretary Shultz, though he won't name Brunei, now admits his people asked for the money, gave the donor the number a Swiss bank account into which it was to be deposited, then lost track of it. Was that money used by North for military aid? No one is saying. And if that \$10 million was for legal, humanitarian aid, why was it necessary for the State Department to have it deposited in a secret Swiss bank account. (CBS-2)

U.S./IRAN/CONTRAS

CBS's Eric Engberg reports four months after Congress banned the U.S.

from sending any military aid to the Nicaraguan contras, a secret supply network with ties to White House aide Oliver North was operating at full speed according to new evidence uncovered by CBS News. Documents show that on February 14th, 1985, millions of dollars worth of arms were ordered from Portuguese factories by a company called Energy Resources International which listed its address as this building in Vienna, Virginia. The address links the arms to two retired military officers, both associates of North. This new evidence suggests that at the time Eugene Hasenfus's plane was shot down exposing the arms traffick, the secret contra supply network had been in operation for almost two years. (CBS-3)

CONTRAS

CBS's David Martin reports (the battle ship Iowa) will be looming in the background as the newly armed and better trained contras launch an offensive which is the heart and soul of the Reagan Administration's policy.

(Elliott Abrams: "We believe that the only way to do it is through the military pressure that the contras can put on the Sandinista regime.")

(Adolfo Calero: "We have been receiving substantial supplies. We have started already a big penetration into Nicaragua.")

But the Sandinistas are well armed and Congress could vote as early as next month to cut off military aid to the contras. The vote will probably depend on how quickly the contras can look like winners.

(CBS-4)

BRUNEI/MONEY

ABC's John McWethy reports the State Department today tried for the first time to explain what happened to the \$10 million dollars that the U.S. secretly solicited from the oil rich kingdom of Brunei in Asia for use by the contra rebels in Nicaragua.

(Phyllis Oakley: "We are not trying to hide things but we are trying to get them out as best we can.")

Without ever mentioning the country by name, spokesman Phyllis Oakley said Brunei claims it did hand over the money.

(Oakley: "The donor country then informed us that it had irreversibly transferred the money to the designated account on August 19th.")

Unfortunately the State Department, Oakley confirmed, doesn't know what happened to the money, whether it ever arrived in the Swiss bank account that was controlled by North or how it was used if it did. Elliott Abrams today claimed that all the unanswered questions about secret funding for Nicaraguan rebels will have no impact on winning additional money from Congress.

(Abrams: "I'm confident Congress will give more aid.")

Governments in Latin America, however, are increasingly ill at ease about the Reagan Administration's approach to funding a war to win peace. In fact the U.S. had to call a special session of the Organization of American States today to chastise its Secretary General for trying to come up with a peace proposal of his own without telling the U.S. And there are other small rebellions against the U.S. among its friends in the region. It's as though some nations feel one way to make progress is to bypass the United States.

(ABC-4)

WALL STREET

Brokaw: Wall Street did it today, January 8th, 1987, closing above 2,000 for the first time in the Street's history. It was an up again, down again day, but by the time of the closing bell the Dow Jones average had done what no one doubted it would do sooner or later.

(NBC-2, ABC-2, CBS-Lead)

DRUG PROGRAM CUTS

Rather: You may recall that just before the November elections President Reagan launched what he promised would be a crusade against drugs. His new post election budget calls for deep cuts in drug law enforcement.

CBS's Rita Braver: Remember the great drug offensive of 1986, the first couple rallied the nation, the government recruited superstars to spread the word, and eight days before the election with great ceremony, the President signed a new law pushing anti-drug spending to almost \$4 billion.

(President Reagan: "The American people want their government to get tough and to go on the offensive and that's exactly what we intend.")

Now, however, in its latest budget request, the Administration has slashed almost a billion dollars from drug busting programs. The biggest cut, \$225 million for state and local law enforcement grants. In Congress both Democrats and Republicans said they felt betrayed. (Rep. Gilman: "At a time when we have an increased amount of product coming into the country, an increased amount of trafficking on our streets, we need to do more not less.")

The White House responded with a fact sheet claiming those big bucks in the original plan were for start up costs of new programs, one time only expenses. The President's former drug adviser defended the White House arguing that spending won't cure the drug problem.

(Carlton Turner: "And as long as we think we are going to solve that by throwing money into areas, we are never going to solve it. Let's hold the user accountable for his or her actions.")

But funding for education and treatment for users is down too, and local governments say that will hurt.

(Nick Navarro, Broward County Sheriff: "It takes three things to win a war, and we are at war with drugs: It takes money, money and more money, and that's the answer.")

The response from Capitol Hill to the President's new drug budget may have a familiar ring, Congress is likely to just say no.

(CBS-11)

CLEAN WATER BILL

Rather: The House of Representatives voted today to spend \$20 billion over the next eight years on projects to fight water pollution. President Reagan vetoed the same measure last year. (CBS-6)

IRAN/IRAQ

ABC's Bob Zelnick reports scenes of dead, wounded and captured Iranian soldiers shown on Iraqi television recently may accurately reflect what official Pentagon sources are calling a conclusive Iranian defeat suffered last month. Pentagon officials have now concluded there is no real chance for a major Iranian breakthrough in the fighting. Iranian officials claim last month's operation was a diversionary attack and that the big offensive is still to come, but sources here say Iran took its best shot in December and it failed. (ABC-4)

EDITORIALS/COLUMNISTS

U.S./IRAN/CONTRAS

Get Well Quickly, Mr. President -- "The leadership Mr. Reagan has provided has been of tremendous importance in making our country strong, in stimulating a depressed economy, in righting economic errors, in reforming taxation, in doing so much to make America better than it otherwise would have been. Even with the inevitable disagreements, mistakes, and problems that aren't quickly solved, the Reagan Administration has been a great blessing for the American people and world freedom. We wish for Mr. Reagan a speedy recovery and continued good leadership for even greater accomplishments in the two years remaining in his term." (Chattanooga New-Free Press, 1/5)

Why Democrats are sitting on Iranscam report -- "Senate Democrats claim that publication of the Senate Intelligence Committee's preliminary Iranscam report isn't in the national interest. That's hogwash.... Ronald Reagan remains an exceedingly popular president. And if it becomes clear that White House communications chief Pat Buchanan is right -- that 'The left is not after the truth. The left is after Ronald Reagan' -- it's the Democratic Party that's likely to pay the price." (New York Post, 1/7)

Scandal Time -- "For weeks the Democrats have been pushing the public's right to know the whos, whens and whats of the Iran-contra affair and feeding the public's perception of Republican perfidy, if not illegality. Now they maintain that releasing the only answers available so far might mislead the public -- into believing what? That the scandal isn't quite so bad or doesn't go so high as some Democrats wish and as others, like South Carolina's Sen. Fritz Hollings, have already decided it should? Are the facts uncovered over the next 8 or 10 months to be fed to the public only through a Democratic filter at a Democratic pace? Is White House Communications Director Pat Buchanan right, that Democrats are after not the facts but the President?" (Richmond Times-Dispatch, 1/8)

Don Regan Should Stay On -- "It is no coincidence that President Reagan, who is the first person with a degree in economics ever to hold office, and Don Regan see eye-to-eye on matters involving the economy. Together as measured by results, they may have been the best team imaginable for the nation's economy over the past six years.... If Regan resigns or is forced out, the chaos resulting from such change will certainly bring this Administration to an early end. It is inconceivable, for example, that a new group could capitalize on the intriguing possibilities resulting from Reykjavik. Time is too short to replace someone at that level -- someone who had done nothing wrong and a lot of good."

(Richard Shriver, Washington Post, 1/8)

BUDGET

Trillion-dollar debate -- "Congress will have to think seriously about a budget that fails once again to explore significant tax-revenue sources such as energy, luxury goods, imports and upper scale incomes. The task will not be easy, and the budget provides limited guidance."

(Boston Globe, 1/6)

EDITORIALS AND COLUMNISTS

BUDGET: The Reagan Administration submits an unrealistic plan... -- "There is much to be said for the idea of slowing the growth of Medicaid and Medicare costs, though it is difficult to say at this stage whether the specific cuts proposed by the Administration are fair and make sense. We also favor efforts to bring under control the staggering cost of the nation's farm programs. Altogether, though, this is not a realistic budget, even for a preliminary one, and the Administration should know about it. In past years, similar budgets could not pass even the Republican Senate. Congress has little choice but to start writing the 1988 budget from scratch." (Detroit Free Press, 1/5)

\$1,024,000,000,000 -- "Ronald Reagan's budget may be dead on arrival at the Capitol steps, but the Democrats who now command both chambers of Congress would be foolish to betray the President's fundamental approach to curing the deficit, which is to arrest spending rather than raise taxes.... Mr. Reagan's plea to kill the deficit by starving it makes much more sense than the Democratic plan to feed it by raising taxes." (San Diego Union, 1/7)

Our tab: \$1,024,000,000,000 -- "The time for arbitrary cuts in domestic programs is over; we now need creative approaches for dealing with stubborn domestic concerns. This budget offers few. A dangerous deficit cloud shadows all of these budgetary considerations, we realize. It's a cloud that may not be dispelled without a tax increase. President Reagan is adamantly opposed, but reality may override his opposition. There may be no other way to reduce deficits enough to reach a balanced budget by 1991." (San Diego Tribune, 1/7)

\$1 Trillion failure -- "The President's recently unveiled budget proposal for fiscal 1988 is discouraging. While it may not presage the end of the Reagan revolution, this proposed budget demonstrates a dangerous weakening of will in the President's campaign to wring meaningful reductions from a recalcitrant Congress.... Hopefully, the forces of fiscal sanity within Congress will come to the fore to offer their budget initiative. Regrettably, the President has deserted the field of combat." (Boston Herald, 1/6)

Private Resolutions -- "As the Reagan Administration faces 1987, its biggest challenge will be maintaining policy initiatives in the face of political efforts to render it impotent. The White House will have its own ideas of how to do that, but it seems to us that some older proposals that weren't pushed very hard are worthy of new efforts. One of them is the sale of more government holdings to private interests.... When he starts trying to build support for them, it won't hurt in the slightest to adopt the Conrail approach and stress how much better the federal budget could look after ridding Uncle Sam of his excess baggage." (Wall Street Journal, 1/2)

LETTERS TO THE EDITOR

IRAN-NICARAGUA

"Where Democratic President Truman sent thousands of boys to die in Korea, a still unexplained war, it was Dwight Eisenhower who went to Korea and stopped the war and brought the boys back home. Years later when Democratic Presidents Kennedy and Johnson created the Bay of Pigs tragedy and got us into Vietnam, it was President Nixon and Henry Kissinger...who brought the boys home from Vietnam, abolished the draft and created a volunteer army which is working excellently today.

I want to ask why Congress allowed these Democratic presidents to commit these outrages and yet every time a Republican president makes a comparatively minor mistake it goes after him with intent to destroy him."

(Grace Rossabi, Brooklyn, New York Post, 1/8)

"I cannot understand how Ronald Reagan conservative hard-liners, from the sharp-tongued Patrick Buchanan on down, can attack the Constitution, a bipartisan Congress and the national media. The Congress and the media have a democratic responsibility in the mind-boggling Iran scandal to get the whole truth to the American people."

(David Raiieri, Griffin, Atlanta Constitution, 1/4)

"Since 1980, a lack of competition in the national spotlight, a timid Congress and the almost total absence of public criticism has allowed the Reagan Administration to draw a cloak of secrecy about its inner workings. The Lebanese magazine that revealed the Iran arms deal caused the cloak to be lifted slightly. Now the Administration and its supporters are trying every means to stop American media from probing the Administration's hidden activities. Watergate taught Americans that if the United States is to be a democracy it must have an open government, freely inquiring news media and accountability of government officials."

(Jerome Leeson, Scranton, Philadelphia Inquirer, 1/6)

"Regarding the Iran weapons sale. It's a rotten, vicious world out there with plenty of rats trying to do us in, and Ronald Reagan's only crime was looking out for America's interests and trying to roll back the communist juggernaut."

(Thomas Kope, Baldwin Park, Los Angeles Herald Examiner, 1/1)

"President Reagan says he sent arms to Iran to stop the Iran-Iraq war. That's like saying you sent gasoline to put out the fire in your neighbor's house." (Elbridge Gagnon, Orient, Bangor Daily News, 12/31)

"If a prize was given for the most humorous headline of 1986, surely Newsday would win ("Maybe He Gave the OK," Dec. 20). To be asked to believe that while under sedation President Ronald Reagan may have given orders for the Iran arms deal is ridiculous. Are we really to believe that our so-called leaders in Washington would actually follow through on such an order, under such conditions?"

(Rhoda-Katie Hannan, Kings Park, Newsday, 1/5)