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News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, JANUARY 22, 1987 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

IRAN -- NICARAGUA

Shultz Tells Of New Arms-For-Hostages Bid By Iran -- Secretary Shultz said in a closed session of a House committee today that the Iranians, as late as last month, were still asking for arms from the United States and for the release of terrorists in Kuwait in exchange for American hostages seized in Lebanon, according to committee members. (New York Times, Washington Post, Wall Street Journal, AP, Reuter, UPI)

President To Meet NSC Board Monday -- President Reagan's spokesman announced yesterday that Reagan will meet Monday with a special review board probing the conduct of the NSC as a new controversy developed over a secret briefing given the President on an investigation into U.S. arms sales to Iran. (USA Today, Washington Post, Washington Times, AP, Newhouse, Reuter, UPI)

NATIONAL NEWS

'86 Inflation Was Lowest In 25 Years -- Americans last year enjoyed the smallest increase in prices for goods and services in 25 years as consumer prices rose 1.1 percent, the Labor Department reported yesterday. (Washington Post, Baltimore Sun)

NETWORK NEWS (Wednesday Evening)

WAITE -- Terry Waite still has not surfaced in West Beirut.

WHITE HOUSE/NSC COMMISSION -- President Reagan will meet on Monday with the Tower commission.

ARMS FOR HOSTAGES -- After the original arms for Iran deal broke into the open, there were more attempts to arrange a straight out ransom swap.



IRAN — NICARAGUA

U.S. DISCUSSED ARMS, CAPTIVES WITH IRAN AGAIN LAST MONTH Shultz Says Contacts Continued Despite His Orders

Secretary of State Shultz testified yesterday that, despite his objections, CIA officials continued to meet secretly with Iranians about arms and hostages as recently as last month, weeks after the Iran-contra scandal had erupted and the State Department supposedly had been put in charge of Iran policy, according to congressional sources.

Shultz told a three-hour, closed-door session of the House Foreign Affairs Committee that he authorized a Dec. 6 meeting in Europe of State Department and CIA officials with Iranian contacts, according to sources familiar with his testimony. But Shultz said he was astonished to learn that the Iranians had arrived with a nine-point "agenda," which included acquisition of American TOW antitank missiles and spare parts for Hawk anti-aircraft missiles, the release of 17 Islamic Jihad terrorists held in Kuwait and the release of American hostages held by pro-Iranian extremists in Lebanon.

(Don Oberdorfer & Walter Pincus, Washington Post, A1)

Shultz Reportedly Tells Panel That CIA Continued To Meet Iranians In December

Secretary of State Shultz told Congress that CIA officials met with Iranian contacts in Europe last month even though the State Department had broken off similar talks shortly before, according to congressional sources.

Mr. Shultz also told the committee that he was aware of several sources of funding for the Contras, and that the State Department was involved in three of those, according to sources at yesterday's hearing. These activities were taking place at a time when Congress had prohibited the U.S. from providing aid to the Contras.

(Robert Greenberger & David Rogers, Wall Street Journal, A2)

Shultz Tells Of New Arms-For-Hostages Bid By Iran

Secretary Shultz said in a closed session of a House committee today that the Iranians, as late as last month, were still asking for arms from the United States and for the release of terrorists in Kuwait in exchange for American hostages seized in Lebanon, according to committee members.

As described by a committee member, Mr. Shultz's account shed new light on the continuing contacts with Iran and the interest of some American officials in pursuing a relationship that might involve arms transfers.

(David Shipler, New York Times, A17)

Casey Accused Of Lying To Congress

Private Testimony by Secretary Shultz has led at one legislator probing arms sales to Iran to the blunt conclusion that CIA Director Casey lied about his role in the once-secret policy.

"Casey lied, and now Shultz's testimony indicates to us that other people have said things which conflict significantly with Shultz," Rep. Smith told reporters after a three-hour private committee meeting with the secretary of state.

(Michael Myers, UPI)

Shultz Had Reagan Shut Down New Arms-For-Hostages Effort

Secretary Shultz testified today the CIA discussed arms-for-hostages deals with Iran even after their public disclosure, and he got the President's authority to stop it, congressional sources said.

They said Shultz told the House Foreign Affairs Committee behind closed doors that he ordered the CIA, after a meeting in Europe on December 6, to halt the effort and was furious to learn it was not halted.

The sources said Shultz approved a meeting between U.S. and Iranian representatives in Europe, apparently London, December 6, but was surprised to find the Iranians came armed with a new nine-point agenda calling once again for a swap of U.S. arms for release of American hostages in Lebanon. (Jim Adams, Reuter)

Shultz Testimony/Casey

CIA Director Casey lied to Congress and closed testimony Wednesday by Secretary of State Shultz indicates others involved in the Iran arms sales also are lying, Rep. Lawrence Smith, D-Fla., said.

Smith said he had already concluded several major operatives in the Iran arms sales were not telling the truth and Shultz, who maintains he was not involved in key decisions that resulted in the sales, convinced him. (Dana Walker, UPI)

PRESIDENT TO MEET NSC BOARD MONDAY Reagan Got Secret Briefing On Senate Probe

President Reagan's spokesman announced yesterday that Reagan will meet Monday with a special review board probing the conduct of the NSC as a new controversy developed over a secret briefing given the President on an investigation into U.S. arms sales to Iran.

These developments occurred on a day when Nancy Reagan said that her husband was "frustrated" by the piecemeal nature of the disclosures, saying of the President, "He'd like it all out. He said that in the very beginning."

But White House officials acknowledged yesterday that the President, along with chief of staff Donald Regan and White House counsel Peter Wallison, were privately briefed on Dec. 19 by Sen. Durenberger on the investigation conducted by the Senate Select Committee on Intelligence, of which he was then chairman. (Lou Cannon, Washington Post, A31)

Tower Commission To Quiz Reagan Monday About Iran-Contra Affair

President Reagan has agreed to discuss the Iran-Contra affair with the Special Review Board headed by former Sen. Tower next Monday, the White House announced yesterday.

Ground rules for the meeting with Mr. Reagan are still being worked out, including who will attend and the format in which the President will answer questions, White House spokesman Larry Speakes said.

(Willis Witter, Washington Times, A3)

Reagan Getting Ready To Talk To Iran Panel

President Reagan will meet Monday with the special board he appointed to review the future of his embattled NSC.

Reagan's scheduled meetings with Abshire and the Tower group appeared to reverse the White House's position that he should not comment until his aides prepare a full record. (Jessica Lee, USA Today, A4)

Reagan To Appear Before Panel Monday; Commission Deadline Extended

A commission investigating U.S. arms sales to Iran and NSC operations on Wednesday nailed down an appointment with President Reagan and won three more weeks to finish its work.

Larry Speakes said Reagan is expected to review White House files with counsel Peter Wallison before the session with Tower and two other panel members, former Secretary of State Muskie and former national security adviser Brent Skowcroft. (Dale Nelson, AP)

The President/Tower Commission

President Reagan met Wednesday for the second time with his special adviser on the Iran arms scandal and agreed to sit down with the commission he set up to investigate NSC operation.

Reagan, still secluded as he recovers from prostate surgery Jan. 5, met separately in the Oval Office with four top advisers -- chief of staff Donald Regan, NSC director Frank Carlucci, Defense Secretary Weinberger and Secretary of State Shultz -- before seeing special counselor David Abshire. (Ira Allen, UPI)

Reagan To Discuss Iran Affair With Tower Commission Next Week

President Reagan will discuss the Iran arms scandal with a special review board next Monday, but his wife Nancy says he has no plans to answer questions publicly until the panel finishes its report.

"He just wants more input.... Obviously the questions are not going to end just with his involvement so he thinks that's the responsible way to do it," Mrs. Reagan told reporters yesterday. (Gene Gibbons, Reuter)

First Lady Says President Frustrated In Silence

President Reagan is frustrated in his self-imposed silence on the Iran arms-Contra aid scandal yet considers it the "responsible way" to handle the matter, the First Lady says.

With her husband still out of the public eye since his worst political crisis broke, an unusually talkative Nancy Reagan stepped forward Wednesday to speak for him on the scandal, his agenda and his health in the wake of prostate surgery. (Helen Thomas, UPI)

First Lady Says President Will Talk When He Learns More

Nancy Reagan says the President won't wait until the end of the congressional investigations into the Iran-Contra affair to offer his side of the story, but he wants to learn more before he breaks his week-long silence.

"Sometimes, you know, it's harder to say nothing, when you really want to say something," Mrs. Reagan said on Wednesday.

(Susanne Schafer, AP)

Reagan/Testimony

For the first time since the Iran-Contra scandal rocked his Administration, President Reagan has agreed to answer detailed questions about his own role and recollections in the affair.

Reagan, recuperating from prostate surgery, will meet with the commission for one hour. The President will not be under oath -- none of the witnesses interviewed by the panel have been asked to take an oath -- and the commission will make no transcript of the interview, although notes will be taken, said Herbert Hetu, a spokesman for the commission.

(Miles Benson, Newhouse)

REAGAN TO ADDRESS IRAN ISSUE IN SPEECH

President Reagan will raise the Iran-Contra controversy next week in what could be the most crucial State of the Union address of his presidency.

Mr. Reagan, in his first major public appearance since undergoing prostate surgery Jan. 5, will renew his pledge to Congress and the nation to air all the facts in the affair that threatens to dominate his final years in office.

(Mary Belcher, Washington Times, A2)

WAITE HOLDING SECRET TALKS WITH U.S. HOSTAGES' CAPTORS

Second West German Feared Kidnapped In Beirut

BEIRUT -- Anglican Church envoy Terry Waite negotiated secretly with captors of the American hostages today -- and by one account was to meet with some of the hostages -- as a second West German disappeared in Moslem-controlled west Beirut amid indications that he had been kidnapped.

Alfred Schmidt, an employee of Siemens, the Munich-based electronics manufacturing company, has been missing from his hotel here since early yesterday. An anonymous caller to a western news agency here today claimed responsibility for kidnapping Schmidt, but made no demands.

(Nora Boustany, Washington Post, A1)

Waite Remains Out Of Sight, Reportedly Meeting Kidnappers

BEIRUT -- Hostage negotiator Terry Waite apparently is still meeting with Shiite Moslem kidnappers today, according to a Druse militiaman who earlier said the envoy would see two Americans held captive since 1985.

The militiaman, who spoke on condition of anonymity, said Wednesday that Waite would be allowed to "see and converse" with American hostages Terry Anderson and Thomas Sutherland. He did not elaborate.

(Farouk Nassar, AP)

'OBSESSION' UNDID U.S. TERRORISM POLICY

White House officials became "obsessed" with gaining the release of American hostages in Lebanon and ignored serious national-security interests in secretly selling arms to Iran, according to the new chairman of the Senate Intelligence Committee.

Sen. David Boren says the initial linkage between selling arms and releasing hostages may have begun "unconsciously" at the White House but that it developed into an arms-for-hostages deal.

(Warren Richey, Christian Science Monitor, A1)

NORTH APPARENTLY TRIED A SWAP FOR SOVIET TANK
Deal With Iran For Captured Vehicle Failed

KORSOR, Denmark -- A small Danish freighter, apparently directed by Lt. Col. North of the NSC staff, secretly tried to deliver U.S.-made machine guns to Iran last October in an attempted swap for a captured Soviet T72 tank long coveted by U.S. intelligence agencies, sources said.

Ultimately, this mission, like other clandestine Reagan Administration attempts to deal with the government of Ayatollah Khomeini, ended in failure. Arrangements for picking up the tank somehow fell through, and the machine guns were returned to Israel.

(Michael Wines & Richard Meyer, Washington Post, A37)

CONTRA LEADER SAYS CONTINUED AID PROMISED IN 1984

CIA and NSC officials assured Nicaraguan rebel leaders in 1984 that assistance would continue to flow even if Congress cut off military aid, a former rebel leader said Wednesday.

Edgar Chamorro, who says he was a CIA-paid public relations manager for the Contras in 1983 and 1984, said Clarridge also assured him President Reagan was deeply committed to the rebels' cause.

Chamorro said that he also received assurances of continued military support from the CIA bureau chief in Honduras whom he knew as "Vincent."

(Neil Roland, UPI)

U.S./NICARAGUA/CONTRAS

In a markedly bleaker assessment than U.S. officials have previously offered, a key senior Pentagon official now says that U.S. commitment to the Nicaraguan Contra rebels will be required for many years before the Sandinista government is toppled or changed.

The official, noting that successful guerrilla insurgencies often take years or even decades to be successful, said the Contras would need \$100 million a year "as a minimum" for the foreseeable future.

(David Wood, Newhouse)

CIA CLEARS AIDE SAID TO HELP REBELS

But Action On Costa Rica Station Chief Is Assailed As 'Whitewash'

A CIA station chief recalled from Costa Rica for aiding a Nicaraguan rebel arms resupply mission has been cleared of wrongdoing by two internal investigations that did not examine broader questions of CIA involvement, according to intelligence sources.

Despite the legal findings, Central Intelligence Agency superiors believe that the station chief, known by the pseudonym Tomas Castillo, exercised poor judgment in relaying the messages from then-NSC aide Oliver North, said the sources who spoke on condition of anonymity.

(Robert Parry, Washington Post, A25)

CONTRA ANALYST AIRS PLAN TO GAIN INITIATIVE

'The Resistance Does Not Intend To Engage In A...March On Managua'

The Nicaraguan contra rebels plan to "regain the initiative" in battle with Nicaraguan government troops this year, but cannot mount a "prolonged war" if U.S. support remains uncertain, according to a position paper issued by the rebels yesterday.

Written by Bosco Matamoros, Washington spokesman for the Nicaraguan Democratic Force, the largest group in the United Nicaraguan Opposition, the 14-page statement sketches the history of the six-year-old conflict from the rebels' viewpoint and outlines their goals.

(Joanne Omang, Washington Post, A25)

INTERNATIONAL NEWS

U.S., JAPAN TO COOPERATE ON STABILIZING CURRENCIES

Senior U.S. and Japanese officials agreed yesterday to cooperate to stabilize foreign currency trading as West Germany's central bank prepared to cut a key interest rate and help stem the dollar's decline.

After a 2½-hour meeting between Treasury Secretary James Baker and Japanese Finance Minister Kiichi Miyazawa, the Treasury Department issued a statement that noted "recent instances of temporary instability in exchange markets." They said the markets "warrant monitoring," and added that the two officials "reaffirmed their willingness to cooperate on exchange market issues."

(John Berry & Hobart Rowen, Washington Post, A1)

U.S./Japan/Dollar

The United States and Japan, seeking to ease tensions over America's giant trade deficit, pledged close cooperation on currency exchange rates between the two countries in an announcement issued late Wednesday.

Analysts said it will probably not be known for some days exactly what policy actions will result from this vague language. But they said it was likely that the United States may join other countries in a joint effort to keep the dollar from falling lower in return for Japanese action to cut its discount rate as a way of stimulating domestic growth.

(Martin Crutsinger, AP)

Japan/U.S./Exchange Rates

U.S. and Japanese officials have reaffirmed an October agreement to cooperate closely on exchange rates following an emergency meeting sought by Japan's finance minister.

But at a news conference Wednesday night at the Japanese Embassy following his 2½-hour emergency meeting with Treasury Secretary Baker, Finance Minister Kiichi Miyazawa said no firm agreement has been reached on whether the United States will intervene to halt the slide of the U.S. dollar.

(Bob Rast, Newhouse)

Japan/U.S./Dollar

Japanese Finance Minister Kiichi Miyazawa and Treasury Secretary Baker met Wednesday to discuss the plummeting dollar but emerged with only a vague commitment to cooperate on the issue.

The two "agreed to continue cooperative efforts to stimulate growth and to reduce external imbalances," according to a statement issued by both sides after the nearly 2½-hour meeting.

"Whether the U.S. government would intervene is a decision for the U.S. government," Miyazawa said.

(Craig Webb, UPI)

DOLLAR DROPS AS MARKETS SHRUG OFF U.S.-JAPAN CURRENCY PACT

TOKYO -- The dollar slumped today on panic selling as the markets decided that the latest currency pact between the United States and Japan was barely worth the paper it was printed on, dealers said.

In a statement issued after their talks, Japanese Finance Minister Kiichi Miyazawa and U.S. Treasury Secretary Baker said recent turmoil in exchange rates was temporary and reaffirmed their willingness to cooperate on currency issues. (Rie Sagawa, Reuter)

Pessimism On Money Markets After Baker-Miyazawa Talk

Japanese money dealers showed little faith today that the United States would keep the dollar's value from dropping, despite pledges of renewed cooperation from each nation's top finance official.

In the wake of a joint statement from Finance Minister Miyazawa and Treasury Secretary Baker, traders on the Tokyo currency exchange market reacted by selling the dollar this morning for even less than its value the day before -- 153 yen compared with the Wednesday evening close of 153.60. (Craig Webb, UPI)

U.S., Japan Statement Fails To Arrest Sharp Dollar Fall

A statement on exchange rates and economic cooperation by the United States and Japan failed to halt the sharp fall of the dollar and prompted panic selling in Tokyo today.

"It's a free sell right now. It's going to go lower." said a top trader at a New York bank.

"I didn't expect much, and this is much less than I expected," said a senior dealer at a leading European bank. (Peter Torday, Reuter)

Dollar Decline Not A Foretaste Of Recession, Analysts Say

The U.S. economy is in reasonably good shape, despite worries about its condition abroad, and the dollar's recent freefall should not be taken as a signal that recession is at hand, financial analysts here say.

They say the currency's fall markedly improves the prospects of reducing the massive U.S. trade deficit and makes the United States a better place for foreigners to invest as their currencies have appreciated against the dollar. (Kenneth Barry, Reuter)

W. GERMANY WILL LOWER DISCOUNT RATE

FRANKFURT -- West Germany's central bank will remove a major policy irritant between Washington and Bonn Thursday by lowering its discount rate by one-half of a percentage point, informed financial sources said today.

The move, which will be coupled with technical steps by the Bundesbank to restrain the already brisk growth of money supply here, may contribute to stabilize the dollar after a precipitous month-long decline against the German mark, officials suggested.

(Jim Hoagland, Washington Post, C1)

VOLCKER/JAPAN/W. GERMANY

Federal Reserve Board Chairman Paul Volcker suggested Monday that the Japanese and West German economies are roomy enough to permit changes that would help stimulate the U.S. economy.

But what really matters in the ability to adjust is the rate of domestic growth a nation has, "and they haven't moved as much as one would like to see" in Japan and West Germany he said. Such growth is assumed to be good for the United States because it would spur demand in American goods. (UPI)

DEUKMAJIAN DELIVERS REAGAN LETTER

TOKYO -- Gov. George Deukmejian of California played diplomatic courier late Wednesday, delivering to Japanese Prime Minister Yasuhiro Nakasone a personal letter from President Reagan on trade problems between Japan and the United States.

Deukmejian handed over the letter during a 20-minute meeting with Nakasone in the prime minister's official residence, but refused later to characterize its contents to reporters, except to say it "did relate to trade." (William Endicott, McClatchy)

BONN SAYS EXTRADITION MAY BE SLOW
Options Kept Open After Kidnapping

BONN -- West German officials today ruled out a quick extradition of a Lebanese terrorist suspect wanted by the United States, citing a West German kidnap victim in Beirut.

The sources emphasized that they were not signaling that West Germany planned to accede to the kidnappers' demands by releasing Mohammed Ali Hamadei. Washington has requested that he be extradited to stand trial for murder and air piracy in the 1985 TWA hijacking.

(Robert McCartney, Washington Post, A1)

Bonn Hesitates On Extraditing Terror Suspect

BONN -- There were signs today that the West German Government was hesitating to extradite an accused Lebanese terrorist being sought by the United States.

The development came hours after gunmen in Beirut were reported to have kidnapped another West German, the second since Monday.

Officials said there would be no rush to act on extradition while two West Germans were possibly in the hands of supporters of the Lebanese suspect. (James Markham, New York Times, A1)

Meese Is Confident On Extradition

Terrorist threats against West Germany won't stop the extradition and U.S. trial of a hijacking suspect, Attorney General Meese predicted Wednesday.

As reports circulated that negotiations for the hostages' release had begun, Meese hinted the United States is considering some action on their behalf. (Sam Meddis, USA Today, A4)

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Reports Say Hamadi Unlikely To Be Extradited Before Cordes' Release

BONN -- West Germany probably will not extradite a suspected Lebanese terrorist to the United States as long as a West German businessman is held hostage in Lebanon, television report said.

The ARD television network also said Wednesday the government of Chancellor Kohl has established contact with the kidnappers of businessman Rudolf Cordes and indicated its readiness to negotiate for his release.

(Susan Smith, AP)

Pressure Mounts On Bonn Over Growing Lebanon-Hostage Crisis

BONN -- Kidnappers and the United States put more pressure on Bonn over a growing hostage crisis in Beirut, just three days before West German general elections.

Government sources say his (Cordes') kidnappers, who they believe are from the Shi'ite Moslem Hizbollah group, want to use him to bargain for the release of Lebanese Mohamed Ali Hamadei.

But a statement by Hizbollah in Beirut last night denied any involvement in the kidnapping of the West Germans and other foreigners in Lebanon.

(Kathy Marks, Reuter)

Bonn Considers Swap For Hostages

BONN -- One option being considered by West Germany to engineer the release of two German hostages in Lebanon is to exchange them for a captured Arab wanted by the United States in the hijacking of TWA Flight 847, a newspaper said today.

The newspaper Bild said the government was weighing a swap as one of three options to deal with the U.S. extradition request and the two abductions, which have confronted Chancellor Helmut Kohl's government with a potential crisis four days before national elections.

(UPI)

Meese/Extradition

Attorney General Edwin Meese urged West Germany Wednesday to fight terrorism by extraditing an accused Arab hijacker to the United States despite death threats against a kidnap victim and the seizure of another German.

"The solution to terrorism lies first and foremost in asserting our political will to resist it," Meese told a terrorism symposium shortly after reports of the second kidnapping of a West German in Lebanon.

Meese's remarks were the first by a top Administration official since the United States formally asked for the extradition of Mohammad Ali Hamadei, accused of air piracy and murder in the June 1985 hijacking of TWA Slight 847 and the death of Navy diver Robert Stetham.

(Lori Santos, UPI)

BUSH GETS 'AN EARFUL' IN CANADA
Ottawa Visit Airs Rising Tensions

OTTAWA -- Vice President Bush and Treasury Secretary James Baker attempted to rescue a close Reagan Administration ally, Canadian Prime Minister Brian Mulroney, during a hurried mission today to this icy, snow-blanketed capital.

During the four-hour visit, Bush said he "got an earful" from Mulroney about acid rain, trade negotiations and other matters that have led to rising tensions between the United States and Canada.

(Herbert Denton, Washington Post, A23)

U.S., SOVIET NEGOTIATORS RESUME GENEVA TALKS
ON NUCLEAR TESTS

GENEVA -- The United States and the Soviet Union resume talks on nuclear testing today as Washington prepares to carry out an explosion which Moscow says would end a unilateral Soviet testing freeze.

Since the talks began in July, Soviet negotiators have pressed for a ban on nuclear testing which the United States regards only as a long-term goal.

(Claude Fillet, Reuter)

SOVIETS STOP RADIO JAMMING, BBC SAYS

The British Broadcasting Corp. said yesterday that the Soviet Union has stopped jamming its Russian-language radio transmissions, but officials of the U.S. radio, the Voice of America, said its broadcasts to the Soviet Union still are being jammed.

The BBC announced in London that its transmissions were being heard clearly in Moscow. The BBC, a government-owned but independently run radio and television network, said the Soviets had given no reason for ending the jamming, which was imposed 6½ years ago during the rise of Poland's now outlawed Solidarity movement.

(John Goshko, Washington Post, A31)

SDI DEPLOYMENT IS YEARS AWAY, CROWE SAYS
Program Still In Research But Decision Due Soon, Admiral Testifies

President Reagan's chief military adviser told Congress yesterday that SDI is still in research -- not "out there in the parking lot" -- and that deployment probably cannot occur until the 1990s.

But Adm. William Crowe, chairman of the Joint Chiefs of Staff, told the Senate Armed Services Committee that critical decisions about the space-based defense system, popularly known as "Star Wars," must be made in coming months.

(UPI story, Washington Post, A5)

TWO S. AFRICAN LEADERS CRITICIZE U.S. POLICY

NEW YORK -- Two major South African anti-apartheid leaders today criticized U.S. policy towards southern Africa as too accommodationist and too tightly focused on the East-West conflict.

Referring to a Reagan Administration contention that the African National Congress has moved too far into the Soviet camp, exiled ANC president Oliver Tambo said the pivotal question was not the East-West confrontation.

"The struggle for national liberation cannot be predicated on serving a new master," he said. (Reuter)

U.N. CHIEF TELLS U.S., SOVIETS: LEAVE CENTRAL AMERICA ALONE

U.S. Secretary General Javier Perez de Cuellar told the United States and the Soviet Union Wednesday to keep their hands off Central America.

"I don't like the idea one bit that Mssrs. Reagan and Gorbachev have to resolve all international problems. I don't see why we have to go to the superpowers to resolve international problems. They have enough problems of their own."

A State Department spokesman in Washington declined comment on the U.N. chief's remarks pending a reading of his entire statement, but said the U.S. government would welcome any progress toward "a comprehensible, verifiable, simultaneously implemented agreement."

(Peter Copeland, Scripps Howard)

REAGAN, BUSH PHONE ECUADORAN PRESIDENT

QUITO, Ecuador -- The congress continued debating a resolution tonight to demand that President Leon Febres Cordero resign, amid conjecture that action by the congressional opposition against the president might provoke a military coup.

In Washington, State Department officials said President Reagan had called Febres Cordero on Tuesday to "express concern" for Ecuador's fragile democracy and to "encourage" Febres Cordero in efforts to reach a peaceful solution to the conflict. The officials said Vice President Bush and Secretary Shultz had also called him, and that senior U.S. military officials had been in touch with their counterparts in the Ecuadoran armed forces.

(Tyler Bridges, Washington Post, A23)

NATIONAL NEWS

'86 INFLATION WAS LOWEST IN 25 YEARS

Americans last year enjoyed the smallest increase in prices for goods and services in 25 years as consumer prices rose 1.1 percent, the Labor Department reported yesterday.

But economists said that last year's bright record on inflation -- the best since a 0.7 percent increase in prices in 1961 -- has now faded. They expect the CPI to resume the 4 percent advance this year that had prevailed in the previous four years. The CPI rose 3.8 percent in 1985.

(Jane Seaberry, Washington Post, A1)

Consumer Prices Climbed Only 1.1% for all of 1986

Benefiting from a historic plunge in energy costs, consumer prices rose only 1.1 percent in 1986, the lowest increase since 1961, the Labor Department reported yesterday.

And as a new sign that the economy gained strength toward the end of 1986, the Commerce Department reported that lower mortgage costs caused housing starts to soar 13.7 percent in December, ending the best year for home-building since 1978.

(Stephen Nordlinger, Baltimore Sun, A1)

CASEY HAS PROSTATE CANCER, ABC REPORTS

CIA Director William Casey is suffering from "life-threatening" cancer of the prostate gland, ABC News reported last night.

Casey's prostate cancer was diagnosed 15 months ago and he underwent six weeks of daily radiation and chemotherapy treatments, sources told ABC. Three months ago, his condition deteriorated, the network said, and when doctors investigated they discovered the brain tumor. Further examinations revealed that Casey's prostate condition had worsened, spreading to his bones.

(Washington Post, A33)

DOT CHIEF PROPOSES SWEEPING DRUG TEST PLAN

Transportation Workers Would Be Subject To Random Examination

Transportation Secretary Elizabeth Dole yesterday called for a sweeping drug-testing program that would require random testing of airline pilots, railroad workers, air traffic controllers and other selected transportation employees.

"We must ensure there is no room for drugs in the transportation workplace," Dole said, proposing to extend current testing policies, which are now largely limited to pre-employment, post-accident or "reasonable suspicion" situations, to include random testing of all "personnel responsible for the safety of the traveling public," in both the public and private sectors.

(Laura Parker, Washington Post, A1)

Drug Tests Proposed For Air, Rail Workers

The Reagan Administration and several congressmen proposed yesterday to require airline pilots, flight crews, air traffic controllers and railroad workers to take random drug tests.

The DOT and three Republican congressmen unveiled similar initiatives aimed at removing the drug threat from commercial air and rail travel.
(Leslie Cauley, Washington Times, A1)

WHITE HOUSE ECONOMIC GURU SPRINKEL SEES GOOD TIMES,
EYES FED JOB

Beryl Sprinkel is a balding, portly, owlsh man who these days projects rainbows, sunshine and rosy forecasts.

"With inflation reined in, unemployment down to 6.6 percent and the stock market setting dizzying new highs each day, Americans have a good reason to feel confident that 1987 will be another banner year in the Reagan economic expansion -- now enjoying its 50th month of consecutive growth."

The statement was so effusive that White House spokesman Larry Speakes giggled when he read it. (Ann McFeatters, Scripps Howard)

TEXAN NAMED FOR FED BOARD
Edward Kelley Is Investment Adviser

President Reagan yesterday said he plans to appoint Edward Kelley Jr., a Houston investment adviser and businessman, to fill one of two vacancies on the Federal Reserve Board.

Kelley, 54, was born in Eugene, Ore., and moved to Houston when he was 4. He grew up there in the same neighborhood as Treasury Secretary James Baker, who urged Reagan to name him to the Fed board.
(John Berry, Washington Post, C1)

REAGAN FACES FIRST CHALLENGE FROM NEW CONGRESS
Senate Joins House in Overwhelming Approval Of
Vetoed '86 Water-Cleanup Measure

The Senate presented President Reagan with his first major legislative challenge from the Democrat-dominated 100th Congress yesterday as it joined the House in giving overwhelming approval to a \$20 billion water-cleanup bill identical to one that Reagan pocket-vetoed last year.

Margins in both House and Senate were far larger than the two-thirds needed to override a veto, and Republican backers of the legislation joined Democrats in urging Reagan to "embrace it, claim credit, have a marvelous signing ceremony...and move on," as Sen. John Chafee, a cosponsor, put it.
(Helen Dewar, Washington Post, A3)

President's Advisers Recommend Veto

The Senate, setting up the first veto fight of the 100th Congress, easily approved and sent to President Reagan a \$20 billion clean water bill identical to one Reagan killed late last year.

"The President's senior advisers have recommended a veto," said White House spokesman Albert Brashear. "We will await word from the President."
(Elmer Lammi, UPI)

Reagan Loses In Senate Clean-Water Vote

The U.S. Senate Wednesday passed by a formidable margin a \$20 billion plan to clean up the nation's polluted waterways, rebuffing President Reagan in a chamber that had been a close ally in past legislative battles.

The 93-6 vote came after senators soundly rejected a Reagan-sponsored compromise that would have cut the program by one third and would have eliminated a dramatic new initiative to control runoff from city streets and farmland.

"The Congress and the country have spoken in favor of clean water. If the President vetoes this legislation again, I will vote to override," Sen. Pete Wilson said bluntly.
(John Johnson, McClatchy)

HOUSE VOTES \$90 BILLION TRANSPORTATION MEASURE White House Veto Threat Is Ignored

The House yesterday approved a second major bill that is opposed by the Reagan Administration, voting overwhelmingly for a five-year, \$90 billion federal highway and mass transit program under which the interstate highway system would be completed.

The measure easily cleared the House, 401 to 20, after opponents of the 55-mph speed limit were prevented from offering an amendment that would have allowed a 65mph speed limit on rural sections of the interstate system.
(Edward Walsh, Washington Post, A6)

MAYORS ACCUSE REAGAN OF RENEGING IN DRUG FIGHT Budget Cuts Assailed As 'Frustrated' Big-City Executives Open Annual Meeting

The nation's big-city mayors accused President Reagan yesterday of undermining their efforts to fight drug abuse by proposing major cutbacks in drug enforcement, education and prevention programs.

The mayors, gathered here for their annual winter meeting, reported launching new antidrug campaigns last fall in the belief that Reagan's call for a "war on drugs" was more than "an election-year ploy," as several referred to it.
(Bill Peterson, Washington Post, A9)

San Diego Mayor Denounces Administration For Budget Cuts

San Diego Maureen O'Connor accused the Reagan Administration Wednesday of breaking a promise to funnel more federal dollars to cities and states for anti-drug programs.

O'Connor told mayors gathered here for a national conference that she was "an enthusiastic mayor" when she came here in September to lobby Congress and the Administration for a major anti-drug bill.

"It disturbs me that I have to go back to my city and say, oh, by the way, there still is a program but there is no funding," O'Connor said.

(Mark Ragan, Copley)

AFFIRMATIVE ACTION OFFICIAL QUILTS OVER STAFF CUTS,
LACK OF SUPPORT

Administration Defends Program, Says Enforcement Has Increased

The Labor Department official in charge of affirmative action requirements for federal contractors has resigned because his staff was reduced and he believed the program was not being fully supported.

Joseph Cooper, one of the highest-ranking blacks in the Reagan Administration, said in a speech yesterday that some Administration officials have been "paying only lip service" to antidiscrimination laws. These officials, he said, "believe that affirmative action has done too much, gone too far, become too powerful."

(Howard Kurtz, Washington Post, A19)

Labor Employee Resigns Over Slow Progress In Affirmative Action

Labor Department officials Wednesday said Joseph Cooper, the director of the Office of Federal Contract Compliance, resigned Friday.

The New York Times said Cooper left in protest over what he perceived as foot-dragging in enforcement of anti-discrimination laws.

"I can't speak for the entire Administration," Cooper is quoted as saying, "but there are those people who clearly did not understand what this program is all about, and they looked at it from a perspective of race and that there is a move to do too much for blacks or minorities or handicapped."

(UPI)

MEESE SAID TO FAVOR STAFF RECOMMENDATION TO
OVERTURN MIRANDA DECISION

A report prepared for Attorney General Meese concludes that the Justice Department should move to overturn the Supreme Court's landmark 1966 Miranda decision, a cornerstone of legal rights for people placed under arrest, officials said Wednesday.

Justice Department spokesman Terry Eastland said Wednesday night that Meese is in general accord with the report's recommendation that the department look for an opportunity to challenge Miranda in court.

(Pete Yost, AP)

Meese Seen As Ready To Challenge Rule On Telling Suspects Of Rights

Attorney General Meese has expressed support for a staff proposal seeking to overturn the key Supreme Court decision requiring the police to inform criminal suspects of their legal rights, Justice Department officials said today.

"The interesting question is not whether Miranda should go, but how we should facilitate its demise, and what we should replace it with," the 128-page report said. "We regard a challenge to Miranda as essential."

(Philip Shenon, New York Times, A1)

U.S. AIDE PRODS CONGRESS ON FSLIC

If Congress does not soon pump cash into the ailing fund that insures deposits at savings and loan institutions, federal regulators of commercial banks should take control over the fund and over supervision of S&Ls, a top U.S. Treasury official said yesterday.

Treasury Undersecretary George Gould said the merger of duties might be necessary because funds at the FSLIC, the agency that insures deposits at S&Ls, have fallen so low that depositors may lose faith in the S&L system.

(Kathleen Day, Washington Post, C1)

PESSIMISTIC PROGNOSIS FOR WELFARE

Expert Urges Abolishing Myths

Government work and training programs seldom target long-term "hard-core" welfare mothers for help and are unlikely to produce big reductions in the 11 million people receiving Aid to Families With Dependent Children, the Senate Labor and Human Resources Committee was told yesterday.

David Ellwood of Harvard University's John F. Kennedy School of Public Policy and Robert Greenstein of the Center for Budget and Policy Priorities, a nonprofit group, said that even focusing much greater financial and training resources on long-term welfare clients would produce only modest reductions in the welfare load.

(Spencer Rich, Washington Post, A3)

FEDERAL BUDGET

MILLER SAYS DEFICIT PROJECTIONS HAVE 50-50 CHANCE OF ACCURACY

White House projections of a \$107.8 billion deficit by fiscal 1988 are statistically sound, but chances are only about 50-50 that the actual deficit will match the forecast, budget director James Miller says.

The \$107.8 billion figure is a "maximum likelihood estimate," Miller told the Senate Appropriations Committee Wednesday -- one of several congressional panels reviewing the Administration's \$1.02 trillion spending request for the fiscal year beginning Oct. 1. (Linda Werfelman, UPI)

BOWEN APPEARS BEFORE BUDGET COMMITTEE

Health Secretary Bowen is trying to justify to Congress a budget that will spend nearly \$1 billion a day on health and social programs while trying to steer clear of the touchy issue of catastrophic health insurance.

Bowen has publicly supported President Reagan's health budget as "a well-reasoned, compassionate and responsible plan," but planned today to sidestep the controversial topic that has put him at odds with the White House. (Tamara Henry, UPI)

SENATE PANEL SAYS CUTS IN FARM SUBSIDIES UNLIKELY

Senate Budget Committee members say President Reagan will be unable to convince Congress to make cuts in farm subsidies that lawmakers estimate would slash farm income by 25 percent.

They say they would rather trim record farm spending by targeting subsidies to medium- to smaller-sized farms to eliminate multimillion-dollar payments to large farms.

But Agriculture Secretary Lyng said Wednesday Administration proposals to eliminate large payments would save very little money compared to across-the-board trimming of target prices that determine grain and cotton subsidies. (Sonja Hillgren, UPI)

VETERANS GROUPS SEEK LARGER VA BUDGET, SAY TOO MANY PATIENTS TURNED AWAY

Four major veterans groups today declared "a final loss of confidence" in the Reagan Administration's budgetary commitment to veterans and offered their own proposal to add more than \$700 million in federal spending for veterans' health care.

The veterans groups said President Reagan's budget proposal for the next fiscal year doesn't provide enough money to maintain current levels of VA hospital and nursing care. (William Welch, AP)

NETWORK NEWS SUMMARY

(Wednesday evening, January 21st)

WAITE/EXTRADITION/WEST GERMANY

NBC's Tom Brokaw reports Terry Waite still has not surfaced in West Beirut, and one of his body guards said tonight that Waite now is in a marathon negotiating session with the kidnappers of two Americans. That would be Terry Anderson and Thomas Sutherland, hostages for more than a year and a half now. The extradition of a suspected terrorist in the hijacking of TWA flight 847 has been delayed now by the West German government, this on a day when another West German vanished in Beirut. There is also the warning from the PLO that if that suspected terrorist is sent to the U.S. for trial it would mean a quick death for a West German businessman kidnapped last week.

NBC's Brian Stewart reports the government of Chancellor Kohl now appears to be hesitating about the extradition of Mohammed Hamadi, only four days before a national election, it is facing a major political crisis, and the government is now stressing that extradition, if it happens, will take time. And while officials struggled with the problem through the day, a PLO spokesman cautioned against flying Hamadi to the U.S. But the pressure from Washington is also building.

(Attorney General Meese: "We have a moral obligation to other potential hostages, and that is literally virtually any citizen of our country, or of any country for that matter, not to capitulate to hostage takers because to do so would only encourage many more incidents and many more threats to human life in the future.")

But some West Germans feel that since the disclosure of U.S. arms dealings with Iran the United States has lost the right to lecture.

(NBC-Lead, ABC-Lead)

ABC's Steve Troute reports the Attorney General is trying to reenforce West Germany's resolve not to give in to threats of reprisals in the Hamadi case and to go ahead with extradition. In a speech today he said political will is a key element in combatting terrorism.

(Attorney General Meese: "We have a moral obligation to other potential hostages not to capitulate to hostage takers because to do so would only encourage many more incidents.")

Concern about the possibility of terrorist retaliation for the Hamadi case prompted the Pentagon today to put U.S. bases all over the world on increased alert.

(ABC-2)

CBS's Bernard Goldberg reports in Ottawa today Vice President Bush said despite the latest kidnapping the U.S. still wants Hamadi and expects to get him.

(Vice President Bush: "The United States is going to go forward with bringing this man to justice. He killed an American, shot him, executed him in cold blood, and we haven't forgotten that.")

In Washington, Attorney General Meese, also anxious to portray the Administration as tough on terrorism, especially after it got stung trying to make a hostage deal with Iran.

(Attorney General Meese: "We expect that the extradition process will be completed soon and that he will arrive in Washington to stand trial.") (CBS-Lead)

WHITE HOUSE/N.S.C. COMMISSION

ABC's Peter Jennings: The White House said today that President Reagan will meet on Monday with the special commission he set up to investigate his National Security Council. There is still no sign that the President is planning to speak publicly soon about the Iran affair itself.

ABC's Sam Donaldson: During a White House photo opportunity today with the First Lady, Mrs. Reagan spoke up for her husband on the Iranian arms matter and explained why the President himself continues to remain silent.

(Mrs. Reagan: "He is waiting for the Tower report to come in. He is waiting for Abshire. He just wants more input which is, I believe, the responsible way to do it. Sometimes, you know, it is harder to sit here and say nothing when you really want to say something.")

White House press spokesmen deny the President is simply waiting until everyone else's story is in so as to insure he will not be contradicted, but Larry Speakes confirmed today that Mr. Reagan held a secret Oval Office meeting December 19th with the then chairman of the Senate Intelligence Committee, Republican David Durenberger, to go over what the committee had learned. Speakes said Durenberger had proposed the meeting. Durenberger said actually it was the White House's idea, that he revealed no direct testimony, and there was nothing wrong with it.

(Durenberger: "What I tried to do for the President is to let him know why we were doing what we were doing. Give him some notion of the quality of the product that I hoped would come out of the work of the committee.")

The new chairman of the committee, a Democrat, said he was surprised at Durenberger's action.

(Sen. Boren: "I think we have to proceed with caution in matters like that. I have no plan to brief the President or Vice President when we finish with our report.")

White House officials acknowledged publicly today they are discussing replacing ailing CIA Director William Casey, but insisted there is no full-fledged search on. However, sources close former Sen. Howard Baker said Baker was sounded out about the job, said no thanks, then received a call from the President who expressed regret that Baker wouldn't take it. (ABC-6)

Brokaw: The White House announced today that President Reagan will meet next Monday with the commission that he has appointed to review the operations of the National Security Council in the wake of the Iran-contra affair. During an informal White House appearance today, Mrs. Reagan said that her husband is eager to tell his story when the time is right.

(Mrs. Reagan: "I don't think you can get the answers until all of the committee reports are in and he believes that the best way, or most responsible way, is to wait for those committees to put forth their reports and then he'll say what he has to say. Sometimes, you know, it is harder to sit here and say nothing when you really want to say something.")

Mrs. Reagan made her comments today at a White House anti-drug ceremony. (NBC-3)

CBS's Dan Rather: President Reagan's own commission looking into his White House basement national security operation today talked to former president Jimmy Carter. The commission won't get to talk to President Reagan himself until at least next Monday. The meeting will be private. (CBS-4)

ARMS FOR HOSTAGES

Rather: CBS News has been told tonight that even after the original arms for Iran deal broke into the open in late November there were more attempts by some inside the Reagan White House to arrange a straight out ransom swap, U.S. weapons to the ayatollah for hostages.

CBS's Phil Jones: Secretary Shultz disclosed today that the State Department discovered a document that outlined what apparently was the working plan for an arms-hostages swap. The document, which Shultz discovered after the Iran-contra deal became public, was believed to be written by Oliver North and the CIA. The White House, which has continually said there was never any intention to trade arms for hostages, tonight claimed no knowledge of the document. Sources told CBS News that Shultz in closed testimony said, that after he had been put back in charge of the U.S.-Iran policy in late 1986, there was a meeting where CIA representatives pressured Shultz to let them continuing working with Iranian contacts. Shultz agreed, but only if a State Department official was always present. There was a second meeting that followed with the State Department, CIA representatives, and the Iranian contacts. The Iranians began talking about a deal they had involving arms for four hostages. The State Department official said, enough, no more, no deals. Shultz was furious when he later found out that the CIA had met again with the Iranians. According to our sources, Shultz said today it was after the unauthorized CIA meeting with the Iranians and the discovery of the document in November 1986 that he ordered all contacts with the Iranians shutdown. (CBS-3)

IRAN/CONTRA REVIEW

Rather: Again today Mr. Reagan stayed out of public view and had nothing to say about why he shipped arms to Iran. Lesley Stahl looks tonight at how some of what the President has said about the scandal sometimes added to the confusion, sometimes had to be withdrawn and changed because it wasn't true.

(President Reagan: "We did not -- repeat -- did not trade weapons or anything else for hostages nor will we.")

CBS's Lesley Stahl: After two months, polls show that almost half the nation does not believe what the President has said about the Iran-contra affair.

(President Reagan: "Let me just say it was not my intent to do business with Khomeini, to trade weapons for hostages, not to undercut our policy on anti-terrorism.")

That was six weeks ago and the President has said nothing publicly about scandal since. Many of his earlier statements have been contradicted or clarified, and this has lead to open speculation that the President is either not telling the truth, is not dealing with reality, or didn't know what was going on.

(Robert McFarlane: "But I would agree that his concern for the hostages was a very leading underpinning of this whole initiative.")

(Sen. Rudman: "There is no question in my mind there were straight exchanges made just as if Mr. Daniloff, in my view, was exchanged for a Soviet spy. But president's have a way of convincing themselves.")

There is no question the President was wrong on how much was sent.

(President Reagan: "These modest deliveries taken together could easily fit into a single cargo plane.")

(Attorney General Meese: "There were several shipments, there were, I believe, three or four shipments during 1986.")

The Administration finally acknowledged that it had sent 2,000 TOW anti-tank missiles and spare parts in four separate shipments.

(Sen. Durenberger: "He was dealing with 20% of a deck because that's all his aides dealt to him in early to mid-November.")

On the Israeli role, the President has denied he ever authorized Israel's shipments of arms to Iran.

(President Reagan: "We did not condone and do not condone the shipment of arms from other countries.")

Within 30 minutes the President put out a written clarification, 'there was a third country involved,' Israel. The President maintains that in the beginning Israel acted on its own, but that too has been contradicted.

(McFarlane: "The President authorized of the indirect delivery of small levels of arms to Iran.")

On the question of money diverted to the contras, the President denies he knew anything about it, and that has not been challenged so far. What has been challenged is the President's silence.

(David Abshire: "There is absolutely no stonewalling.")

The President's new Iran-contra coordinator says he wants to build a comprehensive picture, not just snap shots of what happened, and that will take a lot more time. So while many of the President's allies are all but begging him to clear up the contradictions, the White House says there is no plan for him to step into the spot light on this issue any time soon.

(CBS-5)

CASEY

ABC's George Strait reports CIA Director Casey is a lot sicker than officials have been willing to admit. ABC News has learned that in addition to his brain tumor, Mr. Casey has cancer of the prostate gland as well. Sources say Mr. Casey's prostate cancer was discovered 15 months ago and treated with radiation and chemotherapy. During examinations related to that (brain) tumor, doctors found his prostate cancer had spread to his bones. The White House says there were rumors Mr. Casey had other problems but it didn't know about his prostate cancer. Officials now though are quite concerned because Mr. Casey's brain tumor has left him barely able to speak and his prostate cancer has spread to the point where it is life-threatening. (ABC-7)

TERROR ALERT

Brokaw: The Pentagon announced today that American military installations around the world have been advised to step up their security against a possible terrorist attack. A spokesman said this alert went out on Saturday just in case terrorists tried something as a result of the West German arrest of that suspected hijacker. (NBC-2)

McFARLANE

Jennings reports Robert McFarlane said on Nightline last night that when he first arrived in Iran last May he wasn't there to negotiate for hostages, someone had already done that before him. (McFarlane: "I was told that, before I ever went, an arrangement had been concluded through which all of the U.S. hostages, that's four and Mr. Buckley's remains, would be turned over before I ever started this dialogue.") Well, it didn't happen, as you know. McFarlane went back and told the President he recommended against any further such dealings with the Iranians. They went on, as you know. (ABC-4)

DRUG TESTS

Brokaw: The federal government today proposed sweeping drug tests for hundreds of thousands of people, airline pilots, mechanics, train engineers. Secretary Dole explained people have a right to expect and receive a drug-free transportation system. However, opposition to this testing is already underway.

NBC's Robert Hager reports the Department of Transportation today proposed a crack down on drugs including ransod, surprise testing.

(Secretary Dole: "You know I can't imagine any area where the choice to use drugs could be more disastrous than when you are involved in safety related positions with our transportation industries.")

Unions are opposed. Court challenges are also expected, a judge in New Orleans has already blocked drug tests of Customs agents calling them a gross invasion of privacy. But the Department of Transportation argues when it comes to trains and planes public safety must override other concerns. (NBC-4, ABC-8, CBS-10)

CLEAN WATER BILL

Brokaw: By an overwhelming vote, 93-to-6, the Senate late today passed and sent to President Reagan, a \$20 billion clean water bill. The President vetoed an identical measure to improve the nation's water quality last year saying that it was just too costly. The White House has not said what Mr. Reagan will do this time around.

(NBC-6, CBS-6)

INFLATION 1.1%

Brokaw: The federal government reported today that the 1986 inflation rate for consumer prices in this country was only 1.1%, that's the lowest inflation rate since 1961. The key factor was a sharp drop in prices for oil and other forms of energy, but the White House says it does expect the inflation rate this year to approach about 4%.

(NBC-10, ABC-15, CBS-12)

U.S./DOLLAR

Brokaw: For this country's trading partners the big question tonight is the shrinking U.S. dollar, will it continue to shrink, to drop, or will steps be taken to stabilize it? That's what's being discussed tonight by top finance officials of the U.S. and Japan.

(NBC-11, ABC-13)

COMMENTARY

NBC's John Chancellor comments it is a sight to see. The Republicans have held the White House for two terms. Until recently they have had the most popular president in years. But instead of getting together for tough fight with the Democrats next year, the Republicans are getting ready for a tough fight among themselves, between the mainstreamers and the conservatives. And the attention given to Pat Buchanan this past week is a good illustration of that party disunity.

(NBC-12)

EDITORIALS/COLUMNISTS

U.S./IRAN/NICARAGUA

Stonewalling by Any Other Name -- "Debate over the Iran-contra affair has turned down a blind alley: Should President Reagan apologize or not? Almost daily, some responsible legislator or another calls for the President to acknowledge his errors, as if a little contrition would cleanse the deeds and put the matter to rest. It won't. Only facts and hard truths will, and these are still not readily forthcoming from the White House. By incompetence or design, the Administration seems to have perfected a new kind of resistance, stonewalling in motion." (New York Times, 1/20)

U.S.-Israeli Cooperation Has Its Pitfalls -- "The flap between Israel and the United States over who's to blame for the Iran-contra fiasco is a direct result of the two nations' 1983 decision to increase cooperation significantly in military and intelligence matters. The strains brought about by the Iran controversy are just one indication of the limitations and problems inherent in this new relationship.... Strategic cooperation between Israel and the United States is a complex relationship that must be carefully implemented in Washington with an eye toward what is in this country's interest." (Newsday, 1/16)

Unintended Consequences -- "Some days nothing seems to go right. After a month and a half of pounding President Reagan for the Iran-'contra' business, the national news media have discovered that the President's popularity has actually increased, according to the latest Gallup Poll.... The Gallup findings suggest that Teflon may not be as thin as Mr. Reagan's critics were hoping." (Washington Times, 1/21)

Hiding Hurts Alliance -- "The efforts by both Israeli and American officials to suggest that the other country was the initiator of the Iran/Contra scheme should raise deeper questions about the relations between the two countries. Because of a general overlap in interests, combined with the two countries' different roles and attitudes, a pattern has emerged of a relationship based on winks and nudges. The result is that the United States and Israel are not only each other's allies, but sometimes serve as each other's alibis." (The Oregonian, 1/16)

Blaming Israel -- "The United States cannot put the blame on Israel for its embarrassment over ill-requited arms sales to Iran. At 200-plus years of age, this country seems to keep forgetting what Israel, not yet 40, learned early and well: Nations have interests, and it is the duty of their governments, in dealing with friend and foe alike, to advance those interests." (Sarasota Herald-Tribune, 1/15)

Fighting the Contra War in Congress -- "It's up to Congress to rescue the United States from this contradictory policy when the battle over funding for the Nicaraguan rebels resumes on Capitol Hill. Instead of throwing up obstructions to a peaceful settlement, the United States should be looking for ways to make a Central American nonaggression-treaty work in the OAS spirit and in line with many of its own commitments. Congress can help get American policy back on track by refusing more funds to pursue the contra war." (Newsday, 1/14)

Iran, Iraq and America -- "What should the White House do now? Most important, recognize the merit of inaction. Iran's internal politics cannot be easily manipulated, nor Iraq readily helped. Washington needs to stop meddling and practice the neutrality it preached.

Second, the Administration needs to prepare for the possibility of an Iranian victory, even the establishment of another fundamentalist Shiite state in Iraq. Should that be tolerated, or prevented at all costs? If the latter, how?

Finally, diplomatic opportunities need to be searched out, like a deal at the U.N. to censure Iraq for starting the war, in return for an Iranian cease-fire. That probably won't deflect the Iranians from their demand that Saddam Hussein go, but it might reinject a diplomatic resolution to a dangerous, destructive, endless war." (New York Times, 1/17)

ARMS CONTROL

Last Chance for a Reagan Arms Control Pact -- "Time is running out. Soviets and Americans alike must realize that if there is to be an arms control agreement during the Reagan Administration the breakthrough in negotiations must come within the next few months. By this time next year the United States will be in the thick of a presidential campaign and Ronald Reagan will be a certified lame duck." (Newsday, 1/14)

Step Up the Peace Pace? -- "Whether the Strategic Defense Initiative has been only a bargaining chip or a real obstacle all this time, we may hope some bargaining with it will be undertaken.... Even if the thing isn't just an expensive joke, as many scientists insist, SDI shouldn't keep the two powers from getting down to the real business at hand."

(Sarasota Herald-Tribune, 1/14)

ROUND 7: In Geneva, the U.S. Should Get Its Arms Control Act Together -- "As the general framework of an arms control agreement is emerging, the moment of truth for the Reagan Administration is approaching. The President will have to decide whether he wants the deal or not. Mr. Reagan's time in office, and his time to make history, is running out." (Detroit Free Press, 1/18)

CENTRAL AMERICA

Opportunity Knocks -- "By sending National Security Council head Frank Carlucci to Central America this week, the President has indicated his intent to persist in the fight for democracy in this hemisphere. A strong and straightforward State of the Union message, stressing national interests, would stand in stark contrast to the partisan tactics of congressional sappers and could hardly fail to enhance the President's standing with the public." (Washington Times, 1/20)

CLEAN WATER BILL

Another Round on Clean Water Measure -- "The White House and Congress agree on an important point. Both want to phase out federal aid for sewage treatment programs. Under the bill passed by the House, the burden of payment would be shifted gradually to state and local governments -- which now pay less than half of construction costs -- over the next eight years." (Honolulu Star-Bulletin, 1/15)

FOREIGN MEDIA REACTION

THE DOLLAR

"Let's have no illusion. For Japan, the issue is to find out whether Washington is willing to respect its international commitments and to relieve the pressure exerted by the fall of the dollar on Japanese exports and growth...." (Tribune de l'Economie, France)

"So far it has not yet been proved that the negative U.S. trade balance can be improved by lowering the dollar exchange rate.... The president of the Fed, Paul Volcker, is an opponent of further dollar devaluations. For the first time since James Baker has taken over the Department of Treasury, there are visible disagreements between the banker and the Secretary.

Mr. Baker and Mr. Volcker represent two different points of view and this might be one of the main reasons why the prestige of the dollar is declining.... Another reason for foreign mistrust is the question of whether President Reagan will confirm the chairman of the Federal Reserve this summer. Beryl Sprinkel has been mentioned as a possible successor...but mere mention of his name will cause a further decline of the dollar...." (Sueddeutsche Zeitung, West Germany)

"The fall of the dollar is caused by the lack of coordination in monetary policy, therefore, by the priority Washington gives to its need to resolve its trade deficit by means of a further drop in the U.S. currency. The stability of the dollar depends on prospects of an effective system of coordination among the United States, Japan and West Germany...." (Corriere della Stille, Italy)

"We believe U.S. monetary authorities are really afraid of a plummeting dollar. The Reagan Administration should decide its course of action from an overall viewpoint. Japan, by working together with West Germany, should try to persuade the United States to take corrective action. Also, it would be a good idea to hold another meeting of the Group of Five. The U.S. responsibility is heavy." (Yomiuri, Japan)

"The United States seems to be determined to continue its offensive against the Japanese yen until Japan's previously made pledges yield substantial results. Thus, despite Japanese officials' frequent visits to Washington for stabilizing exchange rates, the United States is unlikely to change its stand unless Japan presents reliable measures for balancing trade...." (Hankook Ilbo, South Korea)

"The price for not coming to some form of accommodation with the United States is more turbulence on the foreign exchange markets.... The fact remains that the continued volatility and sharp depreciation of the dollar has been unsettling enough for the major industrial powers to want to come to some form of agreement." (Business Times, Singapore)



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, JANUARY 22, 1987 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

IRAN -- NICARAGUA

Shultz Tells Of New Arms-For-Hostages Bid By Iran -- Secretary Shultz said in a closed session of a House committee today that the Iranians, as late as last month, were still asking for arms from the United States and for the release of terrorists in Kuwait in exchange for American hostages seized in Lebanon, according to committee members. (New York Times, Washington Post, Wall Street Journal, AP, Reuter, UPI)

President To Meet NSC Board Monday -- President Reagan's spokesman announced yesterday that Reagan will meet Monday with a special review board probing the conduct of the NSC as a new controversy developed over a secret briefing given the President on an investigation into U.S. arms sales to Iran. (USA Today, Washington Post, Washington Times, AP, Newhouse, Reuter, UPI)

NATIONAL NEWS

'86 Inflation Was Lowest In 25 Years -- Americans last year enjoyed the smallest increase in prices for goods and services in 25 years as consumer prices rose 1.1 percent, the Labor Department reported yesterday. (Washington Post, Baltimore Sun)

NETWORK NEWS (Wednesday Evening)

WAITE -- Terry Waite still has not surfaced in West Beirut.

WHITE HOUSE/NSC COMMISSION -- President Reagan will meet on Monday with the Tower commission.

ARMS FOR HOSTAGES -- After the original arms for Iran deal broke into the open, there were more attempts to arrange a straight out ransom swap.



IRAN — NICARAGUA

U.S. DISCUSSED ARMS, CAPTIVES WITH IRAN AGAIN LAST MONTH Shultz Says Contacts Continued Despite His Orders

Secretary of State Shultz testified yesterday that, despite his objections, CIA officials continued to meet secretly with Iranians about arms and hostages as recently as last month, weeks after the Iran-contra scandal had erupted and the State Department supposedly had been put in charge of Iran policy, according to congressional sources.

Shultz told a three-hour, closed-door session of the House Foreign Affairs Committee that he authorized a Dec. 6 meeting in Europe of State Department and CIA officials with Iranian contacts, according to sources familiar with his testimony. But Shultz said he was astonished to learn that the Iranians had arrived with a nine-point "agenda," which included acquisition of American TOW antitank missiles and spare parts for Hawk anti-aircraft missiles, the release of 17 Islamic Jihad terrorists held in Kuwait and the release of American hostages held by pro-Iranian extremists in Lebanon.

(Don Oberdorfer & Walter Pincus, Washington Post, A1)

Shultz Reportedly Tells Panel That CIA Continued To Meet Iranians In December

Secretary of State Shultz told Congress that CIA officials met with Iranian contacts in Europe last month even though the State Department had broken off similar talks shortly before, according to congressional sources.

Mr. Shultz also told the committee that he was aware of several sources of funding for the Contras, and that the State Department was involved in three of those, according to sources at yesterday's hearing. These activities were taking place at a time when Congress had prohibited the U.S. from providing aid to the Contras.

(Robert Greenberger & David Rogers, Wall Street Journal, A2)

Shultz Tells Of New Arms-For-Hostages Bid By Iran

Secretary Shultz said in a closed session of a House committee today that the Iranians, as late as last month, were still asking for arms from the United States and for the release of terrorists in Kuwait in exchange for American hostages seized in Lebanon, according to committee members.

As described by a committee member, Mr. Shultz's account shed new light on the continuing contacts with Iran and the interest of some American officials in pursuing a relationship that might involve arms transfers.

(David Shipler, New York Times, A17)

Casey Accused Of Lying To Congress

Private Testimony by Secretary Shultz has led at one legislator probing arms sales to Iran to the blunt conclusion that CIA Director Casey lied about his role in the once-secret policy.

"Casey lied, and now Shultz's testimony indicates to us that other people have said things which conflict significantly with Shultz," Rep. Smith told reporters after a three-hour private committee meeting with the secretary of state.

(Michael Myers, UPI)

Shultz Had Reagan Shut Down New Arms-For-Hostages Effort

Secretary Shultz testified today the CIA discussed arms-for-hostages deals with Iran even after their public disclosure, and he got the President's authority to stop it, congressional sources said.

They said Shultz told the House Foreign Affairs Committee behind closed doors that he ordered the CIA, after a meeting in Europe on December 6, to halt the effort and was furious to learn it was not halted.

The sources said Shultz approved a meeting between U.S. and Iranian representatives in Europe, apparently London, December 6, but was surprised to find the Iranians came armed with a new nine-point agenda calling once again for a swap of U.S. arms for release of American hostages in Lebanon. (Jim Adams, Reuter)

Shultz Testimony/Casey

CIA Director Casey lied to Congress and closed testimony Wednesday by Secretary of State Shultz indicates others involved in the Iran arms sales also are lying, Rep. Lawrence Smith, D-Fla., said.

Smith said he had already concluded several major operatives in the Iran arms sales were not telling the truth and Shultz, who maintains he was not involved in key decisions that resulted in the sales, convinced him. (Dana Walker, UPI)

PRESIDENT TO MEET NSC BOARD MONDAY Reagan Got Secret Briefing On Senate Probe

President Reagan's spokesman announced yesterday that Reagan will meet Monday with a special review board probing the conduct of the NSC as a new controversy developed over a secret briefing given the President on an investigation into U.S. arms sales to Iran.

These developments occurred on a day when Nancy Reagan said that her husband was "frustrated" by the piecemeal nature of the disclosures, saying of the President, "He'd like it all out. He said that in the very beginning."

But White House officials acknowledged yesterday that the President, along with chief of staff Donald Regan and White House counsel Peter Wallison, were privately briefed on Dec. 19 by Sen. Durenberger on the investigation conducted by the Senate Select Committee on Intelligence, of which he was then chairman. (Lou Cannon, Washington Post, A31)

Tower Commission To Quiz Reagan Monday About Iran-Contra Affair

President Reagan has agreed to discuss the Iran-Contra affair with the Special Review Board headed by former Sen. Tower next Monday, the White House announced yesterday.

Ground rules for the meeting with Mr. Reagan are still being worked out, including who will attend and the format in which the President will answer questions, White House spokesman Larry Speakes said.

(Willis Witter, Washington Times, A3)

Reagan Getting Ready To Talk To Iran Panel

President Reagan will meet Monday with the special board he appointed to review the future of his embattled NSC.

Reagan's scheduled meetings with Abshire and the Tower group appeared to reverse the White House's position that he should not comment until his aides prepare a full record. (Jessica Lee, USA Today, A4)

Reagan To Appear Before Panel Monday; Commission Deadline Extended

A commission investigating U.S. arms sales to Iran and NSC operations on Wednesday nailed down an appointment with President Reagan and won three more weeks to finish its work.

Larry Speakes said Reagan is expected to review White House files with counsel Peter Wallison before the session with Tower and two other panel members, former Secretary of State Muskie and former national security adviser Brent Skowcroft. (Dale Nelson, AP)

The President/Tower Commission

President Reagan met Wednesday for the second time with his special adviser on the Iran arms scandal and agreed to sit down with the commission he set up to investigate NSC operation.

Reagan, still secluded as he recovers from prostate surgery Jan. 5, met separately in the Oval Office with four top advisers -- chief of staff Donald Regan, NSC director Frank Carlucci, Defense Secretary Weinberger and Secretary of State Shultz -- before seeing special counselor David Abshire. (Ira Allen, UPI)

Reagan To Discuss Iran Affair With Tower Commission Next Week

President Reagan will discuss the Iran arms scandal with a special review board next Monday, but his wife Nancy says he has no plans to answer questions publicly until the panel finishes its report.

"He just wants more input.... Obviously the questions are not going to end just with his involvement so he thinks that's the responsible way to do it," Mrs. Reagan told reporters yesterday. (Gene Gibbons, Reuter)

First Lady Says President Frustrated In Silence

President Reagan is frustrated in his self-imposed silence on the Iran arms-Contra aid scandal yet considers it the "responsible way" to handle the matter, the First Lady says.

With her husband still out of the public eye since his worst political crisis broke, an unusually talkative Nancy Reagan stepped forward Wednesday to speak for him on the scandal, his agenda and his health in the wake of prostate surgery. (Helen Thomas, UPI)

First Lady Says President Will Talk When He Learns More

Nancy Reagan says the President won't wait until the end of the congressional investigations into the Iran-Contra affair to offer his side of the story, but he wants to learn more before he breaks his week-long silence.

"Sometimes, you know, it's harder to say nothing, when you really want to say something," Mrs. Reagan said on Wednesday.

(Susanne Schafer, AP)

Reagan/Testimony

For the first time since the Iran-Contra scandal rocked his Administration, President Reagan has agreed to answer detailed questions about his own role and recollections in the affair.

Reagan, recuperating from prostate surgery, will meet with the commission for one hour. The President will not be under oath -- none of the witnesses interviewed by the panel have been asked to take an oath -- and the commission will make no transcript of the interview, although notes will be taken, said Herbert Hetu, a spokesman for the commission.

(Miles Benson, Newhouse)

REAGAN TO ADDRESS IRAN ISSUE IN SPEECH

President Reagan will raise the Iran-Contra controversy next week in what could be the most crucial State of the Union address of his presidency.

Mr. Reagan, in his first major public appearance since undergoing prostate surgery Jan. 5, will renew his pledge to Congress and the nation to air all the facts in the affair that threatens to dominate his final years in office.

(Mary Belcher, Washington Times, A2)

WAITE HOLDING SECRET TALKS WITH U.S. HOSTAGES' CAPTORS
Second West German Feared Kidnapped In Beirut

BEIRUT -- Anglican Church envoy Terry Waite negotiated secretly with captors of the American hostages today -- and by one account was to meet with some of the hostages -- as a second West German disappeared in Moslem-controlled west Beirut amid indications that he had been kidnapped.

Alfred Schmidt, an employee of Siemens, the Munich-based electronics manufacturing company, has been missing from his hotel here since early yesterday. An anonymous caller to a western news agency here today claimed responsibility for kidnapping Schmidt, but made no demands.

(Nora Boustany, Washington Post, A1)

Waite Remains Out Of Sight, Reportedly Meeting Kidnappers

BEIRUT -- Hostage negotiator Terry Waite apparently is still meeting with Shiite Moslem kidnappers today, according to a Druse militiaman who earlier said the envoy would see two Americans held captive since 1985.

The militiaman, who spoke on condition of anonymity, said Wednesday that Waite would be allowed to "see and converse" with American hostages Terry Anderson and Thomas Sutherland. He did not elaborate.

(Farouk Nassar, AP)

'OBSESSION' UNDID U.S. TERRORISM POLICY

White House officials became "obsessed" with gaining the release of American hostages in Lebanon and ignored serious national-security interests in secretly selling arms to Iran, according to the new chairman of the Senate Intelligence Committee.

Sen. David Boren says the initial linkage between selling arms and releasing hostages may have begun "unconsciously" at the White House but that it developed into an arms-for-hostages deal.

(Warren Richey, Christian Science Monitor, A1)

NORTH APPARENTLY TRIED A SWAP FOR SOVIET TANK
Deal With Iran For Captured Vehicle Failed

KORSOR, Denmark -- A small Danish freighter, apparently directed by Lt. Col. North of the NSC staff, secretly tried to deliver U.S.-made machine guns to Iran last October in an attempted swap for a captured Soviet T72 tank long coveted by U.S. intelligence agencies, sources said.

Ultimately, this mission, like other clandestine Reagan Administration attempts to deal with the government of Ayatollah Khomeini, ended in failure. Arrangements for picking up the tank somehow fell through, and the machine guns were returned to Israel.

(Michael Wines & Richard Meyer, Washington Post, A37)

CONTRA LEADER SAYS CONTINUED AID PROMISED IN 1984

CIA and NSC officials assured Nicaraguan rebel leaders in 1984 that assistance would continue to flow even if Congress cut off military aid, a former rebel leader said Wednesday.

Edgar Chamorro, who says he was a CIA-paid public relations manager for the Contras in 1983 and 1984, said Clarridge also assured him President Reagan was deeply committed to the rebels' cause.

Chamorro said that he also received assurances of continued military support from the CIA bureau chief in Honduras whom he knew as "Vincent."

(Neil Roland, UPI)

U.S./NICARAGUA/CONTRAS

In a markedly bleaker assessment than U.S. officials have previously offered, a key senior Pentagon official now says that U.S. commitment to the Nicaraguan Contra rebels will be required for many years before the Sandinista government is toppled or changed.

The official, noting that successful guerrilla insurgencies often take years or even decades to be successful, said the Contras would need \$100 million a year "as a minimum" for the foreseeable future.

(David Wood, Newhouse)

CIA CLEARS AIDE SAID TO HELP REBELS

But Action On Costa Rica Station Chief Is Assailed As 'Whitewash'

A CIA station chief recalled from Costa Rica for aiding a Nicaraguan rebel arms resupply mission has been cleared of wrongdoing by two internal investigations that did not examine broader questions of CIA involvement, according to intelligence sources.

Despite the legal findings, Central Intelligence Agency superiors believe that the station chief, known by the pseudonym Tomas Castillo, exercised poor judgment in relaying the messages from then-NSC aide Oliver North, said the sources who spoke on condition of anonymity.

(Robert Parry, Washington Post, A25)

CONTRA ANALYST AIRS PLAN TO GAIN INITIATIVE

'The Resistance Does Not Intend To Engage In A...March On Managua'

The Nicaraguan contra rebels plan to "regain the initiative" in battle with Nicaraguan government troops this year, but cannot mount a "prolonged war" if U.S. support remains uncertain, according to a position paper issued by the rebels yesterday.

Written by Bosco Matamoros, Washington spokesman for the Nicaraguan Democratic Force, the largest group in the United Nicaraguan Opposition, the 14-page statement sketches the history of the six-year-old conflict from the rebels' viewpoint and outlines their goals.

(Joanne Omang, Washington Post, A25)

INTERNATIONAL NEWS

U.S., JAPAN TO COOPERATE ON STABILIZING CURRENCIES

Senior U.S. and Japanese officials agreed yesterday to cooperate to stabilize foreign currency trading as West Germany's central bank prepared to cut a key interest rate and help stem the dollar's decline.

After a 2½-hour meeting between Treasury Secretary James Baker and Japanese Finance Minister Kiichi Miyazawa, the Treasury Department issued a statement that noted "recent instances of temporary instability in exchange markets." They said the markets "warrant monitoring," and added that the two officials "reaffirmed their willingness to cooperate on exchange market issues."

(John Berry & Hobart Rowen, Washington Post, A1)

U.S./Japan/Dollar

The United States and Japan, seeking to ease tensions over America's giant trade deficit, pledged close cooperation on currency exchange rates between the two countries in an announcement issued late Wednesday.

Analysts said it will probably not be known for some days exactly what policy actions will result from this vague language. But they said it was likely that the United States may join other countries in a joint effort to keep the dollar from falling lower in return for Japanese action to cut its discount rate as a way of stimulating domestic growth.

(Martin Crutsinger, AP)

Japan/U.S./Exchange Rates

U.S. and Japanese officials have reaffirmed an October agreement to cooperate closely on exchange rates following an emergency meeting sought by Japan's finance minister.

But at a news conference Wednesday night at the Japanese Embassy following his 2½-hour emergency meeting with Treasury Secretary Baker, Finance Minister Kiichi Miyazawa said no firm agreement has been reached on whether the United States will intervene to halt the slide of the U.S. dollar.

(Bob Rast, Newhouse)

Japan/U.S./Dollar

Japanese Finance Minister Kiichi Miyazawa and Treasury Secretary Baker met Wednesday to discuss the plummeting dollar but emerged with only a vague commitment to cooperate on the issue.

The two "agreed to continue cooperative efforts to stimulate growth and to reduce external imbalances," according to a statement issued by both sides after the nearly 2½-hour meeting.

"Whether the U.S. government would intervene is a decision for the U.S. government," Miyazawa said.

(Craig Webb, UPI)

DOLLAR DROPS AS MARKETS SHRUG OFF U.S.-JAPAN CURRENCY PACT

TOKYO -- The dollar slumped today on panic selling as the markets decided that the latest currency pact between the United States and Japan was barely worth the paper it was printed on, dealers said.

In a statement issued after their talks, Japanese Finance Minister Kiichi Miyazawa and U.S. Treasury Secretary Baker said recent turmoil in exchange rates was temporary and reaffirmed their willingness to cooperate on currency issues. (Rie Sagawa, Reuter)

Pessimism On Money Markets After Baker-Miyazawa Talk

Japanese money dealers showed little faith today that the United States would keep the dollar's value from dropping, despite pledges of renewed cooperation from each nation's top finance official.

In the wake of a joint statement from Finance Minister Miyazawa and Treasury Secretary Baker, traders on the Tokyo currency exchange market reacted by selling the dollar this morning for even less than its value the day before -- 153 yen compared with the Wednesday evening close of 153.60. (Craig Webb, UPI)

U.S., Japan Statement Fails To Arrest Sharp Dollar Fall

A statement on exchange rates and economic cooperation by the United States and Japan failed to halt the sharp fall of the dollar and prompted panic selling in Tokyo today.

"It's a free sell right now. It's going to go lower." said a top trader at a New York bank.

"I didn't expect much, and this is much less than I expected," said a senior dealer at a leading European bank. (Peter Torday, Reuter)

Dollar Decline Not A Foretaste Of Recession, Analysts Say

The U.S. economy is in reasonably good shape, despite worries about its condition abroad, and the dollar's recent freefall should not be taken as a signal that recession is at hand, financial analysts here say.

They say the currency's fall markedly improves the prospects of reducing the massive U.S. trade deficit and makes the United States a better place for foreigners to invest as their currencies have appreciated against the dollar. (Kenneth Barry, Reuter)

W. GERMANY WILL LOWER DISCOUNT RATE

FRANKFURT -- West Germany's central bank will remove a major policy irritant between Washington and Bonn Thursday by lowering its discount rate by one-half of a percentage point, informed financial sources said today.

The move, which will be coupled with technical steps by the Bundesbank to restrain the already brisk growth of money supply here, may contribute to stabilize the dollar after a precipitous month-long decline against the German mark, officials suggested.

(Jim Hoagland, Washington Post, C1)

VOLCKER/JAPAN/W. GERMANY

Federal Reserve Board Chairman Paul Volcker suggested Monday that the Japanese and West German economies are roomy enough to permit changes that would help stimulate the U.S. economy.

But what really matters in the ability to adjust is the rate of domestic growth a nation has, "and they haven't moved as much as one would like to see" in Japan and West Germany he said. Such growth is assumed to be good for the United States because it would spur demand in American goods. (UPI)

DEUKMAJIAN DELIVERS REAGAN LETTER

TOKYO -- Gov. George Deukmejian of California played diplomatic courier late Wednesday, delivering to Japanese Prime Minister Yasuhiro Nakasone a personal letter from President Reagan on trade problems between Japan and the United States.

Deukmejian handed over the letter during a 20-minute meeting with Nakasone in the prime minister's official residence, but refused later to characterize its contents to reporters, except to say it "did relate to trade." (William Endicott, McClatchy)

BONN SAYS EXTRADITION MAY BE SLOW
Options Kept Open After Kidnapping

BONN -- West German officials today ruled out a quick extradition of a Lebanese terrorist suspect wanted by the United States, citing a West German kidnap victim in Beirut.

The sources emphasized that they were not signaling that West Germany planned to accede to the kidnappers' demands by releasing Mohammed Ali Hamadei. Washington has requested that he be extradited to stand trial for murder and air piracy in the 1985 TWA hijacking.

(Robert McCartney, Washington Post, A1)

Bonn Hesitates On Extraditing Terror Suspect

BONN -- There were signs today that the West German Government was hesitating to extradite an accused Lebanese terrorist being sought by the United States.

The development came hours after gunmen in Beirut were reported to have kidnapped another West German, the second since Monday.

Officials said there would be no rush to act on extradition while two West Germans were possibly in the hands of supporters of the Lebanese suspect. (James Markham, New York Times, A1)

Meese Is Confident On Extradition

Terrorist threats against West Germany won't stop the extradition and U.S. trial of a hijacking suspect, Attorney General Meese predicted Wednesday.

As reports circulated that negotiations for the hostages' release had begun, Meese hinted the United States is considering some action on their behalf. (Sam Meddis, USA Today, A4)

Reports Say Hamadi Unlikely To Be Extradited Before Cordes' Release

BONN -- West Germany probably will not extradite a suspected Lebanese terrorist to the United States as long as a West German businessman is held hostage in Lebanon, television report said.

The ARD television network also said Wednesday the government of Chancellor Kohl has established contact with the kidnappers of businessman Rudolf Cordes and indicated its readiness to negotiate for his release.

(Susan Smith, AP)

Pressure Mounts On Bonn Over Growing Lebanon-Hostage Crisis

BONN -- Kidnappers and the United States put more pressure on Bonn over a growing hostage crisis in Beirut, just three days before West German general elections.

Government sources say his (Cordes') kidnappers, who they believe are from the Shi'ite Moslem Hizbollah group, want to use him to bargain for the release of Lebanese Mohamed Ali Hamadei.

But a statement by Hizbollah in Beirut last night denied any involvement in the kidnapping of the West Germans and other foreigners in Lebanon.

(Kathy Marks, Reuter)

Bonn Considers Swap For Hostages

BONN -- One option being considered by West Germany to engineer the release of two German hostages in Lebanon is to exchange them for a captured Arab wanted by the United States in the hijacking of TWA Flight 847, a newspaper said today.

The newspaper Bild said the government was weighing a swap as one of three options to deal with the U.S. extradition request and the two abductions, which have confronted Chancellor Helmut Kohl's government with a potential crisis four days before national elections.

(UPI)

Meese/Extradition

Attorney General Edwin Meese urged West Germany Wednesday to fight terrorism by extraditing an accused Arab hijacker to the United States despite death threats against a kidnap victim and the seizure of another German.

"The solution to terrorism lies first and foremost in asserting our political will to resist it," Meese told a terrorism symposium shortly after reports of the second kidnapping of a West German in Lebanon.

Meese's remarks were the first by a top Administration official since the United States formally asked for the extradition of Mohammad Ali Hamadei, accused of air piracy and murder in the June 1985 hijacking of TWA Flight 847 and the death of Navy diver Robert Stetham.

(Lori Santos, UPI)

BUSH GETS 'AN EARFUL' IN CANADA
Ottawa Visit Airs Rising Tensions

OTTAWA -- Vice President Bush and Treasury Secretary James Baker attempted to rescue a close Reagan Administration ally, Canadian Prime Minister Brian Mulroney, during a hurried mission today to this icy, snow-blanketed capital.

During the four-hour visit, Bush said he "got an earful" from Mulroney about acid rain, trade negotiations and other matters that have led to rising tensions between the United States and Canada.

(Herbert Denton, Washington Post, A23)

U.S., SOVIET NEGOTIATORS RESUME GENEVA TALKS
ON NUCLEAR TESTS

GENEVA -- The United States and the Soviet Union resume talks on nuclear testing today as Washington prepares to carry out an explosion which Moscow says would end a unilateral Soviet testing freeze.

Since the talks began in July, Soviet negotiators have pressed for a ban on nuclear testing which the United States regards only as a long-term goal.

(Claude Fillet, Reuter)

SOVIETS STOP RADIO JAMMING, BBC SAYS

The British Broadcasting Corp. said yesterday that the Soviet Union has stopped jamming its Russian-language radio transmissions, but officials of the U.S. radio, the Voice of America, said its broadcasts to the Soviet Union still are being jammed.

The BBC announced in London that its transmissions were being heard clearly in Moscow. The BBC, a government-owned but independently run radio and television network, said the Soviets had given no reason for ending the jamming, which was imposed 6½ years ago during the rise of Poland's now outlawed Solidarity movement.

(John Goshko, Washington Post, A31)

SDI DEPLOYMENT IS YEARS AWAY, CROWE SAYS
Program Still In Research But Decision Due Soon, Admiral Testifies

President Reagan's chief military adviser told Congress yesterday that SDI is still in research -- not "out there in the parking lot" -- and that deployment probably cannot occur until the 1990s.

But Adm. William Crowe, chairman of the Joint Chiefs of Staff, told the Senate Armed Services Committee that critical decisions about the space-based defense system, popularly known as "Star Wars," must be made in coming months.

(UPI story, Washington Post, A5)

TWO S. AFRICAN LEADERS CRITICIZE U.S. POLICY

NEW YORK -- Two major South African anti-apartheid leaders today criticized U.S. policy towards southern Africa as too accommodationist and too tightly focused on the East-West conflict.

Referring to a Reagan Administration contention that the African National Congress has moved too far into the Soviet camp, exiled ANC president Oliver Tambo said the pivotal question was not the East-West confrontation.

"The struggle for national liberation cannot be predicated on serving a new master," he said. (Reuter)

U.N. CHIEF TELLS U.S., SOVIETS: LEAVE CENTRAL AMERICA ALONE

U.S. Secretary General Javier Perez de Cuellar told the United States and the Soviet Union Wednesday to keep their hands off Central America.

"I don't like the idea one bit that Mssrs. Reagan and Gorbachev have to resolve all international problems. I don't see why we have to go to the superpowers to resolve international problems. They have enough problems of their own."

A State Department spokesman in Washington declined comment on the U.N. chief's remarks pending a reading of his entire statement, but said the U.S. government would welcome any progress toward "a comprehensible, verifiable, simultaneously implemented agreement."

(Peter Copeland, Scripps Howard)

REAGAN, BUSH PHONE ECUADORAN PRESIDENT

QUITO, Ecuador -- The congress continued debating a resolution tonight to demand that President Leon Febres Cordero resign, amid conjecture that action by the congressional opposition against the president might provoke a military coup.

In Washington, State Department officials said President Reagan had called Febres Cordero on Tuesday to "express concern" for Ecuador's fragile democracy and to "encourage" Febres Cordero in efforts to reach a peaceful solution to the conflict. The officials said Vice President Bush and Secretary Shultz had also called him, and that senior U.S. military officials had been in touch with their counterparts in the Ecuadoran armed forces.

(Tyler Bridges, Washington Post, A23)

NATIONAL NEWS

'86 INFLATION WAS LOWEST IN 25 YEARS

Americans last year enjoyed the smallest increase in prices for goods and services in 25 years as consumer prices rose 1.1 percent, the Labor Department reported yesterday.

But economists said that last year's bright record on inflation -- the best since a 0.7 percent increase in prices in 1961 -- has now faded. They expect the CPI to resume the 4 percent advance this year that had prevailed in the previous four years. The CPI rose 3.8 percent in 1985.

(Jane Seaberry, Washington Post, A1)

Consumer Prices Climbed Only 1.1% for all of 1986

Benefiting from a historic plunge in energy costs, consumer prices rose only 1.1 percent in 1986, the lowest increase since 1961, the Labor Department reported yesterday.

And as a new sign that the economy gained strength toward the end of 1986, the Commerce Department reported that lower mortgage costs caused housing starts to soar 13.7 percent in December, ending the best year for home-building since 1978.

(Stephen Nordlinger, Baltimore Sun, A1)

CASEY HAS PROSTATE CANCER, ABC REPORTS

CIA Director William Casey is suffering from "life-threatening" cancer of the prostate gland, ABC News reported last night.

Casey's prostate cancer was diagnosed 15 months ago and he underwent six weeks of daily radiation and chemotherapy treatments, sources told ABC. Three months ago, his condition deteriorated, the network said, and when doctors investigated they discovered the brain tumor. Further examinations revealed that Casey's prostate condition had worsened, spreading to his bones.

(Washington Post, A33)

DOT CHIEF PROPOSES SWEEPING DRUG TEST PLAN

Transportation Workers Would Be Subject To Random Examination

Transportation Secretary Elizabeth Dole yesterday called for a sweeping drug-testing program that would require random testing of airline pilots, railroad workers, air traffic controllers and other selected transportation employees.

"We must ensure there is no room for drugs in the transportation workplace," Dole said, proposing to extend current testing policies, which are now largely limited to pre-employment, post-accident or "reasonable suspicion" situations, to include random testing of all "personnel responsible for the safety of the traveling public," in both the public and private sectors.

(Laura Parker, Washington Post, A1)

Drug Tests Proposed For Air, Rail Workers

The Reagan Administration and several congressmen proposed yesterday to require airline pilots, flight crews, air traffic controllers and railroad workers to take random drug tests.

The DOT and three Republican congressmen unveiled similar initiatives aimed at removing the drug threat from commercial air and rail travel.
(Leslie Cauley, Washington Times, A1)

WHITE HOUSE ECONOMIC GURU SPRINKEL SEES GOOD TIMES, EYES FED JOB

Beryl Sprinkel is a balding, portly, owlsh man who these days projects rainbows, sunshine and rosy forecasts.

"With inflation reined in, unemployment down to 6.6 percent and the stock market setting dizzying new highs each day, Americans have a good reason to feel confident that 1987 will be another banner year in the Reagan economic expansion -- now enjoying its 50th month of consecutive growth."

The statement was so effusive that White House spokesman Larry Speakes giggled when he read it. (Ann McFeatters, Scripps Howard)

TEXAN NAMED FOR FED BOARD Edward Kelley Is Investment Adviser

President Reagan yesterday said he plans to appoint Edward Kelley Jr., a Houston investment adviser and businessman, to fill one of two vacancies on the Federal Reserve Board.

Kelley, 54, was born in Eugene, Ore., and moved to Houston when he was 4. He grew up there in the same neighborhood as Treasury Secretary James Baker, who urged Reagan to name him to the Fed board.
(John Berry, Washington Post, C1)

REAGAN FACES FIRST CHALLENGE FROM NEW CONGRESS Senate Joins House in Overwhelming Approval Of Vetoed '86 Water-Cleanup Measure

The Senate presented President Reagan with his first major legislative challenge from the Democrat-dominated 100th Congress yesterday as it joined the House in giving overwhelming approval to a \$20 billion water-cleanup bill identical to one that Reagan pocket-vetoed last year.

Margins in both House and Senate were far larger than the two-thirds needed to override a veto, and Republican backers of the legislation joined Democrats in urging Reagan to "embrace it, claim credit, have a marvelous signing ceremony...and move on," as Sen. John Chafee, a cosponsor, put it.
(Helen Dewar, Washington Post, A3)

President's Advisers Recommend Veto

The Senate, setting up the first veto fight of the 100th Congress, easily approved and sent to President Reagan a \$20 billion clean water bill identical to one Reagan killed late last year.

"The President's senior advisers have recommended a veto," said White House spokesman Albert Brashear. "We will await word from the President."
(Elmer Lammi, UPI)

Reagan Loses In Senate Clean-Water Vote

The U.S. Senate Wednesday passed by a formidable margin a \$20 billion plan to clean up the nation's polluted waterways, rebuffing President Reagan in a chamber that had been a close ally in past legislative battles.

The 93-6 vote came after senators soundly rejected a Reagan-sponsored compromise that would have cut the program by one third and would have eliminated a dramatic new initiative to control runoff from city streets and farmland.

"The Congress and the country have spoken in favor of clean water. If the President vetoes this legislation again, I will vote to override," Sen. Pete Wilson said bluntly.
(John Johnson, McClatchy)

HOUSE VOTES \$90 BILLION TRANSPORTATION MEASURE White House Veto Threat Is Ignored

The House yesterday approved a second major bill that is opposed by the Reagan Administration, voting overwhelmingly for a five-year, \$90 billion federal highway and mass transit program under which the interstate highway system would be completed.

The measure easily cleared the House, 401 to 20, after opponents of the 55-mph speed limit were prevented from offering an amendment that would have allowed a 65mph speed limit on rural sections of the interstate system.
(Edward Walsh, Washington Post, A6)

MAYORS ACCUSE REAGAN OF RENEGING IN DRUG FIGHT Budget Cuts Assailed As 'Frustrated' Big-City Executives Open Annual Meeting

The nation's big-city mayors accused President Reagan yesterday of undermining their efforts to fight drug abuse by proposing major cutbacks in drug enforcement, education and prevention programs.

The mayors, gathered here for their annual winter meeting, reported launching new antidrug campaigns last fall in the belief that Reagan's call for a "war on drugs" was more than "an election-year ploy," as several referred to it.
(Bill Peterson, Washington Post, A9)

San Diego Mayor Denounces Administration For Budget Cuts

San Diego Maureen O'Connor accused the Reagan Administration Wednesday of breaking a promise to funnel more federal dollars to cities and states for anti-drug programs.

O'Connor told mayors gathered here for a national conference that she was "an enthusiastic mayor" when she came here in September to lobby Congress and the Administration for a major anti-drug bill.

"It disturbs me that I have to go back to my city and say, oh, by the way, there still is a program but there is no funding," O'Connor said.

(Mark Ragan, Copley)

AFFIRMATIVE ACTION OFFICIAL QUILTS OVER STAFF CUTS, LACK OF SUPPORT

Administration Defends Program, Says Enforcement Has Increased

The Labor Department official in charge of affirmative action requirements for federal contractors has resigned because his staff was reduced and he believed the program was not being fully supported.

Joseph Cooper, one of the highest-ranking blacks in the Reagan Administration, said in a speech yesterday that some Administration officials have been "paying only lip service" to antidiscrimination laws. These officials, he said, "believe that affirmative action has done too much, gone too far, become too powerful."

(Howard Kurtz, Washington Post, A19)

Labor Employee Resigns Over Slow Progress In Affirmative Action

Labor Department officials Wednesday said Joseph Cooper, the director of the Office of Federal Contract Compliance, resigned Friday.

The New York Times said Cooper left in protest over what he perceived as foot-dragging in enforcement of anti-discrimination laws.

"I can't speak for the entire Administration," Cooper is quoted as saying, "but there are those people who clearly did not understand what this program is all about, and they looked at it from a perspective of race and that there is a move to do too much for blacks or minorities or handicapped."

(UPI)

MEESE SAID TO FAVOR STAFF RECOMMENDATION TO OVERTURN MIRANDA DECISION

A report prepared for Attorney General Meese concludes that the Justice Department should move to overturn the Supreme Court's landmark 1966 Miranda decision, a cornerstone of legal rights for people placed under arrest, officials said Wednesday.

Justice Department spokesman Terry Eastland said Wednesday night that Meese is in general accord with the report's recommendation that the department look for an opportunity to challenge Miranda in court.

(Pete Yost, AP)

Meese Seen As Ready To Challenge Rule On Telling Suspects Of Rights

Attorney General Meese has expressed support for a staff proposal seeking to overturn the key Supreme Court decision requiring the police to inform criminal suspects of their legal rights, Justice Department officials said today.

"The interesting question is not whether Miranda should go, but how we should facilitate its demise, and what we should replace it with," the 128-page report said. "We regard a challenge to Miranda as essential."

(Philip Shenon, New York Times, A1)

U.S. AIDE PRODS CONGRESS ON FSLIC

If Congress does not soon pump cash into the ailing fund that insures deposits at savings and loan institutions, federal regulators of commercial banks should take control over the fund and over supervision of S&Ls, a top U.S. Treasury official said yesterday.

Treasury Undersecretary George Gould said the merger of duties might be necessary because funds at the FSLIC, the agency that insures deposits at S&Ls, have fallen so low that depositors may lose faith in the S&L system.

(Kathleen Day, Washington Post, C1)

PESSIMISTIC PROGNOSIS FOR WELFARE

Expert Urges Abolishing Myths

Government work and training programs seldom target long-term "hard-core" welfare mothers for help and are unlikely to produce big reductions in the 11 million people receiving Aid to Families With Dependent Children, the Senate Labor and Human Resources Committee was told yesterday.

David Ellwood of Harvard University's John F. Kennedy School of Public Policy and Robert Greenstein of the Center for Budget and Policy Priorities, a nonprofit group, said that even focusing much greater financial and training resources on long-term welfare clients would produce only modest reductions in the welfare load.

(Spencer Rich, Washington Post, A3)

FEDERAL BUDGET

MILLER SAYS DEFICIT PROJECTIONS HAVE 50-50 CHANCE OF ACCURACY

White House projections of a \$107.8 billion deficit by fiscal 1988 are statistically sound, but chances are only about 50-50 that the actual deficit will match the forecast, budget director James Miller says.

The \$107.8 billion figure is a "maximum likelihood estimate," Miller told the Senate Appropriations Committee Wednesday -- one of several congressional panels reviewing the Administration's \$1.02 trillion spending request for the fiscal year beginning Oct. 1. (Linda Werfelman, UPI)

BOWEN APPEARS BEFORE BUDGET COMMITTEE

Health Secretary Bowen is trying to justify to Congress a budget that will spend nearly \$1 billion a day on health and social programs while trying to steer clear of the touchy issue of catastrophic health insurance.

Bowen has publicly supported President Reagan's health budget as "a well-reasoned, compassionate and responsible plan," but planned today to sidestep the controversial topic that has put him at odds with the White House. (Tamara Henry, UPI)

SENATE PANEL SAYS CUTS IN FARM SUBSIDIES UNLIKELY

Senate Budget Committee members say President Reagan will be unable to convince Congress to make cuts in farm subsidies that lawmakers estimate would slash farm income by 25 percent.

They say they would rather trim record farm spending by targeting subsidies to medium- to smaller-sized farms to eliminate multimillion-dollar payments to large farms.

But Agriculture Secretary Lyng said Wednesday Administration proposals to eliminate large payments would save very little money compared to across-the-board trimming of target prices that determine grain and cotton subsidies. (Sonja Hillgren, UPI)

VETERANS GROUPS SEEK LARGER VA BUDGET, SAY TOO MANY PATIENTS TURNED AWAY

Four major veterans groups today declared "a final loss of confidence" in the Reagan Administration's budgetary commitment to veterans and offered their own proposal to add more than \$700 million in federal spending for veterans' health care.

The veterans groups said President Reagan's budget proposal for the next fiscal year doesn't provide enough money to maintain current levels of VA hospital and nursing care. (William Welch, AP)

NETWORK NEWS SUMMARY

(Wednesday evening, January 21st)

WAITE/EXTRADITION/WEST GERMANY

NBC's Tom Brokaw reports Terry Waite still has not surfaced in West Beirut, and one of his body guards said tonight that Waite now is in a marathon negotiating session with the kidnappers of two Americans. That would be Terry Anderson and Thomas Sutherland, hostages for more than a year and a half now. The extradition of a suspected terrorist in the hijacking of TWA flight 847 has been delayed now by the West German government, this on a day when another West German vanished in Beirut. There is also the warning from the PLO that if that suspected terrorist is sent to the U.S. for trial it would mean a quick death for a West German businessman kidnapped last week.

NBC's Brian Stewart reports the government of Chancellor Kohl now appears to be hesitating about the extradition of Mohammed Hamadi, only four days before a national election, it is facing a major political crisis, and the government is now stressing that extradition, if it happens, will take time. And while officials struggled with the problem through the day, a PLO spokesman cautioned against flying Hamadi to the U.S. But the pressure from Washington is also building.

(Attorney General Meese: "We have a moral obligation to other potential hostages, and that is literally virtually any citizen of our country, or of any country for that matter, not to capitulate to hostage takers because to do so would only encourage many more incidents and many more threats to human life in the future.")

But some West Germans feel that since the disclosure of U.S. arms dealings with Iran the United States has lost the right to lecture.

(NBC-Lead, ABC-Lead)

ABC's Steve Trout reports the Attorney General is trying to reenforce West Germany's resolve not to give in to threats of reprisals in the Hamadi case and to go ahead with extradition. In a speech today he said political will is a key element in combatting terrorism.

(Attorney General Meese: "We have a moral obligation to other potential hostages not to capitulate to hostage takers because to do so would only encourage many more incidents.")

Concern about the possibility of terrorist retaliation for the Hamadi case prompted the Pentagon today to put U.S. bases all over the world on increased alert.

(ABC-2)

CBS's Bernard Goldberg reports in Ottawa today Vice President Bush said despite the latest kidnapping the U.S. still wants Hamadi and expects to get him.

(Vice President Bush: "The United States is going to go forward with bringing this man to justice. He killed an American, shot him, executed him in cold blood, and we haven't forgotten that.")

In Washington, Attorney General Meese, also anxious to portray the Administration as tough on terrorism, especially after it got stung trying to make a hostage deal with Iran.

(Attorney General Meese: "We expect that the extradition process will be completed soon and that he will arrive in Washington to stand trial.") (CBS-Lead)

WHITE HOUSE/N.S.C. COMMISSION

ABC's Peter Jennings: The White House said today that President Reagan will meet on Monday with the special commission he set up to investigate his National Security Council. There is still no sign that the President is planning to speak publicly soon about the Iran affair itself.

ABC's Sam Donaldson: During a White House photo opportunity today with the First Lady, Mrs. Reagan spoke up for her husband on the Iranian arms matter and explained why the President himself continues to remain silent.

(Mrs. Reagan: "He is waiting for the Tower report to come in. He is waiting for Abshire. He just wants more input which is, I believe, the responsible way to do it. Sometimes, you know, it is harder to sit here and say nothing when you really want to say something.")

White House press spokesmen deny the President is simply waiting until everyone else's story is in so as to insure he will not be contradicted, but Larry Speakes confirmed today that Mr. Reagan held a secret Oval Office meeting December 19th with the then chairman of the Senate Intelligence Committee, Republican David Durenberger, to go over what the committee had learned. Speakes said Durenberger had proposed the meeting. Durenberger said actually it was the White House's idea, that he revealed no direct testimony, and there was nothing wrong with it.

(Durenberger: "What I tried to do for the President is to let him know why we were doing what we were doing. Give him some notion of the quality of the product that I hoped would come out of the work of the committee.")

The new chairman of the committee, a Democrat, said he was surprised at Durenberger's action.

(Sen. Boren: "I think we have to proceed with caution in matters like that. I have no plan to brief the President or Vice President when we finish with our report.")

White House officials acknowledged publicly today they are discussing replacing ailing CIA Director William Casey, but insisted there is no full-fledged search on. However, sources close former Sen. Howard Baker said Baker was sounded out about the job, said no thanks, then received a call from the President who expressed regret that Baker wouldn't take it. (ABC-6)

Brokaw: The White House announced today that President Reagan will meet next Monday with the commission that he has appointed to review the operations of the National Security Council in the wake of the Iran-contra affair. During an informal White House appearance today, Mrs. Reagan said that her husband is eager to tell his story when the time is right.

(Mrs. Reagan: "I don't think you can get the answers until all of the committee reports are in and he believes that the best way, or most responsible way, is to wait for those committees to put forth their reports and then he'll say what he has to say. Sometimes, you know, it is harder to sit here and say nothing when you really want to say something.")

Mrs. Reagan made her comments today at a White House anti-drug ceremony. (NBC-3)

CBS's Dan Rather: President Reagan's own commission looking into his White House basement national security operation today talked to former president Jimmy Carter. The commission won't get to talk to President Reagan himself until at least next Monday. The meeting will be private. (CBS-4)

ARMS FOR HOSTAGES

Rather: CBS News has been told tonight that even after the original arms for Iran deal broke into the open in late November there were more attempts by some inside the Reagan White House to arrange a straight out ransom swap, U.S. weapons to the ayatollah for hostages.

CBS's Phil Jones: Secretary Shultz disclosed today that the State Department discovered a document that outlined what apparently was the working plan for an arms-hostages swap. The document, which Shultz discovered after the Iran-contra deal became public, was believed to be written by Oliver North and the CIA. The White House, which has continually said there was never any intention to trade arms for hostages, tonight claimed no knowledge of the document. Sources told CBS News that Shultz in closed testimony said, that after he had been put back in charge of the U.S.-Iran policy in late 1986, there was a meeting where CIA representatives pressured Shultz to let them continuing working with Iranian contacts. Shultz agreed, but only if a State Department official was always present. There was a second meeting that followed with the State Department, CIA representatives, and the Iranian contacts. The Iranians began talking about a deal they had involving arms for four hostages. The State Department official said, enough, no more, no deals. Shultz was furious when he later found out that the CIA had met again with the Iranians. According to our sources, Shultz said today it was after the unauthorized CIA meeting with the Iranians and the discovery of the document in November 1986 that he ordered all contacts with the Iranians shutdown. (CBS-3)

IRAN/CONTRA REVIEW

Rather: Again today Mr. Reagan stayed out of public view and had nothing to say about why he shipped arms to Iran. Lesley Stahl looks tonight at how some of what the President has said about the scandal sometimes added to the confusion, sometimes had to be withdrawn and changed because it wasn't true.

(President Reagan: "We did not -- repeat -- did not trade weapons or anything else for hostages nor will we.")

CBS's Lesley Stahl: After two months, polls show that almost half the nation does not believe what the President has said about the Iran-contra affair.

(President Reagan: "Let me just say it was not my intent to do business with Khomeini, to trade weapons for hostages, not to undercut our policy on anti-terrorism.")

That was six weeks ago and the President has said nothing publicly about scandal since. Many of his earlier statements have been contradicted or clarified, and this has lead to open speculation that the President is either not telling the truth, is not dealing with reality, or didn't know what was going on.

(Robert McFarlane: "But I would agree that his concern for the hostages was a very leading underpinning of this whole initiative.")

(Sen. Rudman: "There is no question in my mind there were straight exchanges made just as if Mr. Daniloff, in my view, was exchanged for a Soviet spy. But president's have a way of convincing themselves.")

There is no question the President was wrong on how much was sent. (President Reagan: "These modest deliveries taken together could easily fit into a single cargo plane.")

(Attorney General Meese: "There were several shipments, there were, I believe, three or four shipments during 1986.")

The Administration finally acknowledged that it had sent 2,000 TOW anti-tank missiles and spare parts in four separate shipments.

(Sen. Durenberger: "He was dealing with 20% of a deck because that's all his aides dealt to him in early to mid-November.")

On the Israeli role, the President has denied he ever authorized Israel's shipments of arms to Iran.

(President Reagan: "We did not condone and do not condone the shipment of arms from other countries.")

Within 30 minutes the President put out a written clarification, 'there was a third country involved,' Israel. The President maintains that in the beginning Israel acted on its own, but that too has been contradicted.

(McFarlane: "The President authorized of the indirect delivery of small levels of arms to Iran.")

On the question of money diverted to the contras, the President denies he knew anything about it, and that has not been challenged so far. What has been challenged is the President's silence.

(David Abshire: "There is absolutely no stonewalling.")

The President's new Iran-contra coordinator says he wants to build a comprehensive picture, not just snap shots of what happened, and that will take a lot more time. So while many of the President's allies are all but begging him to clear up the contradictions, the White House says there is no plan for him to step into the spot light on this issue any time soon.

(CBS-5)

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CASEY

ABC's George Strait reports CIA Director Casey is a lot sicker than officials have been willing to admit. ABC News has learned that in addition to his brain tumor, Mr. Casey has cancer of the prostate gland as well. Sources say Mr. Casey's prostate cancer was discovered 15 months ago and treated with radiation and chemotherapy. During examinations related to that (brain) tumor, doctors found his prostate cancer had spread to his bones. The White House says there were rumors Mr. Casey had other problems but it didn't know about his prostate cancer. Officials now though are quite concerned because Mr. Casey's brain tumor has left him barely able to speak and his prostate cancer has spread to the point where it is life-threatening. (ABC-7)

TERROR ALERT

Brokaw: The Pentagon announced today that American military installations around the world have been advised to step up their security against a possible terrorist attack. A spokesman said this alert went out on Saturday just in case terrorists tried something as a result of the West German arrest of that suspected hijacker. (NBC-2)

McFARLANE

Jennings reports Robert McFarlane said on Nightline last night that when he first arrived in Iran last May he wasn't there to negotiate for hostages, someone had already done that before him. (McFarlane: "I was told that, before I ever went, an arrangement had been concluded through which all of the U.S. hostages, that's four and Mr. Buckley's remains, would be turned over before I ever started this dialogue.") Well, it didn't happen, as you know. McFarlane went back and told the President he recommended against any further such dealings with the Iranians. They went on, as you know. (ABC-4)

DRUG TESTS

Brokaw: The federal government today proposed sweeping drug tests for hundreds of thousands of people, airline pilots, mechanics, train engineers. Secretary Dole explained people have a right to expect and receive a drug-free transportation system. However, opposition to this testing is already underway.

NBC's Robert Hager reports the Department of Transportation today proposed a crack down on drugs including ransod, surprise testing.

(Secretary Dole: "You know I can't imagine any area where the choice to use drugs could be more disastrous than when you are involved in safety related positions with our transportation industries.")

Unions are opposed. Court challenges are also expected, a judge in New Orleans has already blocked drug tests of Customs agents calling them a gross invasion of privacy. But the Department of Transportation argues when it comes to trains and planes public safety must override other concerns. (NBC-4, ABC-8, CBS-10)

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CLEAN WATER BILL

Brokaw: By an overwhelming vote, 93-to-6, the Senate late today passed and sent to President Reagan, a \$20 billion clean water bill. The President vetoed an identical measure to improve the nation's water quality last year saying that it was just too costly. The White House has not said what Mr. Reagan will do this time around.

(NBC-6, CBS-6)

INFLATION 1.1%

Brokaw: The federal government reported today that the 1986 inflation rate for consumer prices in this country was only 1.1%, that's the lowest inflation rate since 1961. The key factor was a sharp drop in prices for oil and other forms of energy, but the White House says it does expect the inflation rate this year to approach about 4%.

(NBC-10, ABC-15, CBS-12)

U.S./DOLLAR

Brokaw: For this country's trading partners the big question tonight is the shrinking U.S. dollar, will it continue to shrink, to drop, or will steps be taken to stabilize it? That's what's being discussed tonight by top finance officials of the U.S. and Japan.

(NBC-11, ABC-13)

COMMENTARY

NBC's John Chancellor comments it is a sight to see. The Republicans have held the White House for two terms. Until recently they have had the most popular president in years. But instead of getting together for tough fight with the Democrats next year, the Republicans are getting ready for a tough fight among themselves, between the mainstreamers and the conservatives. And the attention given to Pat Buchanan this past week is a good illustration of that party disunity.

(NBC-12)

EDITORIALS/COLUMNISTS

U.S./IRAN/NICARAGUA

Stonewalling by Any Other Name -- "Debate over the Iran-contra affair has turned down a blind alley: Should President Reagan apologize or not? Almost daily, some responsible legislator or another calls for the President to acknowledge his errors, as if a little contrition would cleanse the deeds and put the matter to rest. It won't. Only facts and hard truths will, and these are still not readily forthcoming from the White House. By incompetence or design, the Administration seems to have perfected a new kind of resistance, stonewalling in motion." (New York Times, 1/20)

U.S.-Israeli Cooperation Has Its Pitfalls -- "The flap between Israel and the United States over who's to blame for the Iran-contra fiasco is a direct result of the two nations' 1983 decision to increase cooperation significantly in military and intelligence matters. The strains brought about by the Iran controversy are just one indication of the limitations and problems inherent in this new relationship.... Strategic cooperation between Israel and the United States is a complex relationship that must be carefully implemented in Washington with an eye toward what is in this country's interest." (Newsday, 1/16)

Unintended Consequences -- "Some days nothing seems to go right. After a month and a half of pounding President Reagan for the Iran-'contra' business, the national news media have discovered that the President's popularity has actually increased, according to the latest Gallup Poll.... The Gallup findings suggest that Teflon may not be as thin as Mr. Reagan's critics were hoping." (Washington Times, 1/21)

Hiding Hurts Alliance -- "The efforts by both Israeli and American officials to suggest that the other country was the initiator of the Iran/Contra scheme should raise deeper questions about the relations between the two countries. Because of a general overlap in interests, combined with the two countries' different roles and attitudes, a pattern has emerged of a relationship based on winks and nudges. The result is that the United States and Israel are not only each other's allies, but sometimes serve as each other's alibis." (The Oregonian, 1/16)

Blaming Israel -- "The United States cannot put the blame on Israel for its embarrassment over ill-requited arms sales to Iran. At 200-plus years of age, this country seems to keep forgetting what Israel, not yet 40, learned early and well: Nations have interests, and it is the duty of their governments, in dealing with friend and foe alike, to advance those interests." (Sarasota Herald-Tribune, 1/15)

Fighting the Contra War in Congress -- "It's up to Congress to rescue the United States from this contradictory policy when the battle over funding for the Nicaraguan rebels resumes on Capitol Hill. Instead of throwing up obstructions to a peaceful settlement, the United States should be looking for ways to make a Central American nonaggression-treaty work in the OAS spirit and in line with many of its own commitments. Congress can help get American policy back on track by refusing more funds to pursue the contra war." (Newsday, 1/14)

Thursday, January 22, 1987 -- C-2

Iran, Iraq and America -- "What should the White House do now? Most important, recognize the merit of inaction. Iran's internal politics cannot be easily manipulated, nor Iraq readily helped. Washington needs to stop meddling and practice the neutrality it preached.

Second, the Administration needs to prepare for the possibility of an Iranian victory, even the establishment of another fundamentalist Shiite state in Iraq. Should that be tolerated, or prevented at all costs? If the latter, how?

Finally, diplomatic opportunities need to be searched out, like a deal at the U.N. to censure Iraq for starting the war, in return for an Iranian cease-fire. That probably won't deflect the Iranians from their demand that Saddam Hussein go, but it might reinject a diplomatic resolution to a dangerous, destructive, endless war." (New York Times, 1/17)

ARMS CONTROL

Last Chance for a Reagan Arms Control Pact -- "Time is running out. Soviets and Americans alike must realize that if there is to be an arms control agreement during the Reagan Administration the breakthrough in negotiations must come within the next few months. By this time next year the United States will be in the thick of a presidential campaign and Ronald Reagan will be a certified lame duck." (Newsday, 1/14)

Step Up the Peace Pace? -- "Whether the Strategic Defense Initiative has been only a bargaining chip or a real obstacle all this time, we may hope some bargaining with it will be undertaken.... Even if the thing isn't just an expensive joke, as many scientists insist, SDI shouldn't keep the two powers from getting down to the real business at hand."

(Sarasota Herald-Tribune, 1/14)

ROUND 7: In Geneva, the U.S. Should Get Its Arms Control Act Together -- "As the general framework of an arms control agreement is emerging, the moment of truth for the Reagan Administration is approaching. The President will have to decide whether he wants the deal or not. Mr. Reagan's time in office, and his time to make history, is running out." (Detroit Free Press, 1/18)

CENTRAL AMERICA

Opportunity Knocks -- "By sending National Security Council head Frank Carlucci to Central America this week, the President has indicated his intent to persist in the fight for democracy in this hemisphere. A strong and straightforward State of the Union message, stressing national interests, would stand in stark contrast to the partisan tactics of congressional sappers and could hardly fail to enhance the President's standing with the public." (Washington Times, 1/20)

CLEAN WATER BILL

Another Round on Clean Water Measure -- "The White House and Congress agree on an important point. Both want to phase out federal aid for sewage treatment programs. Under the bill passed by the House, the burden of payment would be shifted gradually to state and local governments -- which now pay less than half of construction costs -- over the next eight years." (Honolulu Star-Bulletin, 1/15)

FOREIGN MEDIA REACTION

THE DOLLAR

"Let's have no illusion. For Japan, the issue is to find out whether Washington is willing to respect its international commitments and to relieve the pressure exerted by the fall of the dollar on Japanese exports and growth...." (Tribune de l'Economie, France)

"So far it has not yet been proved that the negative U.S. trade balance can be improved by lowering the dollar exchange rate.... The president of the Fed, Paul Volcker, is an opponent of further dollar devaluations. For the first time since James Baker has taken over the Department of Treasury, there are visible disagreements between the banker and the Secretary.

Mr. Baker and Mr. Volcker represent two different points of view and this might be one of the main reasons why the prestige of the dollar is declining.... Another reason for foreign mistrust is the question of whether President Reagan will confirm the chairman of the Federal Reserve this summer. Beryl Sprinkel has been mentioned as a possible successor...but mere mention of his name will cause a further decline of the dollar...." (Sueddeutsche Zeitung, West Germany)

"The fall of the dollar is caused by the lack of coordination in monetary policy, therefore, by the priority Washington gives to its need to resolve its trade deficit by means of a further drop in the U.S. currency. The stability of the dollar depends on prospects of an effective system of coordination among the United States, Japan and West Germany...." (Corriere della Stille, Italy)

"We believe U.S. monetary authorities are really afraid of a plummeting dollar. The Reagan Administration should decide its course of action from an overall viewpoint. Japan, by working together with West Germany, should try to persuade the United States to take corrective action. Also, it would be a good idea to hold another meeting of the Group of Five. The U.S. responsibility is heavy." (Yomiuri, Japan)

"The United States seems to be determined to continue its offensive against the Japanese yen until Japan's previously made pledges yield substantial results. Thus, despite Japanese officials' frequent visits to Washington for stabilizing exchange rates, the United States is unlikely to change its stand unless Japan presents reliable measures for balancing trade...." (Hankook Ilbo, South Korea)

"The price for not coming to some form of accommodation with the United States is more turbulence on the foreign exchange markets.... The fact remains that the continued volatility and sharp depreciation of the dollar has been unsettling enough for the major industrial powers to want to come to some form of agreement." (Business Times, Singapore)