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News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, JANUARY 26, 1987 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

IRAN -- NICARAGUA

Senate Committee Report To Show Reagan Focus On Freeing Hostages -- The Senate Intelligence Committee is preparing a report which says freedom for American hostages was one of the main goals motivating President Reagan's approval of U.S. arms sales to Iran, according to congressional sources. (AP, UPI)

INTERNATIONAL NEWS

New Hostages Face Death Threat -- The latest four hostages in Lebanon faced death threats today with a caller saying they would die if West Germany fails to free the accused TWA hijacker. (USA Today, AP, UPI)

NATIONAL NEWS

Baker Expresses Concern Over Wall Street Performance -- Treasury Secretary Baker said Sunday that he is wary of Wall Street's roller-coaster performance last Friday and would favor a government study of the effects of the trend toward investments made by computer programs. (AP)

NETWORK NEWS (Sunday Evening)

KIDNAPPERS -- A Moslem extremist group said today it is holding three Americans and threatened to kill them unless West Germany frees a suspected Arab hijacker.

U.S. RESPONSE -- The kidnapping of three Americans has deepened the sense of frustration in Washington about how to free the hostages.

PRESIDENT/NORTH -- Oliver North says President Reagan's main interest in selling arms to Iran was to free the hostages.

Hear, Hear

Washington is a town that thrives on news leaks. Reporters love them, and in an environment in which information is power, those who have it usually want to use it. Thus it was that Senator James A. McClure of Idaho, the ranking Republican on the Senate Energy and Natural Resources Committee, ruminated that he had attended a closed hearing at which senior intelligence officials briefed selected lawmakers. Not a word of it leaked. Suddenly Mr. McClure thought of the reason: "In that hearing we didn't hear anything."

THE NEW YORK TIMES

IRAN — NICARAGUA

PANEL INVESTIGATING NSC TO INTERVIEW REAGAN

President Reagan is interrupting preparations for what some regard as a make-or-break State of the Union address to answer questions about his involvement in and knowledge of the Iran arms-Contra aid affair.

Reagan, in seclusion for the last month, goes before Congress and a nationwide television audience Tuesday night to demonstrate he retains the vision and political wherewithal to lead in the darkest days of his presidency.
(Norman Sandler, UPI)

SENATE COMMITTEE REPORT TO SHOW REAGAN FOCUS ON FREEING HOSTAGES

The Senate Intelligence Committee is preparing a report which says freedom for American hostages was one of the main goals motivating President Reagan's approval of U.S. arms sales to Iran, according to congressional sources.

Reagan has maintained that his chief motivation was an attempt to reopen U.S. dealings with a strategically important nation and that gaining the release of U.S. hostages in Lebanon was only a secondary goal.

(Tim Ahern, AP)

REAGAN'S FOCUS SAID TO BE HOSTAGES, NOT BIG PICTURE

President Reagan, when approached by top aides about the overall policy of secret arms sales to Iran, was more interested in the fate of U.S. hostages in Lebanon -- despite his public claims about improving relations with Tehran, a published report says.

The Washington Post, citing the investigation by the Senate Intelligence Committee in a report Sunday, said Lt. Col. North told Attorney General Meese that whenever he or former national security adviser Robert McFarlane tried to discuss with Reagan the overall picture of the arms sales, "The President would steer the conversation to the hostages."

(Sean McCormally, UPI)

MEESE ACKNOWLEDGES REGULAR CONTACTS WITH NORTH, BUT NOT TALKS ON CONTRA AID

Attorney General Edwin Meese acknowledged that he had regular contacts with fired White House aide Lt. Col. North, but he denied that any of the discussions involved aid to Nicaraguan insurgents.

Over the weekend, Mr. Meese said through a spokesman that he met or talked on the telephone with Col. North, who was fired from the NSC last November, as many as 12 times during the past two years. Justice Department spokesman Terry Eastland said the two men discussed U.S. relations with Iran, efforts to free American hostages in the Mideast and other topics. But Mr. Meese "doesn't recall any conversation" with Col. North about Nicaraguan rebels or the private aid network set up to help them, Mr. Eastland said.

(Andy Pasztor, Wall Street Journal, A48)

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CIA SUSPENDS COSTA RICAN STATION CHIEF
OVER CONTRAS RESUPPLY

The CIA suspended its Costa Rican station chief after papers belonging to Lt. Col. North revealed the agency employee was more deeply involved in secretly supplying Nicaraguan rebels than he had admitted, intelligence sources said.

The new development suggests that during a two-year congressional ban on U.S. military aid to the Contras, the CIA assisted North, who was fired from his staff post in the White House, in managing a Contra air resupply mission based at El Salvador's Ilopango military airfield.

(Robert Parry, AP)

IRAN-CONTRA AFFAIR/BOOK

Somehow, some writer is going to sit down and take an extended look at the Iran-contra scandal. Several publishing houses looking for the right person to dig into the mess have contacted Pulitzer Prize-winning reporter Seymour Hersh, the man who broke the My Lai massacre story. Hersh, however, has signed a contract with Random House for a much broader look at the Reagan Administration, with an examination of intelligence and foreign policy activities that will include the Iran affair. In an interview with Newsweek, Hersh said, "It's natural they would come to me. I've been saving string for a long time on these guys."

With the Hersh book about two years away from publication, the first to include important details about the contra scandal may be one written by Washington Post Assistant Managing Editor Bob Woodward. His book on the CIA under William Casey was nearing completion when the Iranian arms sale stories surfaced. He has updated the as-yet untitled book to include material on the Iran-contra story, and his Simon and Schuster editors are planning to release it as soon as possible this year.

(Chuck Conconi, Washington Post, B3)

INTERNATIONAL NEWS

SEIZED PROFESSORS' WIVES APPEAL TO KIDNAPPERS

BEIRUT -- The Beirut University College suspended classes indefinitely today to protest yesterday's kidnapping of four of its professors -- three Americans and an Indian-born U.S. resident. Students and teachers called on all educational institutions here to shut their doors in solidarity.

Meanwhile, a caller purporting to represent an obscure group calling itself the Organization of the Oppressed on Earth told the Christian-run radio station that the group had kidnapped the professors and would kill one of them unless Mohammed Ali Hamadei, a Shiite Lebanese arrested in Frankfurt on Jan. 13 as a suspected terrorist, was released.

(Nora Boustany, Washington Post, A1)

'WE WILL GET RID OF ONE HOSTAGE'

BEIRUT -- A Moslem group that claimed responsibility for the kidnapping of three Americans and an Indian U.S. resident threatened to kill a hostage today unless West Germany frees an Arab wanted by the United States for the 1985 hijacking of TWA Flight 847.

In Washington, a White House spokesman said President Reagan was "deeply concerned" about the American hostages -- identified by the State Department as communications professor Alann B. Steen, 47; accountant Robert Polhill, 52; and mathematics professor Jesse Turner, 39.

(Riad Kaj, UPI)

U.S. Faces Diplomatic Dilemma

The series of kidnappings in Beirut confronts the United States and West Germany with a paradoxical order: get tough with the terrorists but don't risk hostages' lives.

One problem: The United States appears to have no bargaining chips. At least, the White House leaves that impression after pledging to live up to its stated policy against arms for hostages.

(Don Kirk, USA Today, A4)

New Hostages Face Death Threat

The latest four hostages in Lebanon faced death threats today with a caller saying they would die if West Germany fails to free the accused TWA hijacker.

The U.S.A. and West Germany ignored the demand for release of Mohammad Ali Hamadei, held in Bonn on charges of the 1985 TWA hijacking in which Navy diver Robert Stethem was slain.

U.S. officials say they expect West Germany to extradite Hamadei now that Chancellor Helmut Kohl survived Sunday's elections.

(Don Kirk, USA Today, A1)

Callers Threaten To Kill Educators

BEIRUT -- Anonymous callers claimed the weekend abduction of three Americans and an Indian in the name of a Shiite Moslem terrorist group and one threatened to kill a hostage unless West Germany released a hijacking suspect.

West Germany did not release the suspect, 22-year-old Mohammed Ali Hamadei, and the caller's deadline of midnight Sunday passed without any report that a hostage was killed. (Rima Salameh, AP)

MILITARY ACTION URGED IF HOSTAGES ARE SLAIN U.S. Policy 'Has To Be Sorted Out'

A "military response" would be justified against kidnappers who kill U.S. hostages in Lebanon if there is "clear evidence" of responsibility, Senate Foreign Relations Committee Chairman Claiborne Pell said yesterday.

He said on ABC News' "This Week With David Brinkley" that the U.S. approach to kidnappers now appears to be "a double policy" of forswearing negotiations while opening secret talks. "This has to be sorted out," he said. (Joanne Omang, Washington Post, A18)

Lawmaker Says Reagan Should Consider Force If Any Hostage Dies

As the United States tries to figure out who is behind the latest kidnapping of U.S. citizens in Beirut, a top congressman says President Reagan should consider a military response if an American hostage dies.

Sen. Pell said if the kidnappers carry out their threat to kill one of the Americans, "It would give grounds, if there's clear evidence of a connection (with a government), and I don't think the evidence is clear yet, if there's clear evidence, for a military response."

(Tim Ahern, AP)

Military Response Should Be Weighed After Kidnappings

President Reagan should consider military retaliation for the kidnappings of more Americans in the Middle East if the kidnappers are linked to foreign governments, top U.S. policy experts say.

The Democratic chairman of the Senate Foreign Relations Committee said Sunday a tough U.S. response would be justified if it was proved that Syria or Iran were involved in the kidnappings of four professors, three of them Americans, in Beirut Saturday. (Reuter)

Pell: Americans Would Approve Sending Troops To Lebanon 'Now'

The Senate Foreign Relations Committee chairman says he would support military action if an American hostage is executed in Lebanon as threatened and the American public would approve sending U.S. troops in "now."

Asked if he would support such military action, Pell replied, "If the link was clearly established." (UPI)

BAKER SIGNALS CAUTION ON DOLLAR'S DROP

'We Don't Want To See It In A Free Fall'

The Reagan Administration does not want to see the dollar "fall too much" because a sharp drop would endanger the economy and be "counterproductive to achieving growth from our other trading partners," Treasury Secretary James Baker said yesterday.

Baker's caution about potential dangers of a sharp further decline seemed to contrast with a spate of recent reports suggesting that the Administration wants a cheaper dollar, compared with other currencies, to encourage a reduced U.S. trade deficit.

(Hobart Rowen, Washington Post, A3)

Greenback's Big Drop Underscores The Need For Realigning Trade

The dollar's plunge is telling Washington, Bonn and Tokyo that the time has come to get serious about reducing huge global trade imbalances.

"There has been a significant change in the psychology of the markets" against the dollar, warns Anthony Solomon, the chairman of S.A. Warburg U.S.A. and former president of the New York Federal Reserve Bank. After two years of gradual decline, last month the dollar started plunging against the West German mark and the Japanese yen.

(Art Pine & Paul Blustein, Wall Street Journal, A1)

Report: Group-Five Nations Plan Meeting To Discuss Dollar

NEW YORK -- The United States and four of its major economic allies -- the Group of Five -- are talking about a possible meeting to discuss the dollar and foreign economic policies, The New York Times reported today.

The meeting could take place as soon as February 7, the newspaper said, citing European and Japanese diplomats who declined to be identified.

(Reuter)

Baker Sees Dollar's Drop As Boon

Treasury Secretary Baker says the dollar's "orderly decline" is good for the economy, particularly in terms of the nation's massive trade deficit.

While saying he was not "talking down the dollar," Baker also said he believes Japan and West Germany, the two trading partners whose currencies have surged recently against the dollar, could do more to realign the global economic balance to lift some of the burden on the American economy.

(UPI)

REAGAN MAY ENLIST IN CONGRESS' CAMPAIGN FOR 'COMPETITIVENESS'

President Reagan, who fended off trade legislation in each of the last two years despite heavy pressure from lawmakers, is expected to soften his stand in his State of the Union message this week.

But instead of embracing the "protectionist" brand of trade legislation that he has opposed so often, Reagan is expected to talk up the concept of sharpening America's competitiveness in world markets.

(Mike Robinson, AP)

EC FOREIGN MINISTERS CONFER ON THREAT OF TRADE WAR WITH U.S.

BRUSSELS -- European Community foreign ministers meet today to take key decisions which could provide their last chance to avoid a transatlantic trade war breaking out at the end of this week, diplomats said.

The ministers will hear a report from EC external relations commissioner Willy de Clercq on weekend talks between top EC and United States negotiators aimed at settling an explosive dispute over U.S. farm exports to Spain. (Gerrard Raven, Reuter)

U.S., European Negotiators Fail To Reach Agreement

U.S. and European negotiators say they will continue talks this week in hopes of averting a bitter trade war over American grain exports.

Willy de Clercq, top trade negotiator for the 12-nation European Community, said both sides would engage in "necessary consultations" and then "resume contact within the next few days in the light of these consultations." (AP)

ANC LEADER TO PRESS SHULTZ ON ENDING TIES TO S. AFRICA

Black nationalist leader Oliver Tambo said yesterday that he intends to press Secretary of State Shultz this week to support "a total break, diplomatic and everything" by the United States with South Africa.

The ANC leader, speaking in an interview, said he realizes that it is perhaps "not realistic" to expect the United States to break diplomatic relations with South Africa "at this point."

But he argued that the move should be seen "as a demonstration of its own abhorrence of the apartheid system" or as an appropriate response if South Africa's white government "unleashes a holocaust" on the black population or neighboring black countries in retaliation for U.S. support of the ANC. (David Ottaway, Washington Post, A1)

Tambo: ANC Destroying 'Nazi System' Of Apartheid

The President of the African National Congress, warning that "verbal persuasion" will not work, says his group is resorting to violence in its battle against apartheid because of South Africa's "murderous behavior."

ANC President Oliver Tambo, in the first of a series of public appearances that will end with a meeting Wednesday with Secretary Shultz, also said "verbal persuasion" is no longer effective in fighting apartheid. (Rob Gloster, UPI)

South African Black Leader To Ask U.S. Sever Ties With Pretoria Government

Oliver Tambo, leader of a leftist group advocating armed struggle against the white-controlled government of South Africa, said Sunday he will ask the United States to sever its diplomatic ties with the Pretoria government.

"In general we think the U.S. policy has served the purposes of apartheid," he said. But he added that he would use the meeting with Shultz to get better understanding of that policy. (AP)

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CHINESE ACCUSE U.S. REPORTER

Charges, Arrest Of Student Seen As Official Effort to Intimidate

BEIJING -- Chinese authorities have accused an American reporter of obtaining secret intelligence information from a Chinese student, the official New China News Agency said today.

Lawrence MacDonald, a U.S. citizen working for the French news service Agence France-Presse, was quoted by colleagues at the agency's bureau here as saying that he knew nothing of the affair described in the accusation.
(Daniel Southerland, Washington Post, A15)

U.S. MAY HAVE TO BAIL OUT KHASHOGGI

Beleaguered Financier Received Guaranteed Loan For Fuel Project

The mounting financial woes of Saudi Arabian arms merchant Adnan Khashoggi have created a multimillion-dollar headache for the Department of Energy, which may soon be forced to bail out an endangered energy project owned by one of Khashoggi's companies.

In a move that drew criticism from some farm groups and members of Congress, DOE in September 1985 approved a \$78.9 million federal loan guarantee to a subsidiary of Khashoggi's U.S. holding company, Triad America Corp., to build a fuel ethanol plant in New Iberia, La.

(Michael Isikoff, Washington Post, A9)

AQUINO AIDE SAYS LEAKED CONVERSATION WAS FOR U.S. BENEFIT

MANILA -- A dispute over wire-taps involving President Corazon Aquino took a bizarre twist today with a senior aide admitting that leaked telephone conversations were held but were staged for the benefit of the U.S. government.

Executive Secretary Joker Arroyo told a news conference the taped conversations took place when Aquino was in a New York hotel last September.

He said the conversations, which dealt with the future of U.S. military bases in the Philippines, were aimed at placating Aquino's American hosts.
(Chaitanya Kalbag, Reuter)

W. GERMANS REELECT KOHL'S COALITION

Moderates Gain At Expense Of Conservatives; Greens Add Seats

BONN -- Chancellor Helmut Kohl's center-right coalition won a comfortable but reduced majority in national elections today, with the results strengthening the position of moderates in his government at the expense of conservatives.

The results marked an advance for the detente-oriented policies of Free Democratic Foreign Minister Hans-Dietrich Genscher. He had been the target of fierce attacks during the campaign by Christian Social Union leader and veteran conservative Franz Josef Strauss.

(Robert McCartney, Washington Post, A1)

NATIONAL NEWS

WHAT REAGAN HAS TO PROVE

Ronald Reagan has been saving himself with speeches since the 1950s when he was peddling "progress is our most important product" for General Electric.

As salesman, political candidate, governor of California and President, Reagan has paraded to center stage in times of crisis to reassure or inspire his countrymen. But even the Great Communicator has his work cut out for him when he emerges Tuesday night from self-imposed isolation for a State of the Union address that his pollster, Richard Wirthlin, sees as "a challenge to the President." (Lou Cannon, Washington Post, A2)

BAKER EXPRESSES CONCERN OVER WALL STREET PERFORMANCE

Treasury Secretary Baker said Sunday that he is wary of Wall Street's roller-coaster performance last Friday and would favor a government study of the effects of the trend toward investments made by computer programs.

"I think that we should be concerned about excess volatility in the stock market," Baker said on NBC's "Meet the Press." "When you see a market with a range of over 100 points in the Dow as we did on Friday, I think that's a matter to be concerned about." (Alan Fram, AP)

Baker Wants Look At Computer Effects On Stock Trading

The government should take a look at the growing number of stocks and bonds that are traded on advice of computer programs, Treasury Secretary Baker says.

"I'd like to see us take a look at the consequences and effects of computer program trading," Baker said on NBC's "Meet the Press." "We lose nothing by taking a look at that." (Alan Fram, AP)

REAGAN TO PROPOSE BUDGET CHANGES, BUT LAWMAKERS' VIEWS DIFFER

President Reagan will use part of his State of the Union address Tuesday night to lambast the federal budget process, but Democrats say it's the players, not the game, who are the real culprits.

"Budget procedures are cumbersome, complex and convoluted," Reagan said Jan. 5 in delivering to Congress his proposed budget for the coming year. "They permit and encourage a process that results in evasion of our duty to the American people to budget their public resources responsibly."

"We keep trying to find a way that will force us to do what we haven't had a will to do," Sen. Chiles said of efforts to revise the process. "And that is a very collective we.... The President hasn't been willing to come to grips with the deficit, and Congress hasn't been willing to challenge the President." (Alan Fram, AP)

LAUNCH DELAYS DARKEN FUTURE OF SPACE SCIENCE

If the space agency's Galileo mission had been launched last May as scheduled, it would have arrived at Jupiter in 1988. Now, because of the Challenger disaster a year ago Wednesday, the soonest it will arrive is 1995.

Fifty science missions on the shuttle had been planned from 1986 through 1992. Now there will be room for only 17 over the seven-year period, and those will all be delayed an average of three years, according to Burton Edelson, head of the space science office of the National Aeronautics and Space Administration.

(Kathy Sawyer, Washington Post, A1)

FOR THE GIANTS, IT'S A DAY AT THE BEACH New York Routs Denver In Super Bowl

PASADENA -- The New York Giants proved tonight what many have known or feared for months. In one crunching season that ended on one cloudless California afternoon and early evening, they proved they are the top of the National Football League heap.

The Giants won Super Bowl XXI, 39-20, over the Denver Broncos for the organization's first NFL title in 30 years.

(Christine Brennan & Leonard Shapiro, Washington Post, A1)

NETWORK NEWS SUMMARY

(Sunday evening, January 26th)

KIDNAPPERS

NBC's Chris Wallace: A Moslem extremist group said today it is holding three Americans and one Indian and threatened to kill them unless West Germany frees a suspected Arab hijacker. In phone calls to a Beirut radio station the group, called the Organization of the Oppressed on Earth, set a deadline of midnight, or five p.m. eastern time. That deadline passed without any word on the hostages' fate.
(NBC-Lead)

ABC's Sam Donaldson: Yesterday saw the abduction, today came the claim of responsibility and the demands and for the latest hostages to be seized in Lebanon, Americans Turner, Pohill and Steen, and Indian national Singh, the demands carried an explicit threat that one of them may soon be killed. In Washington there were congressional calls to consider military action.

ABC's John McWethy reports as President Reagan returned to the White House from Camp David today, the U.S. government was virtually silent on the latest kidnappings, the only high-ranking official to say anything was Secretary Baker who urged any Americans remaining in Beirut to get out.

(Secretary Baker on NBC's "Meet The Press": "The Administration would of course like to see all Americans avoid not just Beirut, but Lebanon as a whole.")

(Sen. Claiborne Pell on ABC's "This Week With David Brinkley": "I think if you can find out who's responsible, if it's a government -- I think we ought to exert tremendous sanctions and if it occurs again and again, then one could use military action.")

Henry Kissinger says if Iran can be tied to the latest kidnappings:

(Henry Kissinger on ABC's "This Week With David Brinkley": "Then I believe that military action in the end would be appropriate.")

Because military retaliation would take some heat off the President for the Iran arms scandal, government sources say as an option it has tremendous appeal if the right target can be found. One sobering drawback, for the hostages it may well be like signing a death warrant.

ABC's Barry Dunsmore reports from Damascus the Christian Voice of Lebanon claims it has received a series of calls from the pro-Iranian Organization of the Oppressed. Several threats were reportedly made. One, the educators would be killed if the U.S. became directly involved the Iran-Iraq war. Two, if Mohammed Hameidi was to be extradited to the U.S., a hostage would be killed. Three, if Hameidi was not released tonight, a hostage would be killed. And four, there was a threat against the West German hostages should Hameidi not be released.

Donaldson reports President Reagan will meet tomorrow morning with his principle foreign policy advisers to consider this new situation in Lebanon. Sources say there is a sense of urgency about this meeting and some of his advisers are prepared to suggest to the President that some stiffer action be undertaken in response to the latest kidnappings. (ABC-Lead)

U.S. RESPONSE

Wallace: The kidnapping of three more Americans this weekend has only deepened the sense of frustration in Washington about how to free the hostages. That frustration lead the President to try to make a deal with Iran, but today there was talk of a different solution, a military strike against the Ayatollah.

NBC's Robin Lloyd: The President returned from Camp David to face reports from his staff that there was little the Administration could do on this latest incident. Said one senior White House official: "Everyone is frustrated now and wants to do something, but we can't just act on assumptions." But some foreign policy experts were making assumptions, assumptions about Iran. They urged the President to take strong action.

(Henry Kissinger: "In a way Iran has stated that it has a connection by saying that it would see to the release of hostages if we gave arms, then I believe that military action in the end would be appropriate.")

Military expert Michael Ledeen, who was involved in the President's secret Iran arms initiative, said he favors a military strike against Iran.

(Ledeen: "If I had irrefutable evidence that it was Iran I would advocate going after Iran, yes.")

But the President's top Mideast advisers are reluctant to carry out a Libya style raid against Iran. They say Khomeini is better equipped to retaliate militarily than Gadhafi was. In addition, they say U.S. allies in the region have expressed their concerns that an American raid against Iran could set off a wave of terrorist attacks throughout the Middle East. Still, pressure on the President to take action has already begun. Today there was even unexpectedly tough language from the Democratic chairman of the Senate Foreign Relations committee.

(Sen. Pell: "But if physical action is necessary, provided all the bases have been touched and everybody is informed, I could see it being taken.")

Despite concern for the hostages, the White House is not treating this latest incident as a major crisis. No emergency National Security Council meeting is planned right now. And there are no thoughts to modify the President's State of the Union address. Still, officials say all that could change if the terrorists carry out their threat to kill one of the hostages. (NBC-4)

NBC's Anne Garrels: For Secretary Shultz, this is the test, to show that the U.S. is once again tough on terrorism, that his policy not to deal, discredited by the secret arms for hostages trades, is back on track. Following the U.S. extradition request for TWA hijacker Hameidi arrested in Germany, Shultz told a Senate committee last week the U.S. had received threats. Despite this, he and Attorney General Meese continued to push the Germans. With the kidnapping of three more Americans in Beirut the threats have become a reality. Officials are not very sympathetic to these Americans for they say they knowingly took risks despite repeated warnings. They agree with Henry Kissinger. On ABC's This Week he said to give in would sent a devastating signal to friends and enemies.

(Kissinger: "They want to show to all the people who want to work with us that if the United States cannot even protect its own citizens, how can it be expected to protect those who are cooperating with it in the Middle East and elsewhere.")

The U.S. will continue to push for extradition, though Senate Foreign Relations Chairman Claiborne Pell is not sure the Germans will now go through with it.

(Pell: "I would still say it is about a 50-50 shot whether he will be extradited. Now whether I think he should be extradited, the answer is yes. But when he is extradited or if he is extradited to the United States, I would not be surprised if we found some instances of terrorism or violence here in the United States as a consequences there of.")

Though the danger for the American captives is considerable, U.S. officials say to give in now would be to jeopardize still more Americans further down the road. And to those Americans who insist on staying in Beirut, the Administration urges yet again, get out now.

(NBC-3)

WAITE

Wallace: While all this is going on, Terry Waite remained out of sight for a sixth day, negotiating with Islamic Jihad, the captors of at least two Americans. But in London the Church of England maintained Waite is in good hands.

(NBC-2)

PRESIDENT/MEESE/NORTH

Wallace: Oliver North says President Reagan's main interest in selling arms to Iran was to free the hostages. Attorney General Meese says North told him that, and according to the Washington Post, Meese reported that to the Senate Intelligence Committee. North was quoted as saying the President, when discussing Iran, only wanted to hear about the hostages.

(NBC-6)

TAMBO VISIT

Wallace: Oliver Tambo meets with Secretary Shultz this week. It is a meeting causing some uneasiness in Washington as the violence escalates in South Africa.

NBC's Jim Miklaszewski reports the crucial point in Tambo's trip comes Wednesday when he will meet with Secretary Shultz. It will be the highest level meeting between the U.S. and ANC. But some White House officials argued against the Shultz-Tambo meeting and one conservative group launched a newspaper campaign to stop it. (Duncan Sellars, Conservative Caucus: "Because the African National Congress is a terrorist organization with close ties to the Soviet Union.")

A recent State Department report acknowledged that the ANC is committed to violence and has strong ties to the Soviets and communist groups within South Africa. But there is concern within the State Department that if the U.S. turns its back on the ANC it will drive the group further into the communist fold and destroy any prospect for a peaceful negotiation to end apartheid. Tambo hopes to convince the U.S. the ANC is not committed to violence, but still refuses to renounce it. Secretary Shultz, meanwhile, will attempt to persuade Tambo that ANC must adopt a more moderate, realistic approach if it wants to be considered a legitimate voice for black South Africans. (NBC-8)

DOLLAR

Donaldson reports Secretary Baker defended Administration policy that has helped produce a rapid decline in the dollar against major foreign currency.

ABC's Karen Stone reports the decline of the dollar against foreign currency has benefited the American economy according to Secretary Baker, but he would not set a specific target value for the dollar. (Secretary Baker on NBC's "Meet The Press": "We recognize that there can be problems if the dollar should fall too far too fast.") While the dollar falls, the U.S. hopes to pressure its allies into trade and economic concessions. (ABC-4)

ABC -- THIS WEEK WITH DAVID BRINKLEY

Moderator: David Brinkley. Panel: George Will and Sam Donaldson.
Guests: Henry Kissinger, Sen. Claiborne Pell and Michael Ledeen.

Brinkley: Mr. Ledeen, thank very much for coming in today.

Will: In a long piece in this morning's Post, looking at the entire sweep of our dealings with Iran, you said it is arguable that the United States should negotiate with the holders of hostages if, but only if, there's evidence that the United States can influence events. Is there any evidence whatever that the United States can influence events?

Ledeen: Well, yes. And I just want to put in there that I myself do not share that theory. I think it's a legitimate theory, and it's one that has to be decided. It's not mine. But in the specific Iranian case, from the moment that we started talking to representatives of the government of Iran, to the present, so far as I can tell, there has not been a single act of Iranian-sponsored terrorism against an American target in that period, which is quite a long period of time. So if you think that, you can eventually come to terms with these people in one way or another.

Will: Why wouldn't it be excellent American policy regarding terrorism to say that people captured in Beirut are damn fools for being in Beirut, to put it bluntly, and the United States feels no obligation to amend or alter its public policy in any way to get them out of the mess they volunteered to get into?

Ledeen: I think that's an excellent policy, but I think we should go further. I think not only should we say that people who get captured in Beirut have gotten what they deserved and they're crazy to be there, but also, if we find a connection between the people who are taking Americans hostage and any government, we're going to try to come to terms with that government and deliver blows to it, whether it be economic sanctions or military attacks or paramilitary action or whatever.

Donaldson: But what does the President do in the short run?

Ledeen: The President isn't really in a position to do anything about that. The President should say, and should carry it out, that if this is done, there's going to be a retaliation by the United States of a most violent sort.

Brinkley: Sen. Pell, thank you for coming in. Now, you've been saying that Americans in Beirut should get out. Should we add to that, if you stay there and are kidnapped, do not expect us to help you, or something to that effect?

Pell: Yes. I think we ought to do with the situation in Libya, where we exerted the International Emergency Powers Act, and said exactly that: That they get out, if they stay, they're at their own risk, and they're directed not to stay.

-more-

THIS WEEK WITH DAVID BRINKLEY (continued)

Brinkley: Mr. Ledeer says we should go after these kidnappers, economically, militarily, and in whatever ways are available to us. If we start bombing and shooting all over the world wherever terrorists are to be found, and they're widely spread, will the American people support that?

Pell: I think there'll be some hesitation on that. And I think we should be very reluctant to engage in bombing and shooting wherever it occurs. The important thing is to find out whose responsible. And if we can find out who is responsible, if it is a government, I think we ought to exert tremendous sanctions. And if it occurs again and again, then one could use military action. There really is no good solution.

Brinkley: Mr. Kissinger, thank you very much for being with us today.

Will: Is there something the President can say as he comes back from Camp David, and say, well, you've kidnapped a wasting asset, because we're not going to alter policy to get these people back?

Kissinger: Well, I think the most important thing that the President and Secretary of State can do in the first stage of a crisis is to make absolutely clear the direction in which he wants to go, so that the bureaucracy can begin thinking of implementing steps. I think the direction in which we ought to go is to make one thing clear, there will be no negotiation, not just no ransom, there will be no negotiation, directly, indirectly, through intermediaries. Second, there will be retaliation if we can establish who they are. Third, that if there are countries involved, I think the President [needs] a plan of action now, escalating, if necessary, to military action, and not to permit any other approaches, but that's the only way you can get the impression of an implacable determination.

Brinkley: Sen. Pell advocates telling Americans in Beirut that they should leave, and if they stay, they're there on their own, taking the risk themselves, and should not expect any help from us if they're kidnapped. Would you subscribe to that?

Kissinger: Well, I would certainly make clear that Americans that are taken hostage cannot expect the American government to negotiate for their release.

THIS WEEK WITH DAVID BRINKLEY (continued)

Round-table discussion, Hodding Carter joins panel:

Brinkley: President Reagan has a State of the Union speech to Congress on Tuesday night. Would anyone here like to write it for him bearing in mind all of his problems and what needs to be said and how it should be said effectively.

Will: Every time the President has spoken on Iran his situation has become much worse. This is not a problem that is amenable to the magic of communication. It is a problem the White House feels that they are stymied because North and Poindexter can't or won't talk and that they have said all they have to say. So I do not expect anything of significance on Iran in this speech.

Donaldson: Every time he has spoken his situation has become much worse because he hasn't been able to come clean from the standpoint of saying things the American people clearly want to hear him say. If I were asked to write the State of Union message I would say you can't talk about the year 2,000, you can't talk about catastrophic health insurance, you can't talk about anything that matters until you talk about Iran and say folks, I made a mistake. My heart was pure, I wanted to get the hostages out, I agreed to go ahead and sell arms, I don't think I should have done it now, I won't do it again. And I made that mistake but I am going to go on and do the best I can. Until this President can say something approximate like that the rest of the State of the Union message doesn't matter.

Carter: Since he can't and won't apologize, since the policy is still incoherent as recently, as we now know from George Shultz, as a month ago the best he can do is to simply say this is a matter which is now under full investigation by every branch of government. I have made my position clear, pretend that he has made it clear, and go on to some other thematic questions.

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CBS's "Face the Nation" program featured guests John Madden, Jim McMahon and Dexter Manley.

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NBC -- MEET THE PRESS

Moderator: Marvin Kalb. Panel: Robert Novak and Albert Hunt.

Guest: Treasury Secretary James Baker.

Hunt: Why is it that when the market goes up 50 points one day, as it did on Thursday, down 40 points on Friday, huge volume, why doesn't that concern you at all that there may be something going on?

Baker: I think that to some extent the reasonable and orderly decline of the dollar has been good for the U.S. I do not want that to be interpreted, if I may say so, as talking down the dollar. Quite frequently, the market makes unwarranted inferences from something that we say or that I say.... I think that we should be concerned about excess volatility in the stock market. When you see the market with a range of over 100 points on the Dow as we did on Friday, I think that's a matter to be concerned about. On the other hand, it would be my view that the fact that the market has gone up as much as it has, the stock market, is not a matter of concern, but it reflects the judgment of the people in the market that the U.S. economy is, indeed, healthy and in good shape. That's a view I happen, of course, to share.

Kalb: The question comes up, if you are allowing it -- you don't like the term "free fall," but if you're allowing it to go down, can one infer properly that you want it to go down at this rate, because if you don't why don't you do something about it?

Baker: We don't want to see it in a free fall. And we don't want to see it fall too much, because it's counter-productive to achieving growth from our other trading partners for one thing.

Hunt: Do you think Paul Volcker should or will be reappointed?

Baker: Mr. Volcker has six or seven months remaining in his term and I think it's premature to start playing this game of whether he will or will not be reappointed. I have to also say that I think I've worked extremely well with Mr. Volcker and I think he feels the same way about me.

Novak: You've had a big record of success in Washington, but isn't this one of your great failures by the fact that talking down the dollar has not caused the Germans and Japanese to simulate -- isn't that a great disappointment to you?

Baker: The Germans just cut their discount rate this week. We've been trying to get that for eight or ten months. We were delighted to see that. The Japanese took actions as a part of our October 31 pact, both monetary and fiscal.

Novak: You're satisfied with what the Japanese and Germans are doing?

Baker: I think we're seeing, frankly, unprecedented economic cooperation over the over the past 15 or 16 months. The important thing is that we keep it going.

MEET THE PRESS (continued)

Kalb: You don't think (Iran) it's a trouble?

Baker: Oh, I think it is trouble. No, I'm not suggesting that. But I really think people are once again tending to underestimate Ronald Reagan. And I think you're going to see him bounce back from this in extraordinarily good shape once the facts are all out on the table. And admittedly it's going to take some time for that to happen. But here's [a President] whose public job approval rating even going into the seventh year of his second term in office is 50 percent.

THE McLAUGHLIN GROUP

Moderator: John McLaughlin. Panel: Robert Novak, Fred Barnes, Jack Germond and Mark Shields.

McLaughlin: Will the three governments of the United States, Japan and West Germany join in trying to control the rapid decline of the dollar and should they try to control the decline?

Barnes: The answer is no they are not going to do that, it is too late for them to have this cooperation among the three, and no they shouldn't. The problem is, and the blame Reagan first crowd won't like it, but the problem is the Germans and the Japanese, they keep promising that they are going to heat up their economies, shrink the U.S. trade deficit and then they renege, they don't do it.

Novak: I think the plan of the Administration is still to try to get some kind of target zone, some kind of a floor below which they don't want the dollar to drop because that means a big inflationary surge and it is bad for the American economy.

Germond: It seems to me the Administration at some point is going to put a floor on this thing and intervene because they can't take the chance of the results if they don't do that coming in the next election.

McLaughlin: Is the President's reticence an attempt to avoid adversely prejudicing the various inquiries or is he simply trying to kill the Iran affair?

Shields: The President and his people have taken a course which is disastrous, they are sticking to it. The course is very simply innocence through ignorance.

Germond: I don't think the President is stonewalling but the President is so incredibly passive in this whole thing you'd think by now that he would have enough intellectual curiosity to have gotten to the bottom of this thing instead of sitting there and saying I have to wait until I get the committee reports, big deal.

McLaughlin: The Gallup poll says only 20% of the American people care about this, are following it. Maybe the President's strategy is right, let it die from inanition.

McLAUGHLIN GROUP (continued)

PREDICTIONS:

Barnes: The White House is looking for a hard-core conservative to be the new domestic policy czar at the White House and one of the guys they are looking at is Gary Bower, the undersecretary of Education.

Novak: The President did not meet with the right to life marchers for the first time, not because he is turning on the issue, because of his health. In fact he will for the first time endorse the human life bill, a big victory for the anti-abortion lobby.

Germond: Kemp got a boost last week with Buchanan getting out and my guess is that Robertson finally won't run and that will help him even further.

Shields: In a surprise move moving up is Atlanta as the choice of the Democrats (as their convention site).

McLaughlin: My prediction is Giants 24, Broncos 10.

AGRONSKY & COMPANY

Moderator: Martin Agronsky. Panel: Hugh Sidey, Elizabeth Drew, Strobe Talbott and Tom Oliphant.

Agronsky: Secretary Shultz portrayed the CIA as running amuck and as ignoring his direct order last month to break off talks with Iran on arms and hostages and that raises at least two questions: Is it just more evidence of the continuing disarray in American foreign policy or is it a sign that a frustrated Mr. Shultz feels he is no longer in control of U.S. foreign policy and may be ready to step down?

Drew: Well, Shultz had to say what he had to say. There has been rather tense feeling between him and the White House for some time now as Shultz works out the extent to which he wants to separate himself from what happened. But his revelation of talking to the Iranians about arms after the President announced it was no longer going to occur and the committee report written by a Republican staff that came out this week I think is continuing evidence that policy in this and other areas have been made haphazardly in a slip-shot way and that's why it came to such bad results.

Sidey: But I suspect that Mr. Shultz has a constituent, a very strong one, just like Don Regan. Remember he is still there. My hunch is Mr. Shultz will still be there and he's going to exercise a little authority to try to get it back on track.

Talbott: Agreed. George Shultz is doing fine. He had to say what he did this week, among other reasons, to distance himself further from the scandal. He is getting sniped at by the White House, but he will be around, possibly until the end of the Administration.

Oliphant: Point number one, I don't think there is much evidence that George Shultz has ever been in charge of American foreign policy. Point number two, I think there is some pretty substantial questions that ought to be raised about just how strenuously George Shultz really objected to all of this while it was going on and whether he was really just trying to cover his behind. Ever since he arrived in 1982 it seems to me that the story of American foreign policy has been the story of the battles among factions in this Administration. And I don't think there is very much evidence that he did much except look the other way while it was going on.



News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, JANUARY 26, 1987 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

IRAN -- NICARAGUA

Senate Committee Report To Show Reagan Focus On Freeing Hostages -- The Senate Intelligence Committee is preparing a report which says freedom for American hostages was one of the main goals motivating President Reagan's approval of U.S. arms sales to Iran, according to congressional sources. (AP, UPI)

INTERNATIONAL NEWS

New Hostages Face Death Threat -- The latest four hostages in Lebanon faced death threats today with a caller saying they would die if West Germany fails to free the accused TWA hijacker. (USA Today, AP, UPI)

NATIONAL NEWS

Baker Expresses Concern Over Wall Street Performance -- Treasury Secretary Baker said Sunday that he is wary of Wall Street's roller-coaster performance last Friday and would favor a government study of the effects of the trend toward investments made by computer programs. (AP)

NETWORK NEWS (Sunday Evening)

KIDNAPPERS -- A Moslem extremist group said today it is holding three Americans and threatened to kill them unless West Germany frees a suspected Arab hijacker.

U.S. RESPONSE -- The kidnapping of three Americans has deepened the sense of frustration in Washington about how to free the hostages.

PRESIDENT/NORTH -- Oliver North says President Reagan's main interest in selling arms to Iran was to free the hostages.

Hear, Hear

Washington is a town that thrives on news leaks. Reporters love them, and in an environment in which information is power, those who have it usually want to use it. Thus it was that Senator James A. McClure of Idaho, the ranking Republican on the Senate Energy and Natural Resources Committee, ruminated that he had attended a closed hearing at which senior intelligence officials briefed selected lawmakers. Not a word of it leaked. Suddenly Mr. McClure thought of the reason: "In that hearing we didn't hear anything."

THE NEW YORK TIMES

IRAN — NICARAGUA

PANEL INVESTIGATING NSC TO INTERVIEW REAGAN

President Reagan is interrupting preparations for what some regard as a make-or-break State of the Union address to answer questions about his involvement in and knowledge of the Iran arms-Contra aid affair.

Reagan, in seclusion for the last month, goes before Congress and a nationwide television audience Tuesday night to demonstrate he retains the vision and political wherewithal to lead in the darkest days of his presidency. (Norman Sandler, UPI)

SENATE COMMITTEE REPORT TO SHOW REAGAN FOCUS ON FREEING HOSTAGES

The Senate Intelligence Committee is preparing a report which says freedom for American hostages was one of the main goals motivating President Reagan's approval of U.S. arms sales to Iran, according to congressional sources.

Reagan has maintained that his chief motivation was an attempt to reopen U.S. dealings with a strategically important nation and that gaining the release of U.S. hostages in Lebanon was only a secondary goal.

(Tim Ahern, AP)

REAGAN'S FOCUS SAID TO BE HOSTAGES, NOT BIG PICTURE

President Reagan, when approached by top aides about the overall policy of secret arms sales to Iran, was more interested in the fate of U.S. hostages in Lebanon -- despite his public claims about improving relations with Tehran, a published report says.

The Washington Post, citing the investigation by the Senate Intelligence Committee in a report Sunday, said Lt. Col. North told Attorney General Meese that whenever he or former national security adviser Robert McFarlane tried to discuss with Reagan the overall picture of the arms sales, "The President would steer the conversation to the hostages."

(Sean McCormally, UPI)

MEESE ACKNOWLEDGES REGULAR CONTACTS WITH NORTH, BUT NOT TALKS ON CONTRA AID

Attorney General Edwin Meese acknowledged that he had regular contacts with fired White House aide Lt. Col. North, but he denied that any of the discussions involved aid to Nicaraguan insurgents.

Over the weekend, Mr. Meese said through a spokesman that he met or talked on the telephone with Col. North, who was fired from the NSC last November, as many as 12 times during the past two years. Justice Department spokesman Terry Eastland said the two men discussed U.S. relations with Iran, efforts to free American hostages in the Mideast and other topics. But Mr. Meese "doesn't recall any conversation" with Col. North about Nicaraguan rebels or the private aid network set up to help them, Mr. Eastland said.

(Andy Pasztor, Wall Street Journal, A48)

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CIA SUSPENDS COSTA RICAN STATION CHIEF
OVER CONTRAS RESUPPLY

The CIA suspended its Costa Rican station chief after papers belonging to Lt. Col. North revealed the agency employee was more deeply involved in secretly supplying Nicaraguan rebels than he had admitted, intelligence sources said.

The new development suggests that during a two-year congressional ban on U.S. military aid to the Contras, the CIA assisted North, who was fired from his staff post in the White House, in managing a Contra air resupply mission based at El Salvador's Ilopango military airfield.

(Robert Parry, AP)

IRAN-CONTRA AFFAIR/BOOK

Somehow, some writer is going to sit down and take an extended look at the Iran-contra scandal. Several publishing houses looking for the right person to dig into the mess have contacted Pulitzer Prize-winning reporter Seymour Hersh, the man who broke the My Lai massacre story. Hersh, however, has signed a contract with Random House for a much broader look at the Reagan Administration, with an examination of intelligence and foreign policy activities that will include the Iran affair. In an interview with Newsweek, Hersh said, "It's natural they would come to me. I've been saving string for a long time on these guys."

With the Hersh book about two years away from publication, the first to include important details about the contra scandal may be one written by Washington Post Assistant Managing Editor Bob Woodward. His book on the CIA under William Casey was nearing completion when the Iranian arms sale stories surfaced. He has updated the as-yet untitled book to include material on the Iran-contra story, and his Simon and Schuster editors are planning to release it as soon as possible this year.

(Chuck Conconi, Washington Post, B3)

INTERNATIONAL NEWS

SEIZED PROFESSORS' WIVES APPEAL TO KIDNAPPERS

BEIRUT -- The Beirut University College suspended classes indefinitely today to protest yesterday's kidnapping of four of its professors -- three Americans and an Indian-born U.S. resident. Students and teachers called on all educational institutions here to shut their doors in solidarity.

Meanwhile, a caller purporting to represent an obscure group calling itself the Organization of the Oppressed on Earth told the Christian-run radio station that the group had kidnapped the professors and would kill one of them unless Mohammed Ali Hamadei, a Shiite Lebanese arrested in Frankfurt on Jan. 13 as a suspected terrorist, was released.

(Nora Boustany, Washington Post, A1)

'WE WILL GET RID OF ONE HOSTAGE'

BEIRUT -- A Moslem group that claimed responsibility for the kidnapping of three Americans and an Indian U.S. resident threatened to kill a hostage today unless West Germany frees an Arab wanted by the United States for the 1985 hijacking of TWA Flight 847.

In Washington, a White House spokesman said President Reagan was "deeply concerned" about the American hostages -- identified by the State Department as communications professor Alann B. Steen, 47; accountant Robert Polhill, 52; and mathematics professor Jesse Turner, 39.

(Riad Kaj, UPI)

U.S. Faces Diplomatic Dilemma

The series of kidnappings in Beirut confronts the United States and West Germany with a paradoxical order: get tough with the terrorists but don't risk hostages' lives.

One problem: The United States appears to have no bargaining chips. At least, the White House leaves that impression after pledging to live up to its stated policy against arms for hostages.

(Don Kirk, USA Today, A4)

New Hostages Face Death Threat

The latest four hostages in Lebanon faced death threats today with a caller saying they would die if West Germany fails to free the accused TWA hijacker.

The U.S.A. and West Germany ignored the demand for release of Mohammad Ali Hamadei, held in Bonn on charges of the 1985 TWA hijacking in which Navy diver Robert Stethem was slain.

U.S. officials say they expect West Germany to extradite Hamadei now that Chancellor Helmut Kohl survived Sunday's elections.

(Don Kirk, USA Today, A1)

Callers Threaten To Kill Educators

BEIRUT -- Anonymous callers claimed the weekend abduction of three Americans and an Indian in the name of a Shiite Moslem terrorist group and one threatened to kill a hostage unless West Germany released a hijacking suspect.

West Germany did not release the suspect, 22-year-old Mohammed Ali Hamadei, and the caller's deadline of midnight Sunday passed without any report that a hostage was killed. (Rima Salameh, AP)

MILITARY ACTION URGED IF HOSTAGES ARE SLAIN U.S. Policy 'Has To Be Sorted Out'

A "military response" would be justified against kidnappers who kill U.S. hostages in Lebanon if there is "clear evidence" of responsibility, Senate Foreign Relations Committee Chairman Claiborne Pell said yesterday.

He said on ABC News' "This Week With David Brinkley" that the U.S. approach to kidnappers now appears to be "a double policy" of forswearing negotiations while opening secret talks. "This has to be sorted out," he said. (Joanne Omang, Washington Post, A18)

Lawmaker Says Reagan Should Consider Force If Any Hostage Dies

As the United States tries to figure out who is behind the latest kidnapping of U.S. citizens in Beirut, a top congressman says President Reagan should consider a military response if an American hostage dies.

Sen. Pell said if the kidnappers carry out their threat to kill one of the Americans, "It would give grounds, if there's clear evidence of a connection (with a government), and I don't think the evidence is clear yet, if there's clear evidence, for a military response."

(Tim Ahern, AP)

Military Response Should Be Weighed After Kidnappings

President Reagan should consider military retaliation for the kidnappings of more Americans in the Middle East if the kidnappers are linked to foreign governments, top U.S. policy experts say.

The Democratic chairman of the Senate Foreign Relations Committee said Sunday a tough U.S. response would be justified if it was proved that Syria or Iran were involved in the kidnappings of four professors, three of them Americans, in Beirut Saturday. (Reuter)

Pell: Americans Would Approve Sending Troops To Lebanon 'Now'

The Senate Foreign Relations Committee chairman says he would support military action if an American hostage is executed in Lebanon as threatened and the American public would approve sending U.S. troops in "now."

Asked if he would support such military action, Pell replied, "If the link was clearly established." (UPI)

BAKER SIGNALS CAUTION ON DOLLAR'S DROP
'We Don't Want To See It In A Free Fall'

The Reagan Administration does not want to see the dollar "fall too much" because a sharp drop would endanger the economy and be "counterproductive to achieving growth from our other trading partners," Treasury Secretary James Baker said yesterday.

Baker's caution about potential dangers of a sharp further decline seemed to contrast with a spate of recent reports suggesting that the Administration wants a cheaper dollar, compared with other currencies, to encourage a reduced U.S. trade deficit.

(Hobart Rowen, Washington Post, A3)

Greenback's Big Drop Underscores The Need For Realigning Trade

The dollar's plunge is telling Washington, Bonn and Tokyo that the time has come to get serious about reducing huge global trade imbalances.

"There has been a significant change in the psychology of the markets" against the dollar, warns Anthony Solomon, the chairman of S.A. Warburg U.S.A. and former president of the New York Federal Reserve Bank. After two years of gradual decline, last month the dollar started plunging against the West German mark and the Japanese yen.

(Art Pine & Paul Blustein, Wall Street Journal, A1)

Report: Group-Five Nations Plan Meeting To Discuss Dollar

NEW YORK -- The United States and four of its major economic allies -- the Group of Five -- are talking about a possible meeting to discuss the dollar and foreign economic policies, The New York Times reported today.

The meeting could take place as soon as February 7, the newspaper said, citing European and Japanese diplomats who declined to be identified.
(Reuter)

Baker Sees Dollar's Drop As Boon

Treasury Secretary Baker says the dollar's "orderly decline" is good for the economy, particularly in terms of the nation's massive trade deficit.

While saying he was not "talking down the dollar," Baker also said he believes Japan and West Germany, the two trading partners whose currencies have surged recently against the dollar, could do more to realign the global economic balance to lift some of the burden on the American economy.
(UPI)

REAGAN MAY ENLIST IN CONGRESS' CAMPAIGN FOR 'COMPETITIVENESS'

President Reagan, who fended off trade legislation in each of the last two years despite heavy pressure from lawmakers, is expected to soften his stand in his State of the Union message this week.

But instead of embracing the "protectionist" brand of trade legislation that he has opposed so often, Reagan is expected to talk up the concept of sharpening America's competitiveness in world markets.

(Mike Robinson, AP)

EC FOREIGN MINISTERS CONFER ON THREAT OF TRADE WAR WITH U.S.

BRUSSELS -- European Community foreign ministers meet today to take key decisions which could provide their last chance to avoid a transatlantic trade war breaking out at the end of this week, diplomats said.

The ministers will hear a report from EC external relations commissioner Willy de Clercq on weekend talks between top EC and United States negotiators aimed at settling an explosive dispute over U.S. farm exports to Spain. (Gerrard Raven, Reuter)

U.S., European Negotiators Fail To Reach Agreement

U.S. and European negotiators say they will continue talks this week in hopes of averting a bitter trade war over American grain exports.

Willy de Clercq, top trade negotiator for the 12-nation European Community, said both sides would engage in "necessary consultations" and then "resume contact within the next few days in the light of these consultations." (AP)

ANC LEADER TO PRESS SHULTZ ON ENDING TIES TO S. AFRICA

Black nationalist leader Oliver Tambo said yesterday that he intends to press Secretary of State Shultz this week to support "a total break, diplomatic and everything" by the United States with South Africa.

The ANC leader, speaking in an interview, said he realizes that it is perhaps "not realistic" to expect the United States to break diplomatic relations with South Africa "at this point."

But he argued that the move should be seen "as a demonstration of its own abhorrence of the apartheid system" or as an appropriate response if South Africa's white government "unleashes a holocaust" on the black population or neighboring black countries in retaliation for U.S. support of the ANC. (David Ottaway, Washington Post, A1)

Tambo: ANC Destroying 'Nazi System' Of Apartheid

The President of the African National Congress, warning that "verbal persuasion" will not work, says his group is resorting to violence in its battle against apartheid because of South Africa's "murderous behavior."

ANC President Oliver Tambo, in the first of a series of public appearances that will end with a meeting Wednesday with Secretary Shultz, also said "verbal persuasion" is no longer effective in fighting apartheid. (Rob Gloster, UPI)

South African Black Leader To Ask U.S. Sever Ties With Pretoria Government

Oliver Tambo, leader of a leftist group advocating armed struggle against the white-controlled government of South Africa, said Sunday he will ask the United States to sever its diplomatic ties with the Pretoria government.

"In general we think the U.S. policy has served the purposes of apartheid," he said. But he added that he would use the meeting with Shultz to get better understanding of that policy. (AP)

CHINESE ACCUSE U.S. REPORTER

Charges, Arrest Of Student Seen As Official Effort to Intimidate

BEIJING -- Chinese authorities have accused an American reporter of obtaining secret intelligence information from a Chinese student, the official New China News Agency said today.

Lawrence MacDonald, a U.S. citizen working for the French news service Agence France-Presse, was quoted by colleagues at the agency's bureau here as saying that he knew nothing of the affair described in the accusation.
(Daniel Southerland, Washington Post, A15)

U.S. MAY HAVE TO BAIL OUT KHASHOGGI

Beleaguered Financier Received Guaranteed Loan For Fuel Project

The mounting financial woes of Saudi Arabian arms merchant Adnan Khashoggi have created a multimillion-dollar headache for the Department of Energy, which may soon be forced to bail out an endangered energy project owned by one of Khashoggi's companies.

In a move that drew criticism from some farm groups and members of Congress, DOE in September 1985 approved a \$78.9 million federal loan guarantee to a subsidiary of Khashoggi's U.S. holding company, Triad America Corp., to build a fuel ethanol plant in New Iberia, La.

(Michael Isikoff, Washington Post, A9)

AQUINO AIDE SAYS LEAKED CONVERSATION WAS FOR U.S. BENEFIT

MANILA -- A dispute over wire-taps involving President Corazon Aquino took a bizarre twist today with a senior aide admitting that leaked telephone conversations were held but were staged for the benefit of the U.S. government.

Executive Secretary Joker Arroyo told a news conference the taped conversations took place when Aquino was in a New York hotel last September.

He said the conversations, which dealt with the future of U.S. military bases in the Philippines, were aimed at placating Aquino's American hosts.
(Chaitanya Kalbag, Reuter)

W. GERMANS REELECT KOHL'S COALITION

Moderates Gain At Expense Of Conservatives; Greens Add Seats

BONN -- Chancellor Helmut Kohl's center-right coalition won a comfortable but reduced majority in national elections today, with the results strengthening the position of moderates in his government at the expense of conservatives.

The results marked an advance for the detente-oriented policies of Free Democratic Foreign Minister Hans-Dietrich Genscher. He had been the target of fierce attacks during the campaign by Christian Social Union leader and veteran conservative Franz Josef Strauss.

(Robert McCartney, Washington Post, A1)

NATIONAL NEWS

WHAT REAGAN HAS TO PROVE

Ronald Reagan has been saving himself with speeches since the 1950s when he was peddling "progress is our most important product" for General Electric.

As salesman, political candidate, governor of California and President, Reagan has paraded to center stage in times of crisis to reassure or inspire his countrymen. But even the Great Communicator has his work cut out for him when he emerges Tuesday night from self-imposed isolation for a State of the Union address that his pollster, Richard Wirthlin, sees as "a challenge to the President." (Lou Cannon, Washington Post, A2)

BAKER EXPRESSES CONCERN OVER WALL STREET PERFORMANCE

Treasury Secretary Baker said Sunday that he is wary of Wall Street's roller-coaster performance last Friday and would favor a government study of the effects of the trend toward investments made by computer programs.

"I think that we should be concerned about excess volatility in the stock market," Baker said on NBC's "Meet the Press." "When you see a market with a range of over 100 points in the Dow as we did on Friday, I think that's a matter to be concerned about." (Alan Fram, AP)

Baker Wants Look At Computer Effects On Stock Trading

The government should take a look at the growing number of stocks and bonds that are traded on advice of computer programs, Treasury Secretary Baker says.

"I'd like to see us take a look at the consequences and effects of computer program trading," Baker said on NBC's "Meet the Press." "We lose nothing by taking a look at that." (Alan Fram, AP)

REAGAN TO PROPOSE BUDGET CHANGES, BUT LAWMAKERS' VIEWS DIFFER

President Reagan will use part of his State of the Union address Tuesday night to lambast the federal budget process, but Democrats say it's the players, not the game, who are the real culprits.

"Budget procedures are cumbersome, complex and convoluted," Reagan said Jan. 5 in delivering to Congress his proposed budget for the coming year. "They permit and encourage a process that results in evasion of our duty to the American people to budget their public resources responsibly."

"We keep trying to find a way that will force us to do what we haven't had a will to do," Sen. Chiles said of efforts to revise the process. "And that is a very collective we.... The President hasn't been willing to come to grips with the deficit, and Congress hasn't been willing to challenge the President." (Alan Fram, AP)

LAUNCH DELAYS DARKEN FUTURE OF SPACE SCIENCE

If the space agency's Galileo mission had been launched last May as scheduled, it would have arrived at Jupiter in 1988. Now, because of the Challenger disaster a year ago Wednesday, the soonest it will arrive is 1995.

Fifty science missions on the shuttle had been planned from 1986 through 1992. Now there will be room for only 17 over the seven-year period, and those will all be delayed an average of three years, according to Burton Edelson, head of the space science office of the National Aeronautics and Space Administration.

(Kathy Sawyer, Washington Post, A1)

FOR THE GIANTS, IT'S A DAY AT THE BEACH New York Routs Denver In Super Bowl

PASADENA -- The New York Giants proved tonight what many have known or feared for months. In one crunching season that ended on one cloudless California afternoon and early evening, they proved they are the top of the National Football League heap.

The Giants won Super Bowl XXI, 39-20, over the Denver Broncos for the organization's first NFL title in 30 years.

(Christine Brennan & Leonard Shapiro, Washington Post, A1)

NETWORK NEWS SUMMARY

(Sunday evening, January 26th)

KIDNAPPERS

NBC's Chris Wallace: A Moslem extremist group said today it is holding three Americans and one Indian and threatened to kill them unless West Germany frees a suspected Arab hijacker. In phone calls to a Beirut radio station the group, called the Organization of the Oppressed on Earth, set a deadline of midnight, or five p.m. eastern time. That deadline passed without any word on the hostages' fate.
(NBC-Lead)

ABC's Sam Donaldson: Yesterday saw the abduction, today came the claim of responsibility and the demands and for the latest hostages to be seized in Lebanon, Americans Turner, Pohill and Steen, and Indian national Singh, the demands carried an explicit threat that one of them may soon be killed. In Washington there were congressional calls to consider military action.

ABC's John McWethy reports as President Reagan returned to the White House from Camp David today, the U.S. government was virtually silent on the latest kidnappings, the only high-ranking official to say anything was Secretary Baker who urged any Americans remaining in Beirut to get out.

(Secretary Baker on NBC's "Meet The Press": "The Administration would of course like to see all Americans avoid not just Beirut, but Lebanon as a whole.")

(Sen. Claiborne Pell on ABC's "This Week With David Brinkley": "I think if you can find out who's responsible, if it's a government -- I think we ought to exert tremendous sanctions and if it occurs again and again, then one could use military action.")

Henry Kissinger says if Iran can be tied to the latest kidnappings:

(Henry Kissinger on ABC's "This Week With David Brinkley": "Then I believe that military action in the end would be appropriate.")

Because military retaliation would take some heat off the President for the Iran arms scandal, government sources say as an option it has tremendous appeal if the right target can be found. One sobering drawback, for the hostages it may well be like signing a death warrant.

ABC's Barry Dunsmore reports from Damascus the Christian Voice of Lebanon claims it has received a series of calls from the pro-Iranian Organization of the Oppressed. Several threats were reportedly made. One, the educators would be killed if the U.S. became directly involved the Iran-Iraq war. Two, if Mohammed Hameidi was to be extradited to the U.S., a hostage would be killed. Three, if Hameidi was not released tonight, a hostage would be killed. And four, there was a threat against the West German hostages should Hameidi not be released.

Donaldson reports President Reagan will meet tomorrow morning with his principle foreign policy advisers to consider this new situation in Lebanon. Sources say there is a sense of urgency about this meeting and some of his advisers are prepared to suggest to the President that some stiffer action be undertaken in response to the latest kidnappings. (ABC-Lead)

U.S. RESPONSE

Wallace: The kidnapping of three more Americans this weekend has only deepened the sense of frustration in Washington about how to free the hostages. That frustration lead the President to try to make a deal with Iran, but today there was talk of a different solution, a military strike against the Ayatollah.

NBC's Robin Lloyd: The President returned from Camp David to face reports from his staff that there was little the Administration could do on this latest incident. Said one senior White House official: "Everyone is frustrated now and wants to do something, but we can't just act on assumptions." But some foreign policy experts were making assumptions, assumptions about Iran. They urged the President to take strong action.

(Henry Kissinger: "In a way Iran has stated that it has a connection by saying that it would see to the release of hostages if we gave arms, then I believe that military action in the end would be appropriate.")

Military expert Michael Ledeen, who was involved in the President's secret Iran arms initiative, said he favors a military strike against Iran.

(Ledeen: "If I had irrefutable evidence that it was Iran I would advocate going after Iran, yes.")

But the President's top Mideast advisers are reluctant to carry out a Libya style raid against Iran. They say Khomeini is better equipped to retaliate militarily than Gadhafi was. In addition, they say U.S. allies in the region have expressed their concerns that an American raid against Iran could set off a wave of terrorist attacks throughout the Middle East. Still, pressure on the President to take action has already begun. Today there was even unexpectedly tough language from the Democratic chairman of the Senate Foreign Relations committee.

(Sen. Pell: "But if physical action is necessary, provided all the bases have been touched and everybody is informed, I could see it being taken.")

Despite concern for the hostages, the White House is not treating this latest incident as a major crisis. No emergency National Security Council meeting is planned right now. And there are no thoughts to modify the President's State of the Union address. Still, officials say all that could change if the terrorists carry out their threat to kill one of the hostages. (NBC-4)

NBC's Anne Garrels: For Secretary Shultz, this is the test, to show that the U.S. is once again tough on terrorism, that his policy not to deal, discredited by the secret arms for hostages trades, is back on track. Following the U.S. extradition request for TWA hijacker Hameidi arrested in Germany, Shultz told a Senate committee last week the U.S. had received threats. Despite this, he and Attorney General Meese continued to push the Germans. With the kidnapping of three more Americans in Beirut the threats have become a reality. Officials are not very sympathetic to these Americans for they say they knowingly took risks despite repeated warnings. They agree with Henry Kissinger. On ABC's This Week he said to give in would sent a devastating signal to friends and enemies.

(Kissinger: "They want to show to all the people who want to work with us that if the United States cannot even protect its own citizens, how can it be expected to protect those who are cooperating with it in the Middle East and elsewhere.")

The U.S. will continue to push for extradition, though Senate Foreign Relations Chairman Claiborne Pell is not sure the Germans will now go through with it.

(Pell: "I would still say it is about a 50-50 shot whether he will be extradited. Now whether I think he should be extradited, the answer is yes. But when he is extradited or if he is extradited to the United States, I would not be surprised if we found some instances of terrorism or violence here in the United States as a consequences there of.")

Though the danger for the American captives is considerable, U.S. officials say to give in now would be to jeopardize still more Americans further down the road. And to those Americans who insist on staying in Beirut, the Administration urges yet again, get out now.

(NBC-3)

WAITE

Wallace: While all this is going on, Terry Waite remained out of sight for a sixth day, negotiating with Islamic Jihad, the captors of at least two Americans. But in London the Church of England maintained Waite is in good hands.

(NBC-2)

PRESIDENT/MEESE/NORTH

Wallace: Oliver North says President Reagan's main interest in selling arms to Iran was to free the hostages. Attorney General Meese says North told him that, and according to the Washington Post, Meese reported that to the Senate Intelligence Committee. North was quoted as saying the President, when discussing Iran, only wanted to hear about the hostages.

(NBC-6)

TAMBO VISIT

Wallace: Oliver Tambo meets with Secretary Shultz this week. It is a meeting causing some uneasiness in Washington as the violence escalates in South Africa.

NBC's Jim Miklaszewski reports the crucial point in Tambo's trip comes Wednesday when he will meet with Secretary Shultz. It will be the highest level meeting between the U.S. and ANC. But some White House officials argued against the Shultz-Tambo meeting and one conservative group launched a newspaper campaign to stop it. (Duncan Sellars, Conservative Caucus: "Because the African National Congress is a terrorist organization with close ties to the Soviet Union.")

A recent State Department report acknowledged that the ANC is committed to violence and has strong ties to the Soviets and communist groups within South Africa. But there is concern within the State Department that if the U.S. turns its back on the ANC it will drive the group further into the communist fold and destroy any prospect for a peaceful negotiation to end apartheid. Tambo hopes to convince the U.S. the ANC is not committed to violence, but still refuses to renounce it. Secretary Shultz, meanwhile, will attempt to persuade Tambo that ANC must adopt a more moderate, realistic approach if it wants to be considered a legitimate voice for black South Africans. (NBC-8)

DOLLAR

Donaldson reports Secretary Baker defended Administration policy that has helped produce a rapid decline in the dollar against major foreign currency.

ABC's Karen Stone reports the decline of the dollar against foreign currency has benefited the American economy according to Secretary Baker, but he would not set a specific target value for the dollar. (Secretary Baker on NBC's "Meet The Press": "We recognize that there can be problems if the dollar should fall too far too fast.") While the dollar falls, the U.S. hopes to pressure its allies into trade and economic concessions. (ABC-4)

ABC -- THIS WEEK WITH DAVID BRINKLEY

Moderator: David Brinkley. Panel: George Will and Sam Donaldson.
Guests: Henry Kissinger, Sen. Claiborne Pell and Michael Ledeen.

Brinkley: Mr. Ledeen, thank very much for coming in today.

Will: In a long piece in this morning's Post, looking at the entire sweep of our dealings with Iran, you said it is arguable that the United States should negotiate with the holders of hostages if, but only if, there's evidence that the United States can influence events. Is there any evidence whatever that the United States can influence events?

Ledeen: Well, yes. And I just want to put in there that I myself do not share that theory. I think it's a legitimate theory, and it's one that has to be decided. It's not mine. But in the specific Iranian case, from the moment that we started talking to representatives of the government of Iran, to the present, so far as I can tell, there has not been a single act of Iranian-sponsored terrorism against an American target in that period, which is quite a long period of time. So if you think that, you can eventually come to terms with these people in one way or another.

Will: Why wouldn't it be excellent American policy regarding terrorism to say that people captured in Beirut are damn fools for being in Beirut, to put it bluntly, and the United States feels no obligation to amend or alter its public policy in any way to get them out of the mess they volunteered to get into?

Ledeen: I think that's an excellent policy, but I think we should go further. I think not only should we say that people who get captured in Beirut have gotten what they deserved and they're crazy to be there, but also, if we find a connection between the people who are taking Americans hostage and any government, we're going to try to come to terms with that government and deliver blows to it, whether it be economic sanctions or military attacks or paramilitary action or whatever.

Donaldson: But what does the President do in the short run?

Ledeen: The President isn't really in a position to do anything about that. The President should say, and should carry it out, that if this is done, there's going to be a retaliation by the United States of a most violent sort.

Brinkley: Sen. Pell, thank you for coming in. Now, you've been saying that Americans in Beirut should get out. Should we add to that, if you stay there and are kidnapped, do not expect us to help you, or something to that effect?

Pell: Yes. I think we ought to do with the situation in Libya, where we exerted the International Emergency Powers Act, and said exactly that: That they get out, if they stay, they're at their own risk, and they're directed not to stay.

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THIS WEEK WITH DAVID BRINKLEY (continued)

Brinkley: Mr. Ledeen says we should go after these kidnappers, economically, militarily, and in whatever ways are available to us. If we start bombing and shooting all over the world wherever terrorists are to be found, and they're widely spread, will the American people support that?

Pell: I think there'll be some hesitation on that. And I think we should be very reluctant to engage in bombing and shooting wherever it occurs. The important thing is to find out whose responsible. And if we can find out who is responsible, if it is a government, I think we ought to exert tremendous sanctions. And if it occurs again and again, then one could use military action. There really is no good solution.

Brinkley: Mr. Kissinger, thank you very much for being with us today.

Will: Is there something the President can say as he comes back from Camp David, and say, well, you've kidnapped a wasting asset, because we're not going to alter policy to get these people back?

Kissinger: Well, I think the most important thing that the President and Secretary of State can do in the first stage of a crisis is to make absolutely clear the direction in which he wants to go, so that the bureaucracy can begin thinking of implementing steps. I think the direction in which we ought to go is to make one thing clear, there will be no negotiation, not just no ransom, there will be no negotiation, directly, indirectly, through intermediaries. Second, there will be retaliation if we can establish who they are. Third, that if there are countries involved, I think the President [needs] a plan of action now, escalating, if necessary, to military action, and not to permit any other approaches, but that's the only way you can get the impression of an implacable determination.

Brinkley: Sen. Pell advocates telling Americans in Beirut that they should leave, and if they stay, they're there on their own, taking the risk themselves, and should not expect any help from us if they're kidnapped. Would you subscribe to that?

Kissinger: Well, I would certainly make clear that Americans that are taken hostage cannot expect the American government to negotiate for their release.

THIS WEEK WITH DAVID BRINKLEY (continued)

Round-table discussion, Hodding Carter joins panel:

Brinkley: President Reagan has a State of the Union speech to Congress on Tuesday night. Would anyone here like to write it for him bearing in mind all of his problems and what needs to be said and how it should be said effectively.

Will: Every time the President has spoken on Iran his situation has become much worse. This is not a problem that is amenable to the magic of communication. It is a problem the White House feels that they are stymied because North and Poindexter can't or won't talk and that they have said all they have to say. So I do not expect anything of significance on Iran in this speech.

Donaldson: Every time he has spoken his situation has become much worse because he hasn't been able to come clean from the standpoint of saying things the American people clearly want to hear him say. If I were asked to write the State of Union message I would say you can't talk about the year 2,000, you can't talk about catastrophic health insurance, you can't talk about anything that matters until you talk about Iran and say folks, I made a mistake. My heart was pure, I wanted to get the hostages out, I agreed to go ahead and sell arms, I don't think I should have done it now, I won't do it again. And I made that mistake but I am going to go on and do the best I can. Until this President can say something approximate like that the rest of the State of the Union message doesn't matter.

Carter: Since he can't and won't apologize, since the policy is still incoherent as recently, as we now know from George Shultz, as a month ago the best he can do is to simply say this is a matter which is now under full investigation by every branch of government. I have made my position clear, pretend that he has made it clear, and go on to some other thematic questions.

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CBS's "Face the Nation" program featured guests John Madden, Jim McMahon and Dexter Manley.

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NBC -- MEET THE PRESS

Moderator: Marvin Kalb. Panel: Robert Novak and Albert Hunt.

Guest: Treasury Secretary James Baker.

Hunt: Why is it that when the market goes up 50 points one day, as it did on Thursday, down 40 points on Friday, huge volume, why doesn't that concern you at all that there may be something going on?

Baker: I think that to some extent the reasonable and orderly decline of the dollar has been good for the U.S. I do not want that to be interpreted, if I may say so, as talking down the dollar. Quite frequently, the market makes unwarranted inferences from something that we say or that I say.... I think that we should be concerned about excess volatility in the stock market. When you see the market with a range of over 100 points on the Dow as we did on Friday, I think that's a matter to be concerned about. On the other hand, it would be my view that the fact that the market has gone up as much as it has, the stock market, is not a matter of concern, but it reflects the judgment of the people in the market that the U.S. economy is, indeed, healthy and in good shape. That's a view I happen, of course, to share.

Kalb: The question comes up, if you are allowing it -- you don't like the term "free fall," but if you're allowing it to go down, can one infer properly that you want it to go down at this rate, because if you don't why don't you do something about it?

Baker: We don't want to see it in a free fall. And we don't want to see it fall too much, because it's counter-productive to achieving growth from our other trading partners for one thing.

Hunt: Do you think Paul Volcker should or will be reappointed?

Baker: Mr. Volcker has six or seven months remaining in his term and I think it's premature to start playing this game of whether he will or will not be reappointed. I have to also say that I think I've worked extremely well with Mr. Volcker and I think he feels the same way about me.

Novak: You've had a big record of success in Washington, but isn't this one of your great failures by the fact that talking down the dollar has not caused the Germans and Japanese to simulate -- isn't that a great disappointment to you?

Baker: The Germans just cut their discount rate this week. We've been trying to get that for eight or ten months. We were delighted to see that. The Japanese took actions as a part of our October 31 pact, both monetary and fiscal.

Novak: You're satisfied with what the Japanese and Germans are doing?

Baker: I think we're seeing, frankly, unprecedented economic cooperation over the over the past 15 or 16 months. The important thing is that we keep it going.

MEET THE PRESS (continued)

Kalb: You don't think (Iran) it's a trouble?

Baker: Oh, I think it is trouble. No, I'm not suggesting that. But I really think people are once again tending to underestimate Ronald Reagan. And I think you're going to see him bounce back from this in extraordinarily good shape once the facts are all out on the table. And admittedly it's going to take some time for that to happen. But here's [a President] whose public job approval rating even going into the seventh year of his second term in office is 50 percent.

THE McLAUGHLIN GROUP

Moderator: John McLaughlin. Panel: Robert Novak, Fred Barnes, Jack Germond and Mark Shields.

McLaughlin: Will the three governments of the United States, Japan and West Germany join in trying to control the rapid decline of the dollar and should they try to control the decline?

Barnes: The answer is no they are not going to do that, it is too late for them to have this cooperation among the three, and no they shouldn't. The problem is, and the blame Reagan first crowd won't like it, but the problem is the Germans and the Japanese, they keep promising that they are going to heat up their economies, shrink the U.S. trade deficit and then they renege, they don't do it.

Novak: I think the plan of the Administration is still to try to get some kind of target zone, some kind of a floor below which they don't want the dollar to drop because that means a big inflationary surge and it is bad for the American economy.

Germond: It seems to me the Administration at some point is going to put a floor on this thing and intervene because they can't take the chance of the results if they don't do that coming in the next election.

McLaughlin: Is the President's reticence an attempt to avoid adversely prejudicing the various inquiries or is he simply trying to kill the Iran affair?

Shields: The President and his people have taken a course which is disastrous, they are sticking to it. The course is very simply innocence through ignorance.

Germond: I don't think the President is stonewalling but the President is so incredibly passive in this whole thing you'd think by now that he would have enough intellectual curiosity to have gotten to the bottom of this thing instead of sitting there and saying I have to wait until I get the committee reports, big deal.

McLaughlin: The Gallup poll says only 20% of the American people care about this, are following it. Maybe the President's strategy is right, let it die from inanition.

McLAUGHLIN GROUP (continued)

PREDICTIONS:

Barnes: The White House is looking for a hard-core conservative to be the new domestic policy czar at the White House and one of the guys they are looking at is Gary Bower, the undersecretary of Education.

Novak: The President did not meet with the right to life marchers for the first time, not because he is turning on the issue, because of his health. In fact he will for the first time endorse the human life bill, a big victory for the anti-abortion lobby.

Germond: Kemp got a boost last week with Buchanan getting out and my guess is that Robertson finally won't run and that will help him even further.

Shields: In a surprise move moving up is Atlanta as the choice of the Democrats (as their convention site).

McLaughlin: My prediction is Giants 24, Broncos 10.

AGRONSKY & COMPANY

Moderator: Martin Agronsky. **Panel:** Hugh Sidey, Elizabeth Drew, Strobe Talbott and Tom Oliphant.

Agronsky: Secretary Shultz portrayed the CIA as running amuck and as ignoring his direct order last month to break off talks with Iran on arms and hostages and that raises at least two questions: Is it just more evidence of the continuing disarray in American foreign policy or is it a sign that a frustrated Mr. Shultz feels he is no longer in control of U.S. foreign policy and may be ready to step down?

Drew: Well, Shultz had to say what he had to say. There has been rather tense feeling between him and the White House for some time now as Shultz works out the extent to which he wants to separate himself from what happened. But his revelation of talking to the Iranians about arms after the President announced it was no longer going to occur and the committee report written by a Republican staff that came out this week I think is continuing evidence that policy in this and other areas have been made haphazardly in a slip-shot way and that's why it came to such bad results.

Sidey: But I suspect that Mr. Shultz has a constituent, a very strong one, just like Don Regan. Remember he is still there. My hunch is Mr. Shultz will still be there and he's going to exercise a little authority to try to get it back on track.

Talbott: Agreed. George Shultz is doing fine. He had to say what he did this week, among other reasons, to distance himself further from the scandal. He is getting sniped at by the White House, but he will be around, possibly until the end of the Administration.

Oliphant: Point number one, I don't think there is much evidence that George Shultz has ever been in charge of American foreign policy. Point number two, I think there is some pretty substantial questions that ought to be raised about just how strenuously George Shultz really objected to all of this while it was going on and whether he was really just trying to cover his behind. Ever since he arrived in 1982 it seems to me that the story of American foreign policy has been the story of the battles among factions in this Administration. And I don't think there is very much evidence that he did much except look the other way while it was going on.