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News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, AUGUST 14, 1985 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

NATIONAL NEWS

PLANNING SESSION OPENS AGENDA FOR REST OF SECOND TERM -- A transcontinental Administration strategy session has produced the elements of a White House master plan to revitalize the Reagan Presidency in the last four months of 1985.

(UPI, AP, Washington Post)

INTERNATIONAL NEWS

LEADER OF CONTRAS DESCRIBES CONTACTS WITH WHITE HOUSE -- Contra leader Adolfo Calero said a National Security Council staffer's biggest help came this spring when he arranged a meeting with President Reagan for Calero and two other figures among the Contras.

(Washington Post)

U.S. OFFICIALS SAY SOVIETS WANT TO SEE REAGAN 'WITH EGG ON HIS FACE' -- The Reagan Administration, bracing for a Soviet propaganda blitz designed to get the upper hand at the U.S.-Soviet summit, says such tactics will hinder progress during the November talks.

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

NETWORK NEWS (Tuesday Evening)

JAPAN AIR CRASH -- Four people somehow survived the crash of Japan Airlines Flight 123.

(All Nets Lead)

WESTERN WHITE HOUSE -- President Reagan, on foot rather than on horseback as he recuperates from surgery, is spending a more quiet vacation than usual.

SOUTH AFRICA -- Thousands of people marched to the U.N. in New York to demonstrate against South Africa's racial policy.

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NATIONAL NEWS

PRESIDENT WILL SEEK MORE DOMESTIC CUTS THAN IN HILL BUDGET

(David Hoffman, Washington Post, A1) SANTA BARBARA -- In a direct challenge to Congress, White House officials said the President Reagan would use the appropriations process this fall to seek deeper cuts in domestic spending than are contained in the two-week-old congressional budget compromise.

After a 90-minute White House strategy meeting, Larry Speakes said "in many cases" Reagan would seek to hold domestic spending to levels contained in a Senate-approved budget resolution earlier this year.

White House Tells Congress to 'Toe the Line on Spending'

(Susanne Schafer, AP) -- "We will be taking a close look at all appropriations bills that come through....The President will be prepared to veto," Speakes said following a high-level Administration brainstorming session headed by Chief of Staff Regan.

Planning Session Opens Agenda for Rest of Second Term

(Norman Sandler, UPI) -- "This is merely putting policies previously enunciated by Ronald Reagan ... into an overall plan that will guide us," Regan said in an interview. The session had produced "the outlines" of "a broad masterplan" that will determine how and where Reagan invests his time and energies, he said.

BUSH VISITING REAGAN AT RANCH TODAY

(Linda Deutsch, AP) SANTA BARBARA -- President Reagan's planned visit with Vice President Bush was the first break in the seclusion that has surrounded the President since he began his vacation at his mountaintop ranch.

Bush, who was marking V-J Day aboard the USS Enterprise in San Francisco, arranged a detour to Santa Barbara in order to spend time with the President.

BUSH MARKS V-J DAY ABOARD CARRIER ENTERPRISE

(Ira Allen, UPI) -- Vice President Bush, a decorated war hero who nearly lost his life in the Pacific, leads the U.S. commemoration of the end of World War II combat today aboard a modern warship.

Bush, who was shot down over the Bonin Islands during the war when he was 20 years old, planned to cast a wreath upon the waters of San Francisco Bay from the deck of the nuclear-powered aircraft carrier Enterprise.

Among the invited guests was Jean McArthur, widow of Gen. Douglas McArthur.

NAVY LIFTS CONTRACT SUSPENSION

(Michael Weisskopf, Washington Post, A1) -- The Navy lifted its suspension of \$1 billion worth of contracts to General Dynamics Corp. after the company launched an ethics program and backed off claims for \$111 million in disputed overhead payments.

Proxmire: Navy, General Dynamics Just 'Kissed and Made Up'

(Richard Gross, UPI) -- A vocal congressional critic of the Pentagon, Sen. Proxmire, suggested that General Dynamics and the Navy have merely "kissed and made up."

General Dynamics, Navy Settle Dispute on Charges

(Walter Andrews, Washington Times, A4) -- The relations between the Navy and the St. Louis-based company are "back to normal," the Navy's assistant secretary for ship-building, Everett Pyatt, told a Pentagon press conference.

"There was no pattern of corruption. They (the company) were simply doing what our procedures allowed them to do," Pyatt said.

Navy Ends Ban On Contracting with Dynamics

(Wayne Biddle, New York Times, A1) -- By ending the moratorium on new work at the company's Electric Boat division in Groton, Conn., and Pomona arms factory in Los Angeles, the Navy signaled a return to normal business after one of the most tumultuous disputes over weapon costs in the Pentagon's history.

Navy Lifts Ban Against General Dynamics Units

(Tim Carrington, Wall Street Journal, 4) -- Navy officials stressed that the department is better off as a result of the settlement. In resubmitting outstanding overhead claims with a certification that the charges were appropriate, General Dynamics withdrew \$55 million in payment requests, leaving \$158.1 million in disputed claims. During subsequent negotiations, the contractor agreed to drop requests for \$111 million of the claims and the Navy agreed to go along with \$17 million, leaving the \$30 million still in dispute.

Contractor, Navy Settle Differences

(Charles Corddry, Baltimore Sun, A1) -- The (Navy's) conditions have been met, settlements effected and dealings between the Navy and General Dynamics are "back to normal," Pyatt said.

U.S. AGENCIES ASK DELAY IN EFFECT OF SUPREME COURT SCHOOL RULING

(Carol Innerst, Washington Times, A3) -- The Department of Education and the Justice Department have asked federal judges in two states to delay implementation of a Supreme Court ruling prohibiting public school teachers from going into parochial schools to provide remedial education to disadvantaged pupils.

The action comes on the heels of sharp criticism of the high court by Secretary Bennett.

GASOLINE PRICES TO CONTINUE DECLINING, ANALYSTS PREDICT

(Sari Horwitz, Washington Post, A1) -- Gasoline prices, which traditionally rise during the summer, are falling instead and may drop as much as 10 cents a gallon by late winter, government analysts said.

Surge in Imported Oil Could Drop Pump Prices by 1986

(AP) -- Gasoline prices will fall from an average \$1.22 a gallon in June to \$1.13 by the first quarter of 1986, the Energy Information Administration, a statistical and analytical arm of the Energy Department, predicts in its latest "Short-Term Outlook" published this week.

Gasoline to Cost Less, Despite Lead Reduction

(UPI) -- The report said the decline is expected despite a likely increase of about 2 cents per gallon in production costs associated with lowering the lead content of gasoline.

The decrease in crude oil prices is expected to more than offset the added production cost, the agency said.

'COMPARABLE WORTH' SETTLEMENT SOUGHT

(Peter Perl, Washington Post, A4) -- The state of Washington and the American Federation of State, County and Municipal Employees announced they will attempt to negotiate a settlement to a landmark "comparable-worth" case that inspired a nationwide wave of sex-discrimination suits against cities and states.

At a news conference in Olympia, Gov. Booth Gardner said he believes in the "basic fairness" of remedying pay discrimination against women.

(Robert McDaniel, UPI) -- In the so-called comparable worth case, U.S. District Judge Jack Tanner ruled in 1983 that the state discriminated on salary schedules for jobs held mostly by women. The ruling has been appealed to the 9th U.S. Court of Appeals in San Francisco where oral arguments were heard last April.

DONOVAN FIRM DROPPED AS 'RESPONSIBLE BIDDER'

(George Lardner, Washington Post, A6) -- New York City officials announced that former Labor Secretary Donovan's construction company is "not a responsible bidder" under applicable laws and regulations.

Deputy Mayor Bob Esnard said the immediate impact of the decision was to reject the apparent low bid of Schiavone Construction Co. for a \$15.9 million portion of a mammoth water tunnel project between New York City and upstate reservoirs.

HOTEL FOUNDER DIES

(Rita Beamish, AP) -- John Willard Marriott, the son of a poor Utah sheep rancher who parlayed a small root beer stand into one of the world's most prominent hotel chains, is dead at the age of 84.

The hotel tycoon, whose Washington-based company grew to include chains of restaurants as well as airline and institutional feeding services, died Tuesday afternoon at his summer home in New Hampshire, said Terry Souers, Marriott director of corporate public relations.

INTERNATIONAL NEWS

LEADER OF CONTRAS DESCRIBES CONTACTS WITH WHITE HOUSE

(Edward Cody, Washington Post, A1) MIAMI -- The anti-Sandinista rebel movement's chief political figure said that he has met regularly with several National Security Council members, including frequent contacts this spring during the Reagan Administration's successful effort to renew U.S. funding for the Nicaraguan insurgents.

Adolfo Calero, president of the Nicaraguan Democratic Force, the main U.S.-backed guerrilla group, said that one member of this White House foreign policy group, Marine Lt. Col. Oliver North, met the rebels twice last year in Honduras.

POST STORY IMPERILS NSC AIDE AND FAMILY

(Tom Diaz, Washington Times, A1) -- A military officer assigned to the White House has moved his family to a military base because of telephone threats received after the Washington Post named him as the National Security Council official who coordinates U.S. ties with Nicaraguan resistance fighters.

"As soon as the story appeared, they started getting threatening and obscene phone call at home," Jonathan Miller, the State Department's deputy coordinator of public diplomacy for Latin America and the Caribbean, said in an interview.

NICARAGUA PROTESTS ATTACKS AT BORDER WITH COSTA RICA

(Washington Times, A7) MANAGUA -- Nicaragua sent a letter of protest to Costa Rica over two attacks on Nicaraguan troops from Costa Rican territory and reiterated a call for a neutralized zone between the nations.

SUIT TO CUT OFF CONTRA AID DISMISSED

(UPI) -- Rebels fighting the leftist government in Nicaragua have received two victories in the war of words -- a dismissal of a lawsuit seeking an end to U.S. aid to the Contras and reports their forces are growing.

A federal appeals court upheld the dismissal of a lawsuit by citizens of Nicaragua and members of Congress seeking an end to U.S. support of anti-communist rebels in Nicaragua.

Also, the State Department said the leftist Sandinista government is "increasingly unpopular" among Nicaraguans and the ranks of resistance fighters have grown steadily.

PRESIDENT AGAIN WARNS AGAINST SANCTIONS ON S. AFRICA

(Jeremiah O'Leary, Washington Times, A3) SANTA BARBARA -- President Reagan continues to believe that many features of an economic sanctions bill now pending in Congress against South Africa would harm blacks there, National Security Adviser McFarlane said.

"It's a bad law in many respects," McFarlane said about the package of economic sanctions against the Pretoria government's policies of racial segregation.

U.S. OPTIMISTIC OVER NEW SOUTH AFRICAN MEASURES

(Sue Baker, Reuter) -- The United States has said it is still encouraged by planned reforms for South Africa's blacks despite the likelihood they will not materially effect the country's apartheid policy of racial segregation.

The State Department said it was optimistic that the reforms, to be announced by Pretoria tomorrow, will chart a course away from racial violence and toward increased black political rights in the troubled nation.

THOUSANDS MARCH TO PROTEST APARTHEID

(Philip Newman, UPI) NEW YORK -- Chanting and singing to the beat of African drums, thousands of protesters from union workers to sports celebrities jammed streets around South Africa's U.N. mission demanding an end to apartheid and U.S. support for the white-minority government.

New York Rally Assails South Africa

(Isabel Wilkerson, New York Times, A4) -- Packed between police barricades along 42nd Street between First and Second Avenues, the protesters, many of them members of trade unions that had co-sponsored the late-afternoon rally, listened to speeches and songs of protest against the racially torn nation before beginning their march up First Avenue to the (South African) consulate at 48th Street and Second Avenue.

MOST POLLED DISAPPROVE OF SDI

(George Lardner, Washington Post, A10) -- A majority of Americans interviewed in a Washington Post-ABC News poll say they disapprove of the Reagan Administration's plan to develop a space-based missile defense in light of the criticisms lodged against it.

Support for the Administration's Strategic Defense Initiative would drop even more if its development should require the United States to violate or abandon the ABM treaty with the Soviet Union, the survey found.

(UPI) -- The poll found the strongest support for the Star Wars program among Reagan supporters, Republicans and conservatives. Democrats expressed the strongest opposition to the space-based weaponry.

The division became even sharper when responses of men were compared to those of women. Fifty-four percent of the men polled approved of the program while only 30 percent of the women supported the defense system.

SOVIET AD ON ARMS TALKS SEEN AS PLOY

(Washington Post, A10) -- The New York Times published a large advertisement from the Soviet Embassy yesterday that accused the United States of obstructing progress at arms-control talks.

The White House called it part of an anticipated Soviet public relations offensive "between now and November" when President Reagan will meet with Soviet leader Gorbachev.

Soviet Ad on Arms Controls Seen Start of Big Campaign

(Jeremiah O'Leary, Washington Times, A2) -- The advertisement, covering two-thirds of Page A-15 in The New York Times, was entitled, "What Holds Back Progress At The Geneva Talks?" The ad said the text was a reprint of an editorial in the Aug. 1 issue of Pravda and was signed by the Information Department of the USSR Embassy in Washington.

U.S. Officials Say Soviets Want to See Reagan 'With Egg On His Face'

(Linda Deutsch, AP) -- (A) senior Administration official, reacting to (the ad) and other such moves, said a public relations battle could hurt the talks.

"It's obvious it's going to impede and impinge on open and frank discussions because everybody will be playing to the media," said the official, who accompanied Reagan to the West Coast at the start of his three-week California vacation.

The Administration, speaking only on the condition of anonymity, asserted that the Russians want to see Reagan "with egg on his face," and are following a pattern set in previous summits with Presidents Kennedy and Carter.

U.S. Expects Public Relations

(New York Times, A10) -- The comment came as officials finished a strategy session with recommendations for President Reagan's priorities this fall. Preparations for the summit meeting was one area discussed, participants said.

White House: Ad Is Part of Soviet Public Relations Campaign

(UPI) -- "You're seeing an increasing number of Soviet officials made available for U.S. television. You're seeing a number of policy statements made by the Soviets. Sometimes many of them are a rehash of previous policy statements that, once examined by us and by the public at large, don't hold water.

"You're going to see a real P.R. offensive on the part of the Soviets between now and November," (Speakes) said.

GORBACHEV CITES PACT GOALS

(Celestine Bohlen, Washington Post, A10) MOSCOW -- Soviet leader Gorbachev said the Soviet Union would seek a nuclear test ban agreement that included "an appropriate system of verification measures -- both national and international ones."

Answering questions put by Tass one week after Moscow imposed a five-month moratorium on its nuclear testing program, Gorbachev said unilateral steps alone would not stop nuclear tests.

Gorbachev: Moratorium Interrupted Soviet Research

(John Iams, UPI) -- Gorbachev rejected U.S. reasons for declining to join a Soviet-declared moratorium on nuclear testing, saying Moscow ordered the ban even though its test program was incomplete.

Gorbachev Says Soviet Tests Interrupted, Urges U.S. to Join

(Peter Millar, Reuter) -- "The decision on the unilateral discontinuation of nuclear explosions was made by the Soviet leadership after a thorough and comprehensive study. It was not an easy matter at all to take such a step. In order to introduce the unilateral moratorium we had to interrupt the testing program, leaving it unfinished," (Gorbachev) said.

Gorbachev Denies Soviet Completed Nuclear Tests

(Seth Mydans, New York Times, A10) -- He said the subject of a comprehensive test ban was one that should be discussed in his meeting with President Reagan in November.

'YELLOW RAIN' SPREAD BY SOVIETS, NATIONS SILENTLY AGREE

(Tom Diaz, Washington Times, A1) -- Other nations have independently confirmed U.S. charges that "yellow rain" reported in Southeast Asia and Afghanistan is caused by Soviet chemical weapons but have kept quiet for fear of internal repercussions, according to a highly classified government report.

The intelligence analysis, made last year, disputes the theory that yellow rain is actually a mist made by the feces of millions of high-flying bees.

U.S. VOWS BALANCE IN KOREA ZONE

(Don Oberdorfer, Washington Post, A17) -- A senior State Department official, calling the military balance on the Korean peninsula "extremely serious and potentially unsettling," has pledged that North Korea will not be permitted to gain major advantage through a new military supply arrangement with the Soviet Union.

Assistant Secretary of State Paul Wolfowitz, speaking at a conference on U.S.-Korea security relations, pledged that the United States and South Korea's combined forces will maintain "a qualitative edge" despite North Korea's acquisition of MiG-23 warplanes from the Soviet Union.

U.S. MAY TOUGHEN TRADE POLICY

(Jane Seaberry, Washington Post, F1) -- The Reagan Administration is considering changing its trade policy in the hope of heading off an explosive buildup of frustration in Congress over record trade deficits.

Commerce Undersecretary Bruce Smart said that scores of pieces of legislation introduced in Congress to curb imports are a clear attempt to "try to point up frustration" with what Capitol Hill considers the Administration's lack of a trade policy. And, he said, it appears that the time has come for the Administration to do something about it.

ISRAEL WARNS ON MISSION BY MURPHY

(William Claiborne, Washington Post, A19) JERUSALEM -- Israeli officials expressed deep concern over U.S. Assistant Secretary of State Richard Murphy's visit to Amman in which he reportedly may meet with nominees to the joint Jordanian-Palestinian delegation for Middle East peace negotiations.

Foreign Minister Shamir called the Murphy trip "an unprecedentedly grave step that will have serious implications for peace in the area." Shamir charged that any meeting between U.S. officials and nominees to the delegation before it holds direct negotiations with Israel would move the United States one step closer to recognizing the PLO.

Israel Objects to U.S. Talk with Palestinians

(New York Times, A6) -- Israel's objections were conveyed Monday by Amb. Rosenne to Secretary Shultz. The envoy, according to a diplomatic source, said such a meeting would tend to give recognition and legitimacy to the PLO and would divert attention from the goal of direct negotiations involving Israel, Jordan and Palestinians not affiliated with the PLO.

State Department officials said Shultz had assured the Israeli envoy that Murphy would hold only exploratory talks in the Middle East. In addition, they said, the chances that Murphy would meet with a Palestinian-Jordanian delegation appeared to be less than even.

KIDNAPPED AMERICANS IN LEBANON GETTING MEDICAL AID, SYRIANS TELL CONGRESSMAN

(Neil McLaughlin, AP) -- An Illinois congressman has been told seven Americans kidnapped in Lebanon are receiving medical attention and that Syrian officials are continuing to work for their release.

But Rep. O'Brien, who met with Syrian President Assad and other high-level government figures this week during a visit to the Middle Eastern country, noted that Assad "disclaimed any responsibility for the kidnappings or that he had knowledge of the people who had them."

CAR BOMBING, SLAYING TIED

(William Drozdiak, Washington Post, A17) BONN -- West German investigators said they were examining the possibility that left-wing guerrillas murdered an American soldier to use his papers to smuggle a car bomb into the heavily guarded U.S. Rhein-Main Air Base in Frankfurt.

The military identity card of Edward F. Pimental, slain only hours before the bombing took place, was received in the mail by a western news agency. The card was accompanied by an identical copy of an earlier letter claiming responsibility for the attack, and it was signed by the Red Army Faction and the French extremist group Direct Action.

Germans Link Slain GI's ID to Car Bomb

(Washington Times, A1) -- West German authorities said that they had warned security officials of more attacks on military and government installations.

Murdered U.S. Soldier Is Latest Lead in Air Base Bombing

(David Fritz, Reuter) -- The Federal Criminal Office said it had been following numerous leads in the investigation of last Thursday's attack in which two Americans were killed.

But security sources, who are involved in the investigation, said they were now concentrating on a likely link between the blast and the murder of Pimental.

CHINA TRADE FURTHER STRAINED BY JAILING OF U.S. EXECUTIVE

(Danelle Morton, Washington Times, A8) HONG KONG -- The conviction and imprisonment of an American businessman in China may put an additional strain on Sino-American trade, already under various pressures. Richard Ondrik was found guilty of criminal negligence, sentenced to 18 months in a Chinese jail and fined \$54,000 on charges of causing a Harbin hotel fire that killed 10 people.

In a case that has received tremendous attention in Chinese and American diplomatic and business circles, some Hong Kong lawyers familiar with Chinese law say the American was tried unfairly. Another businessman added that the sentence will "exacerbate disappointments" about doing business in China.

NETWORK NEWS SUMMARY FOR TUESDAY EVENING, August 13, 1985

JAPAN AIR CRASH

Four people somehow survived the crash of Japan Airlines Flight 123. They are still being examined but none is thought to be in critical condition.
(ALL NETS LEAD)

WESTERN WHITE HOUSE

CBS's Charles Kuralt: It was Regan, not Reagan, reporters in California saw the most of -- in what you would have to call an unusual White House photo opportunity.

CBS's Bill Plante: President Reagan, on foot rather than on horseback as he recuperates from surgery, is spending a more quiet vacation than usual.
(TV Coverage: Shots of ranch, two people walking on the grounds.)

But members of his staff were unusually visible as they discussed public relations and policy strategy. For the first time in this Administration a staff meeting was covered as a news event.

(Regan at meeting: "We have to know what we're going to do between now and, let's say, a year from now. We have to plan ahead. You can't possibly just let yourself drift, be at the mercy of others who would set your agenda. We want to set the agenda for Ronald Reagan.")

That's precisely what bothers some people about Donald Regan -- the notion that he's the one running things at a time when the President has suffered serious setbacks.

(Sen. Gorton: "It's clear he's made a number of serious errors in his relationship with members of Congress of both parties, but particularly with Senate Republicans. All of us will be better off when he does that job better.")

Today's discussion of long-range strategy included domestic as well as foreign policy and planning for the November summit meeting, perhaps none too soon since the Soviet Union set forth its view of arms control talks in a large advertisement in the New York Times which accused the U.S. of seeking superiority rather than reductions in the arms race.

(Larry Speakes: "You're going to see a real PR offensive on the part of the Soviets between now and November.")

And as for the U.S.?

(Speakes: "I think ours will hold water. On close examination ours will bear up under public international scrutiny.")

Today's meeting signals the start of a White House PR offensive as well. Administration policy makers hope that by the beginning of September the President's programs, as well as Mr. Reagan himself, will show signs of new vigor.
(CBS-7)

ABC's Ted Koppel: There is nothing unusual about the President's aides meeting to plan strategy. What is unusual is that today Donald Regan called a meeting and for the first time reporters and photographers were brought in to see what was happening.

WESTERN WHITE HOUSE (continued)

ABC's Sam Donaldson: White House staff meetings are ordinarily not media events. But then Donald Regan is no ordinary White House chief of staff. While the President is regaining his strength at his mountaintop ranch -- (TV Coverage: Ranch house with two people walking on grounds.)

-- those tiny figures moving across the center of your screen through the shimmering heat waves are probably Ronald and Nancy Reagan -- Chief of Staff Regan wanted it known that the battle plan for the President's fall offensive in both domestic and foreign affairs is being written.

(Regan at meeting: "We have to plan ahead. You can't possibly just let yourself drift, be at the mercy of others who would set your agenda.")

Later, Larry Speakes said holding the line on spending is one of the top domestic priorities.

(Speakes: "The President will be prepared to veto, and I would expect unless Congress tows the line on spending that you will see a number of vetoes this fall.")

In foreign affairs, the November summit meeting with Gorbachev is the top priority. Today's New York Times carries a paid ad from the Soviets accusing the U.S. of blocking an arms agreement -- all part of summit warmup strategy, says Speakes.

(Speakes: "You're going to see a real PR offensive on the part of the Soviets between now and November." Donaldson: "You're going to mount your own PR offensive, aren't you?" Speakes: "I wouldn't call it a PR offensive, but -- " Bill Plante: "Well what would you call it?"

Donaldson: "Why is the Soviets' a PR offensive but yours is not?" Speakes: "Well I think ours will hold water.")

PR offensives are something the Reagan Administration has always been good at, because Ronald Reagan -- the central player -- is who he is. But that's why all today's planning means very little unless the President comes back from his August vacation fit and ready to go. Mr. Reagan's aides may do the planning without him, but they can't do it without him.

(ABC-6)

NBC's Tom Brokaw: As President Reagan continued his vacation in Santa Barbara, the White House staff held a trans-continental conference call to discuss a new political offensive this fall. But it was also an attempt to regroup and get off to a fresh start.

NBC's Chris Wallace: The President was still walking, not riding around his ranch today as he continued his recovery from cancer surgery.

(TV Coverage: Shot of ranch with entourage walking on grounds.)

At their hotel, top Reagan aides were also trying to recover -- from a rocky start. Ever since Donald Regan became chief of staff this year, his team has been accused of being politically inept. To counter that view, Regan invited cameras to the start of a meeting to plot a fall offensive for the President.

(Regan: "Many of these people came aboard in March and April. We've had many distractions since then as well as a very active legislative program, so it's the first time we've had to sit down.")

Regan maintains the President is having his best legislative year since 1981. But Mr. Reagan has had problems with Congress. His request for 100 MX missiles was cut in half. He had to struggle even to get non-military aid for Nicaraguan rebels. And Congress made drastic changes in his budget. Even staunch Republicans see the White House drifting.

WESTERN WHITE HOUSE (continued)

Wallace continues: (Alan Greenspan: "Clearly, this first six months has not been good for the President. And for those of us who support him, we keep looking back at how well he did in the past and there is a tone of disappointment.")

Staffers say the fall will be different, that Mr. Reagan will push tax reform around the country and veto congressional overspending. But even with all its plans, the Administration may again have a problem this fall with Congress, which shows no qualms about taking on a lame duck President and his new team. (NBC-3)

SOUTH AFRICA

Kuralt: South Africa declared it will not end its policy of racial separation. There may be changes, said the country's Minister of Black Affairs, but in housing, education, and political matters apartheid stays.

At least six more black South Africans were killed, and the home of Nelson Mandella was firebombed.

CBS's Alan Pizzey: By the time Winnie Mandella arrived home this afternoon, there was little left for her to salvage. Apparently, no attempt had been made to put the fire out. Winnie Mandella was in no doubt about who started the fire.

(Mrs. Mandella: "It is the South African government...")

Kuralt: There was more anti-apartheid protest in this country. Thousands of people marched to the U.N. in New York this evening to demonstrate against South Africa's racial policy. (NBC-8 CBS-3)

Koppel: Fifty different organizations were represented at the rally at the U.N.

In South Africa, 11 more blacks have died in one day -- bringing the total in almost a year of violence to over 600.

ABC's Jim Hickey reports on the latest violence in South Africa and recaps black demands. Apartheid opponents have increased their demands for Nelson Mandella's unconditional release. The government will not release him because he refused to renounce violence as a means of change. (ABC-3)

GENERAL DYNAMICS

Kuralt: The U.S. Navy said General Dynamics has settled up for past abuses and has taken steps to avoid future abuses and has regained the right to receive Navy contracts. Then the Navy announced it has awarded General Dynamics more than \$500M in new contracts. The Navy said relations with General Dynamics are back to normal. (ABC-9, CBS-5)

ECONOMY

Kuralt: There was a setback for Reagan Administration hopes the economy would revive in the second half of the year. The Commerce Department said retail sales edged up just 0.4% in July. (CBS-6)

DOLLAR

NBC's Mike Jensen: The dollar has been plunging and American manufacturers love it. During a five year period, the value of the dollar grew 60% against foreign currencies, but it has declined 16% in just the last five months. (NBC-4)

RHEIN MAIN

ABC's Hal Walker reports investigators in West Germany may have a lead on who was behind last week's car bombing at Rhein Main Air Base. Authorities received a letter from leftist terrorists claiming responsibility for the blast; enclosed was an Army identification card from a previously murdered American soldier. Police are now working on the theory that the car bomb was driven through the tight air base security by terrorists using that card. The hunt now focuses on a man and a woman who were seen with the slain soldier the night before his body was found. The three reportedly met at a saloon in Weisbaden and left together seven hours before the bomb went off. Police suspect he may have been singled out at the bar and murdered for his papers. (NBC-9, ABC-5)

JAPAN/TRADE

CBS's Wyatt Andrews reports from Tokyo on the Japanese pre-fabricated housing industry. The assembly of the pre-fab boxes takes less than a day. It's a product the Japanese next want to move into the U.S. A Japanese assault on American housing would be an assault on a fourth of the GNP. It would be Japan's toughest invasion. But America's strict housing laws could stop Japan from mass producing homes. (CBS-13)



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NATIONAL NEWS

PRESIDENT WILL SEEK MORE DOMESTIC CUTS THAN IN HILL BUDGET

(David Hoffman, Washington Post, A1) SANTA BARBARA -- In a direct challenge to Congress, White House officials said the President Reagan would use the appropriations process this fall to seek deeper cuts in domestic spending than are contained in the two-week-old congressional budget compromise.

After a 90-minute White House strategy meeting, Larry Speakes said "in many cases" Reagan would seek to hold domestic spending to levels contained in a Senate-approved budget resolution earlier this year.

White House Tells Congress to 'Toe the Line on Spending'

(Susanne Schafer, AP) -- "We will be taking a close look at all appropriations bills that come through....The President will be prepared to veto," Speakes said following a high-level Administration brainstorming session headed by Chief of Staff Regan.

Planning Session Opens Agenda for Rest of Second Term

(Norman Sandler, UPI) -- "This is merely putting policies previously enunciated by Ronald Reagan ... into an overall plan that will guide us," Regan said in an interview. The session had produced "the outlines" of "a broad masterplan" that will determine how and where Reagan invests his time and energies, he said.

BUSH VISITING REAGAN AT RANCH TODAY

(Linda Deutsch, AP) SANTA BARBARA -- President Reagan's planned visit with Vice President Bush was the first break in the seclusion that has surrounded the President since he began his vacation at his mountaintop ranch.

Bush, who was marking V-J Day aboard the USS Enterprise in San Francisco, arranged a detour to Santa Barbara in order to spend time with the President.

BUSH MARKS V-J DAY ABOARD CARRIER ENTERPRISE

(Ira Allen, UPI) -- Vice President Bush, a decorated war hero who nearly lost his life in the Pacific, leads the U.S. commemoration of the end of World War II combat today aboard a modern warship.

Bush, who was shot down over the Bonin Islands during the war when he was 20 years old, planned to cast a wreath upon the waters of San Francisco Bay from the deck of the nuclear-powered aircraft carrier Enterprise.

Among the invited guests was Jean McArthur, widow of Gen. Douglas McArthur.

NAVY LIFTS CONTRACT SUSPENSION

(Michael Weisskopf, Washington Post, A1) -- The Navy lifted its suspension of \$1 billion worth of contracts to General Dynamics Corp. after the company launched an ethics program and backed off claims for \$111 million in disputed overhead payments.

Proxmire: Navy, General Dynamics Just 'Kissed and Made Up'

(Richard Gross, UPI) -- A vocal congressional critic of the Pentagon, Sen. Proxmire, suggested that General Dynamics and the Navy have merely "kissed and made up."

General Dynamics, Navy Settle Dispute on Charges

(Walter Andrews, Washington Times, A4) -- The relations between the Navy and the St. Louis-based company are "back to normal," the Navy's assistant secretary for ship-building, Everett Pyatt, told a Pentagon press conference.

"There was no pattern of corruption. They (the company) were simply doing what our procedures allowed them to do," Pyatt said.

Navy Ends Ban On Contracting with Dynamics

(Wayne Biddle, New York Times, A1) -- By ending the moratorium on new work at the company's Electric Boat division in Groton, Conn., and Pomona arms factory in Los Angeles, the Navy signaled a return to normal business after one of the most tumultuous disputes over weapon costs in the Pentagon's history.

Navy Lifts Ban Against General Dynamics Units

(Tim Carrington, Wall Street Journal, 4) -- Navy officials stressed that the department is better off as a result of the settlement. In resubmitting outstanding overhead claims with a certification that the charges were appropriate, General Dynamics withdrew \$55 million in payment requests, leaving \$158.1 million in disputed claims. During subsequent negotiations, the contractor agreed to drop requests for \$111 million of the claims and the Navy agreed to go along with \$17 million, leaving the \$30 million still in dispute.

Contractor, Navy Settle Differences

(Charles Corddry, Baltimore Sun, A1) -- The (Navy's) conditions have been met, settlements effected and dealings between the Navy and General Dynamics are "back to normal," Pyatt said.

U.S. AGENCIES ASK DELAY IN EFFECT OF SUPREME COURT SCHOOL RULING

(Carol Innerst, Washington Times, A3) -- The Department of Education and the Justice Department have asked federal judges in two states to delay implementation of a Supreme Court ruling prohibiting public school teachers from going into parochial schools to provide remedial education to disadvantaged pupils.

The action comes on the heels of sharp criticism of the high court by Secretary Bennett.

GASOLINE PRICES TO CONTINUE DECLINING, ANALYSTS PREDICT

(Sari Horwitz, Washington Post, A1) -- Gasoline prices, which traditionally rise during the summer, are falling instead and may drop as much as 10 cents a gallon by late winter, government analysts said.

Surge in Imported Oil Could Drop Pump Prices by 1986

(AP) -- Gasoline prices will fall from an average \$1.22 a gallon in June to \$1.13 by the first quarter of 1986, the Energy Information Administration, a statistical and analytical arm of the Energy Department, predicts in its latest "Short-Term Outlook" published this week.

Gasoline to Cost Less, Despite Lead Reduction

(UPI) -- The report said the decline is expected despite a likely increase of about 2 cents per gallon in production costs associated with lowering the lead content of gasoline.

The decrease in crude oil prices is expected to more than offset the added production cost, the agency said.

'COMPARABLE WORTH' SETTLEMENT SOUGHT

(Peter Perl, Washington Post, A4) -- The state of Washington and the American Federation of State, County and Municipal Employees announced they will attempt to negotiate a settlement to a landmark "comparable-worth" case that inspired a nationwide wave of sex-discrimination suits against cities and states.

At a news conference in Olympia, Gov. Booth Gardner said he believes in the "basic fairness" of remedying pay discrimination against women.

(Robert McDaniel, UPI) -- In the so-called comparable worth case, U.S. District Judge Jack Tanner ruled in 1983 that the state discriminated on salary schedules for jobs held mostly by women. The ruling has been appealed to the 9th U.S. Court of Appeals in San Francisco where oral arguments were heard last April.

DONOVAN FIRM DROPPED AS 'RESPONSIBLE BIDDER'

(George Lardner, Washington Post, A6) -- New York City officials announced that former Labor Secretary Donovan's construction company is "not a responsible bidder" under applicable laws and regulations.

Deputy Mayor Bob Esnard said the immediate impact of the decision was to reject the apparent low bid of Schiavone Construction Co. for a \$15.9 million portion of a mammoth water tunnel project between New York City and upstate reservoirs.

HOTEL FOUNDER DIES

(Rita Beamish, AP) -- John Willard Marriott, the son of a poor Utah sheep rancher who parlayed a small root beer stand into one of the world's most prominent hotel chains, is dead at the age of 84.

The hotel tycoon, whose Washington-based company grew to include chains of restaurants as well as airline and institutional feeding services, died Tuesday afternoon at his summer home in New Hampshire, said Terry Souers, Marriott director of corporate public relations.

INTERNATIONAL NEWS

LEADER OF CONTRAS DESCRIBES CONTACTS WITH WHITE HOUSE

(Edward Cody, Washington Post, A1) MIAMI -- The anti-Sandinista rebel movement's chief political figure said that he has met regularly with several National Security Council members, including frequent contacts this spring during the Reagan Administration's successful effort to renew U.S. funding for the Nicaraguan insurgents.

Adolfo Calero, president of the Nicaraguan Democratic Force, the main U.S.-backed guerrilla group, said that one member of this White House foreign policy group, Marine Lt. Col. Oliver North, met the rebels twice last year in Honduras.

POST STORY IMPERILS NSC AIDE AND FAMILY

(Tom Diaz, Washington Times, A1) -- A military officer assigned to the White House has moved his family to a military base because of telephone threats received after the Washington Post named him as the National Security Council official who coordinates U.S. ties with Nicaraguan resistance fighters.

"As soon as the story appeared, they started getting threatening and obscene phone call at home," Jonathan Miller, the State Department's deputy coordinator of public diplomacy for Latin America and the Caribbean, said in an interview.

NICARAGUA PROTESTS ATTACKS AT BORDER WITH COSTA RICA

(Washington Times, A7) MANAGUA -- Nicaragua sent a letter of protest to Costa Rica over two attacks on Nicaraguan troops from Costa Rican territory and reiterated a call for a neutralized zone between the nations.

SUIT TO CUT OFF CONTRA AID DISMISSED

(UPI) -- Rebels fighting the leftist government in Nicaragua have received two victories in the war of words -- a dismissal of a lawsuit seeking an end to U.S. aid to the Contras and reports their forces are growing.

A federal appeals court upheld the dismissal of a lawsuit by citizens of Nicaragua and members of Congress seeking an end to U.S. support of anti-communist rebels in Nicaragua.

Also, the State Department said the leftist Sandinista government is "increasingly unpopular" among Nicaraguans and the ranks of resistance fighters have grown steadily.

PRESIDENT AGAIN WARNS AGAINST SANCTIONS ON S. AFRICA

(Jeremiah O'Leary, Washington Times, A3) SANTA BARBARA -- President Reagan continues to believe that many features of an economic sanctions bill now pending in Congress against South Africa would harm blacks there, National Security Adviser McFarlane said.

"It's a bad law in many respects," McFarlane said about the package of economic sanctions against the Pretoria government's policies of racial segregation.

U.S. OPTIMISTIC OVER NEW SOUTH AFRICAN MEASURES

(Sue Baker, Reuter) -- The United States has said it is still encouraged by planned reforms for South Africa's blacks despite the likelihood they will not materially effect the country's apartheid policy of racial segregation.

The State Department said it was optimistic that the reforms, to be announced by Pretoria tomorrow, will chart a course away from racial violence and toward increased black political rights in the troubled nation.

THOUSANDS MARCH TO PROTEST APARTHEID

(Philip Newman, UPI) NEW YORK -- Chanting and singing to the beat of African drums, thousands of protesters from union workers to sports celebrities jammed streets around South Africa's U.N. mission demanding an end to apartheid and U.S. support for the white-minority government.

New York Rally Assails South Africa

(Isabel Wilkerson, New York Times, A4) -- Packed between police barricades along 42nd Street between First and Second Avenues, the protesters, many of them members of trade unions that had co-sponsored the late-afternoon rally, listened to speeches and songs of protest against the racially torn nation before beginning their march up First Avenue to the (South African) consulate at 48th Street and Second Avenue.

MOST POLLED DISAPPROVE OF SDI

(George Lardner, Washington Post, A10) -- A majority of Americans interviewed in a Washington Post-ABC News poll say they disapprove of the Reagan Administration's plan to develop a space-based missile defense in light of the criticisms lodged against it.

Support for the Administration's Strategic Defense Initiative would drop even more if its development should require the United States to violate or abandon the ABM treaty with the Soviet Union, the survey found.

(UPI) -- The poll found the strongest support for the Star Wars program among Reagan supporters, Republicans and conservatives. Democrats expressed the strongest opposition to the space-based weaponry.

The division became even sharper when responses of men were compared to those of women. Fifty-four percent of the men polled approved of the program while only 30 percent of the women supported the defense system.

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SOVIET AD ON ARMS TALKS SEEN AS PLOY

(Washington Post, A10) -- The New York Times published a large advertisement from the Soviet Embassy yesterday that accused the United States of obstructing progress at arms-control talks.

The White House called it part of an anticipated Soviet public relations offensive "between now and November" when President Reagan will meet with Soviet leader Gorbachev.

Soviet Ad on Arms Controls Seen Start of Big Campaign

(Jeremiah O'Leary, Washington Times, A2) -- The advertisement, covering two-thirds of Page A-15 in The New York Times, was entitled, "What Holds Back Progress At The Geneva Talks?" The ad said the text was a reprint of an editorial in the Aug. 1 issue of Pravda and was signed by the Information Department of the USSR Embassy in Washington.

U.S. Officials Say Soviets Want to See Reagan 'With Egg On His Face'

(Linda Deutsch, AP) -- (A) senior Administration official, reacting to (the ad) and other such moves, said a public relations battle could hurt the talks.

"It's obvious it's going to impede and impinge on open and frank discussions because everybody will be playing to the media," said the official, who accompanied Reagan to the West Coast at the start of his three-week California vacation.

The Administration, speaking only on the condition of anonymity, asserted that the Russians want to see Reagan "with egg on his face," and are following a pattern set in previous summits with Presidents Kennedy and Carter.

U.S. Expects Public Relations

(New York Times, A10) -- The comment came as officials finished a strategy session with recommendations for President Reagan's priorities this fall. Preparations for the summit meeting was one area discussed, participants said.

White House: Ad Is Part of Soviet Public Relations Campaign

(UPI) -- "You're seeing an increasing number of Soviet officials made available for U.S. television. You're seeing a number of policy statements made by the Soviets. Sometimes many of them are a rehash of previous policy statements that, once examined by us and by the public at large, don't hold water.

"You're going to see a real P.R. offensive on the part of the Soviets between now and November," (Speakes) said.

GORBACHEV CITES PACT GOALS

(Celestine Bohlen, Washington Post, A10) MOSCOW -- Soviet leader Gorbachev said the Soviet Union would seek a nuclear test ban agreement that included "an appropriate system of verification measures -- both national and international ones."

Answering questions put by Tass one week after Moscow imposed a five-month moratorium on its nuclear testing program, Gorbachev said unilateral steps alone would not stop nuclear tests.

Gorbachev: Moratorium Interrupted Soviet Research

(John Iams, UPI) -- Gorbachev rejected U.S. reasons for declining to join a Soviet-declared moratorium on nuclear testing, saying Moscow ordered the ban even though its test program was incomplete.

Gorbachev Says Soviet Tests Interrupted, Urges U.S. to Join

(Peter Millar, Reuter) -- "The decision on the unilateral discontinuation of nuclear explosions was made by the Soviet leadership after a thorough and comprehensive study. It was not an easy matter at all to take such a step. In order to introduce the unilateral moratorium we had to interrupt the testing program, leaving it unfinished," (Gorbachev) said.

Gorbachev Denies Soviet Completed Nuclear Tests

(Seth Mydans, New York Times, A10) -- He said the subject of a comprehensive test ban was one that should be discussed in his meeting with President Reagan in November.

'YELLOW RAIN' SPREAD BY SOVIETS, NATIONS SILENTLY AGREE

(Tom Diaz, Washington Times, A1) -- Other nations have independently confirmed U.S. charges that "yellow rain" reported in Southeast Asia and Afghanistan is caused by Soviet chemical weapons but have kept quiet for fear of internal repercussions, according to a highly classified government report.

The intelligence analysis, made last year, disputes the theory that yellow rain is actually a mist made by the feces of millions of high-flying bees.

U.S. VOWS BALANCE IN KOREA ZONE

(Don Oberdorfer, Washington Post, A17) -- A senior State Department official, calling the military balance on the Korean peninsula "extremely serious and potentially unsettling," has pledged that North Korea will not be permitted to gain major advantage through a new military supply arrangement with the Soviet Union.

Assistant Secretary of State Paul Wolfowitz, speaking at a conference on U.S.-Korea security relations, pledged that the United States and South Korea's combined forces will maintain "a qualitative edge" despite North Korea's acquisition of MiG-23 warplanes from the Soviet Union.

U.S. MAY TOUGHEN TRADE POLICY

(Jane Seaberry, Washington Post, F1) -- The Reagan Administration is considering changing its trade policy in the hope of heading off an explosive buildup of frustration in Congress over record trade deficits.

Commerce Undersecretary Bruce Smart said that scores of pieces of legislation introduced in Congress to curb imports are a clear attempt to "try to point up frustration" with what Capitol Hill considers the Administration's lack of a trade policy. And, he said, it appears that the time has come for the Administration to do something about it.

ISRAEL WARNS ON MISSION BY MURPHY

(William Claiborne, Washington Post, A19) JERUSALEM -- Israeli officials expressed deep concern over U.S. Assistant Secretary of State Richard Murphy's visit to Amman in which he reportedly may meet with nominees to the joint Jordanian-Palestinian delegation for Middle East peace negotiations.

Foreign Minister Shamir called the Murphy trip "an unprecedentedly grave step that will have serious implications for peace in the area." Shamir charged that any meeting between U.S. officials and nominees to the delegation before it holds direct negotiations with Israel would move the United States one step closer to recognizing the PLO.

Israel Objects to U.S. Talk with Palestinians

(New York Times, A6) -- Israel's objections were conveyed Monday by Amb. Rosenne to Secretary Shultz. The envoy, according to a diplomatic source, said such a meeting would tend to give recognition and legitimacy to the PLO and would divert attention from the goal of direct negotiations involving Israel, Jordan and Palestinians not affiliated with the PLO.

State Department officials said Shultz had assured the Israeli envoy that Murphy would hold only exploratory talks in the Middle East. In addition, they said, the chances that Murphy would meet with a Palestinian-Jordanian delegation appeared to be less than even.

KIDNAPPED AMERICANS IN LEBANON GETTING MEDICAL AID, SYRIANS TELL CONGRESSMAN

(Neil McLaughlin, AP) -- An Illinois congressman has been told seven Americans kidnapped in Lebanon are receiving medical attention and that Syrian officials are continuing to work for their release.

But Rep. O'Brien, who met with Syrian President Assad and other high-level government figures this week during a visit to the Middle Eastern country, noted that Assad "disclaimed any responsibility for the kidnappings or that he had knowledge of the people who had them."

CAR BOMBING, SLAYING TIED

(William Drozdiak, Washington Post, A17) BONN -- West German investigators said they were examining the possibility that left-wing guerrillas murdered an American soldier to use his papers to smuggle a car bomb into the heavily guarded U.S. Rhein-Main Air Base in Frankfurt.

The military identity card of Edward F. Pimental, slain only hours before the bombing took place, was received in the mail by a western news agency. The card was accompanied by an identical copy of an earlier letter claiming responsibility for the attack, and it was signed by the Red Army Faction and the French extremist group Direct Action.

Germans Link Slain GI's ID to Car Bomb

(Washington Times, A1) -- West German authorities said that they had warned security officials of more attacks on military and government installations.

Murdered U.S. Soldier Is Latest Lead in Air Base Bombing

(David Fritz, Reuter) -- The Federal Criminal Office said it had been following numerous leads in the investigation of last Thursday's attack in which two Americans were killed.

But security sources, who are involved in the investigation, said they were now concentrating on a likely link between the blast and the murder of Pimental.

CHINA TRADE FURTHER STRAINED BY JAILING OF U.S. EXECUTIVE

(Danelle Morton, Washington Times, A8) HONG KONG -- The conviction and imprisonment of an American businessman in China may put an additional strain on Sino-American trade, already under various pressures. Richard Ondrik was found guilty of criminal negligence, sentenced to 18 months in a Chinese jail and fined \$54,000 on charges of causing a Harbin hotel fire that killed 10 people.

In a case that has received tremendous attention in Chinese and American diplomatic and business circles, some Hong Kong lawyers familiar with Chinese law say the American was tried unfairly. Another businessman added that the sentence will "exacerbate disappointments" about doing business in China.

NETWORK NEWS SUMMARY FOR TUESDAY EVENING, August 13, 1985

JAPAN AIR CRASH

Four people somehow survived the crash of Japan Airlines Flight 123. They are still being examined but none is thought to be in critical condition.

(ALL NETS LEAD)

WESTERN WHITE HOUSE

CBS's Charles Kuralt: It was Regan, not Reagan, reporters in California saw the most of -- in what you would have to call an unusual White House photo opportunity.

CBS's Bill Plante: President Reagan, on foot rather than on horseback as he recuperates from surgery, is spending a more quiet vacation than usual.

(TV Coverage: Shots of ranch, two people walking on the grounds.)

But members of his staff were unusually visible as they discussed public relations and policy strategy. For the first time in this Administration a staff meeting was covered as a news event.

(Regan at meeting: "We have to know what we're going to do between now and, let's say, a year from now. We have to plan ahead. You can't possibly just let yourself drift, be at the mercy of others who would set your agenda. We want to set the agenda for Ronald Reagan.")

That's precisely what bothers some people about Donald Regan -- the notion that he's the one running things at a time when the President has suffered serious setbacks.

(Sen. Gorton: "It's clear he's made a number of serious errors in his relationship with members of Congress of both parties, but particularly with Senate Republicans. All of us will be better off when he does that job better.")

Today's discussion of long-range strategy included domestic as well as foreign policy and planning for the November summit meeting, perhaps none too soon since the Soviet Union set forth its view of arms control talks in a large advertisement in the New York Times which accused the U.S. of seeking superiority rather than reductions in the arms race.

(Larry Speakes: "You're going to see a real PR offensive on the part of the Soviets between now and November.")

And as for the U.S.?

(Speakes: "I think ours will hold water. On close examination ours will bear up under public international scrutiny.")

Today's meeting signals the start of a White House PR offensive as well. Administration policy makers hope that by the beginning of September the President's programs, as well as Mr. Reagan himself, will show signs of new vigor.

(CBS-7)

ABC's Ted Koppel: There is nothing unusual about the President's aides meeting to plan strategy. What is unusual is that today Donald Regan called a meeting and for the first time reporters and photographers were brought in to see what was happening.

WESTERN WHITE HOUSE (continued)

ABC's Sam Donaldson: White House staff meetings are ordinarily not media events. But then Donald Regan is no ordinary White House chief of staff. While the President is regaining his strength at his mountaintop ranch -- (TV Coverage: Ranch house with two people walking on grounds.)

-- those tiny figures moving across the center of your screen through the shimmering heat waves are probably Ronald and Nancy Reagan -- Chief of Staff Regan wanted it known that the battle plan for the President's fall offensive in both domestic and foreign affairs is being written.

(Regan at meeting: "We have to plan ahead. You can't possibly just let yourself drift, be at the mercy of others who would set your agenda.")

Later, Larry Speakes said holding the line on spending is one of the top domestic priorities.

(Speakes: "The President will be prepared to veto, and I would expect unless Congress tows the line on spending that you will see a number of vetoes this fall.")

In foreign affairs, the November summit meeting with Gorbachev is the top priority. Today's New York Times carries a paid ad from the Soviets accusing the U.S. of blocking an arms agreement -- all part of summit warmup strategy, says Speakes.

(Speakes: "You're going to see a real PR offensive on the part of the Soviets between now and November." Donaldson: "You're going to mount your own PR offensive, aren't you?" Speakes: "I wouldn't call it a PR offensive, but -- " Bill Plante: "Well what would you call it?"

Donaldson: "Why is the Soviets' a PR offensive but yours is not?" Speakes: "Well I think ours will hold water.")

PR offensives are something the Reagan Administration has always been good at, because Ronald Reagan -- the central player -- is who he is. But that's why all today's planning means very little unless the President comes back from his August vacation fit and ready to go. Mr. Reagan's aides may do the planning without him, but they can't do it without him.

(ABC-6)

NBC's Tom Brokaw: As President Reagan continued his vacation in Santa Barbara, the White House staff held a trans-continental conference call to discuss a new political offensive this fall. But it was also an attempt to regroup and get off to a fresh start.

NBC's Chris Wallace: The President was still walking, not riding around his ranch today as he continued his recovery from cancer surgery.

(TV Coverage: Shot of ranch with entourage walking on grounds.)

At their hotel, top Reagan aides were also trying to recover -- from a rocky start. Ever since Donald Regan became chief of staff this year, his team has been accused of being politically inept. To counter that view, Regan invited cameras to the start of a meeting to plot a fall offensive for the President.

(Regan: "Many of these people came aboard in March and April. We've had many distractions since then as well as a very active legislative program, so it's the first time we've had to sit down.")

Regan maintains the President is having his best legislative year since 1981. But Mr. Reagan has had problems with Congress. His request for 100 MX missiles was cut in half. He had to struggle even to get non-military aid for Nicaraguan rebels. And Congress made drastic changes in his budget. Even staunch Republicans see the White House drifting.

WESTERN WHITE HOUSE (continued)

Wallace continues: (Alan Greenspan: "Clearly, this first six months has not been good for the President. And for those of us who support him, we keep looking back at how well he did in the past and there is a tone of disappointment.")

Staffers say the fall will be different, that Mr. Reagan will push tax reform around the country and veto congressional overspending. But even with all its plans, the Administration may again have a problem this fall with Congress, which shows no qualms about taking on a lame duck President and his new team. (NBC-3)

SOUTH AFRICA

Kuralt: South Africa declared it will not end its policy of racial separation. There may be changes, said the country's Minister of Black Affairs, but in housing, education, and political matters apartheid stays.

At least six more black South Africans were killed, and the home of Nelson Mandella was firebombed.

CBS's Alan Pizzey: By the time Winnie Mandella arrived home this afternoon, there was little left for her to salvage. Apparently, no attempt had been made to put the fire out. Winnie Mandella was in no doubt about who started the fire.

(Mrs. Mandella: "It is the South African government...")

Kuralt: There was more anti-apartheid protest in this country. Thousands of people marched to the U.N. in New York this evening to demonstrate against South Africa's racial policy. (NBC-8 CBS-3)

Koppel: Fifty different organizations were represented at the rally at the U.N.

In South Africa, 11 more blacks have died in one day -- bringing the total in almost a year of violence to over 600.

ABC's Jim Hickey reports on the latest violence in South Africa and recaps black demands. Apartheid opponents have increased their demands for Nelson Mandella's unconditional release. The government will not release him because he refused to renounce violence as a means of change. (ABC-3)

GENERAL DYNAMICS

Kuralt: The U.S. Navy said General Dynamics has settled up for past abuses and has taken steps to avoid future abuses and has regained the right to receive Navy contracts. Then the Navy announced it has awarded General Dynamics more than \$500M in new contracts. The Navy said relations with General Dynamics are back to normal. (ABC-9, CBS-5)

ECONOMY

Kuralt: There was a setback for Reagan Administration hopes the economy would revive in the second half of the year. The Commerce Department said retail sales edged up just 0.4% in July. (CBS-6)

DOLLAR

NBC's Mike Jensen: The dollar has been plunging and American manufacturers love it. During a five year period, the value of the dollar grew 60% against foreign currencies, but it has declined 16% in just the last five months. (NBC-4)

RHEIN MAIN

ABC's Hal Walker reports investigators in West Germany may have a lead on who was behind last week's car bombing at Rhein Main Air Base. Authorities received a letter from leftist terrorists claiming responsibility for the blast; enclosed was an Army identification card from a previously murdered American soldier. Police are now working on the theory that the car bomb was driven through the tight air base security by terrorists using that card. The hunt now focuses on a man and a woman who were seen with the slain soldier the night before his body was found. The three reportedly met at a saloon in Weisbaden and left together seven hours before the bomb went off. Police suspect he may have been singled out at the bar and murdered for his papers. (NBC-9, ABC-5)

JAPAN/TRADE

CBS's Wyatt Andrews reports from Tokyo on the Japanese pre-fabricated housing industry. The assembly of the pre-fab boxes takes less than a day. It's a product the Japanese next want to move into the U.S. A Japanese assault on American housing would be an assault on a fourth of the GNP. It would be Japan's toughest invasion. But America's strict housing laws could stop Japan from mass producing homes. (CBS-13)



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, AUGUST 14, 1985 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

NATIONAL NEWS

PLANNING SESSION OPENS AGENDA FOR REST OF SECOND TERM -- A transcontinental Administration strategy session has produced the elements of a White House master plan to revitalize the Reagan Presidency in the last four months of 1985.

(UPI, AP, Washington Post)

INTERNATIONAL NEWS

LEADER OF CONTRAS DESCRIBES CONTACTS WITH WHITE HOUSE -- Contra leader Adolfo Calero said a National Security Council staffer's biggest help came this spring when he arranged a meeting with President Reagan for Calero and two other figures among the Contras.

(Washington Post)

U.S. OFFICIALS SAY SOVIETS WANT TO SEE REAGAN 'WITH EGG ON HIS FACE' -- The Reagan Administration, bracing for a Soviet propaganda blitz designed to get the upper hand at the U.S.-Soviet summit, says such tactics will hinder progress during the November talks.

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

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Bush, who was marking V-J Day aboard the USS Enterprise in San Francisco, arranged a detour to Santa Barbara in order to spend time with the President.

BUSH MARKS V-J DAY ABOARD CARRIER ENTERPRISE

(Ira Allen, UPI) -- Vice President Bush, a decorated war hero who nearly lost his life in the Pacific, leads the U.S. commemoration of the end of World War II combat today aboard a modern warship.

Bush, who was shot down over the Bonin Islands during the war when he was 20 years old, planned to cast a wreath upon the waters of San Francisco Bay from the deck of the nuclear-powered aircraft carrier Enterprise.

Among the invited guests was Jean McArthur, widow of Gen. Douglas McArthur.

NAVY LIFTS CONTRACT SUSPENSION

(Michael Weisskopf, Washington Post, A1) -- The Navy lifted its suspension of \$1 billion worth of contracts to General Dynamics Corp. after the company launched an ethics program and backed off claims for \$111 million in disputed overhead payments.

Proxmire: Navy, General Dynamics Just 'Kissed and Made Up'

(Richard Gross, UPI) -- A vocal congressional critic of the Pentagon, Sen. Proxmire, suggested that General Dynamics and the Navy have merely "kissed and made up."

General Dynamics, Navy Settle Dispute on Charges

(Walter Andrews, Washington Times, A4) -- The relations between the Navy and the St. Louis-based company are "back to normal," the Navy's assistant secretary for ship-building, Everett Pyatt, told a Pentagon press conference.

"There was no pattern of corruption. They (the company) were simply doing what our procedures allowed them to do," Pyatt said.

Navy Ends Ban On Contracting with Dynamics

(Wayne Biddle, New York Times, A1) -- By ending the moratorium on new work at the company's Electric Boat division in Groton, Conn., and Pomona arms factory in Los Angeles, the Navy signaled a return to normal business after one of the most tumultuous disputes over weapon costs in the Pentagon's history.

Navy Lifts Ban Against General Dynamics Units

(Tim Carrington, Wall Street Journal, 4) -- Navy officials stressed that the department is better off as a result of the settlement. In resubmitting outstanding overhead claims with a certification that the charges were appropriate, General Dynamics withdrew \$55 million in payment requests, leaving \$158.1 million in disputed claims. During subsequent negotiations, the contractor agreed to drop requests for \$111 million of the claims and the Navy agreed to go along with \$17 million, leaving the \$30 million still in dispute.

Contractor, Navy Settle Differences

(Charles Corddry, Baltimore Sun, A1) -- The (Navy's) conditions have been met, settlements effected and dealings between the Navy and General Dynamics are "back to normal," Pyatt said.

U.S. AGENCIES ASK DELAY IN EFFECT OF SUPREME COURT SCHOOL RULING

(Carol Innerst, Washington Times, A3) -- The Department of Education and the Justice Department have asked federal judges in two states to delay implementation of a Supreme Court ruling prohibiting public school teachers from going into parochial schools to provide remedial education to disadvantaged pupils.

The action comes on the heels of sharp criticism of the high court by Secretary Bennett.

GASOLINE PRICES TO CONTINUE DECLINING, ANALYSTS PREDICT

(Sari Horwitz, Washington Post, A1) -- Gasoline prices, which traditionally rise during the summer, are falling instead and may drop as much as 10 cents a gallon by late winter, government analysts said.

Surge in Imported Oil Could Drop Pump Prices by 1986

(AP) -- Gasoline prices will fall from an average \$1.22 a gallon in June to \$1.13 by the first quarter of 1986, the Energy Information Administration, a statistical and analytical arm of the Energy Department, predicts in its latest "Short-Term Outlook" published this week.

Gasoline to Cost Less, Despite Lead Reduction

(UPI) -- The report said the decline is expected despite a likely increase of about 2 cents per gallon in production costs associated with lowering the lead content of gasoline.

The decrease in crude oil prices is expected to more than offset the added production cost, the agency said.

'COMPARABLE WORTH' SETTLEMENT SOUGHT

(Peter Perl, Washington Post, A4) -- The state of Washington and the American Federation of State, County and Municipal Employees announced they will attempt to negotiate a settlement to a landmark "comparable-worth" case that inspired a nationwide wave of sex-discrimination suits against cities and states.

At a news conference in Olympia, Gov. Booth Gardner said he believes in the "basic fairness" of remedying pay discrimination against women.

(Robert McDaniel, UPI) -- In the so-called comparable worth case, U.S. District Judge Jack Tanner ruled in 1983 that the state discriminated on salary schedules for jobs held mostly by women. The ruling has been appealed to the 9th U.S. Court of Appeals in San Francisco where oral arguments were heard last April.

DONOVAN FIRM DROPPED AS 'RESPONSIBLE BIDDER'

(George Lardner, Washington Post, A6) -- New York City officials announced that former Labor Secretary Donovan's construction company is "not a responsible bidder" under applicable laws and regulations.

Deputy Mayor Bob Esnard said the immediate impact of the decision was to reject the apparent low bid of Schiavone Construction Co. for a \$15.9 million portion of a mammoth water tunnel project between New York City and upstate reservoirs.

HOTEL FOUNDER DIES

(Rita Beamish, AP) -- John Willard Marriott, the son of a poor Utah sheep rancher who parlayed a small root beer stand into one of the world's most prominent hotel chains, is dead at the age of 84.

The hotel tycoon, whose Washington-based company grew to include chains of restaurants as well as airline and institutional feeding services, died Tuesday afternoon at his summer home in New Hampshire, said Terry Souers, Marriott director of corporate public relations.

INTERNATIONAL NEWS

LEADER OF CONTRAS DESCRIBES CONTACTS WITH WHITE HOUSE

(Edward Cody, Washington Post, A1) MIAMI -- The anti-Sandinista rebel movement's chief political figure said that he has met regularly with several National Security Council members, including frequent contacts this spring during the Reagan Administration's successful effort to renew U.S. funding for the Nicaraguan insurgents.

Adolfo Calero, president of the Nicaraguan Democratic Force, the main U.S.-backed guerrilla group, said that one member of this White House foreign policy group, Marine Lt. Col. Oliver North, met the rebels twice last year in Honduras.

POST STORY IMPERILS NSC AIDE AND FAMILY

(Tom Diaz, Washington Times, A1) -- A military officer assigned to the White House has moved his family to a military base because of telephone threats received after the Washington Post named him as the National Security Council official who coordinates U.S. ties with Nicaraguan resistance fighters.

"As soon as the story appeared, they started getting threatening and obscene phone call at home," Jonathan Miller, the State Department's deputy coordinator of public diplomacy for Latin America and the Caribbean, said in an interview.

NICARAGUA PROTESTS ATTACKS AT BORDER WITH COSTA RICA

(Washington Times, A7) MANAGUA -- Nicaragua sent a letter of protest to Costa Rica over two attacks on Nicaraguan troops from Costa Rican territory and reiterated a call for a neutralized zone between the nations.

SUIT TO CUT OFF CONTRA AID DISMISSED

(UPI) -- Rebels fighting the leftist government in Nicaragua have received two victories in the war of words -- a dismissal of a lawsuit seeking an end to U.S. aid to the Contras and reports their forces are growing.

A federal appeals court upheld the dismissal of a lawsuit by citizens of Nicaragua and members of Congress seeking an end to U.S. support of anti-communist rebels in Nicaragua.

Also, the State Department said the leftist Sandinista government is "increasingly unpopular" among Nicaraguans and the ranks of resistance fighters have grown steadily.

PRESIDENT AGAIN WARNS AGAINST SANCTIONS ON S. AFRICA

(Jeremiah O'Leary, Washington Times, A3) SANTA BARBARA -- President Reagan continues to believe that many features of an economic sanctions bill now pending in Congress against South Africa would harm blacks there, National Security Adviser McFarlane said.

"It's a bad law in many respects," McFarlane said about the package of economic sanctions against the Pretoria government's policies of racial segregation.

U.S. OPTIMISTIC OVER NEW SOUTH AFRICAN MEASURES

(Sue Baker, Reuter) -- The United States has said it is still encouraged by planned reforms for South Africa's blacks despite the likelihood they will not materially effect the country's apartheid policy of racial segregation.

The State Department said it was optimistic that the reforms, to be announced by Pretoria tomorrow, will chart a course away from racial violence and toward increased black political rights in the troubled nation.

THOUSANDS MARCH TO PROTEST APARTHEID

(Philip Newman, UPI) NEW YORK -- Chanting and singing to the beat of African drums, thousands of protesters from union workers to sports celebrities jammed streets around South Africa's U.N. mission demanding an end to apartheid and U.S. support for the white-minority government.

New York Rally Assails South Africa

(Isabel Wilkerson, New York Times, A4) -- Packed between police barricades along 42nd Street between First and Second Avenues, the protesters, many of them members of trade unions that had co-sponsored the late-afternoon rally, listened to speeches and songs of protest against the racially torn nation before beginning their march up First Avenue to the (South African) consulate at 48th Street and Second Avenue.

MOST POLLED DISAPPROVE OF SDI

(George Lardner, Washington Post, A10) -- A majority of Americans interviewed in a Washington Post-ABC News poll say they disapprove of the Reagan Administration's plan to develop a space-based missile defense in light of the criticisms lodged against it.

Support for the Administration's Strategic Defense Initiative would drop even more if its development should require the United States to violate or abandon the ABM treaty with the Soviet Union, the survey found.

(UPI) -- The poll found the strongest support for the Star Wars program among Reagan supporters, Republicans and conservatives. Democrats expressed the strongest opposition to the space-based weaponry.

The division became even sharper when responses of men were compared to those of women. Fifty-four percent of the men polled approved of the program while only 30 percent of the women supported the defense system.

SOVIET AD ON ARMS TALKS SEEN AS PLOY

(Washington Post, A10) -- The New York Times published a large advertisement from the Soviet Embassy yesterday that accused the United States of obstructing progress at arms-control talks.

The White House called it part of an anticipated Soviet public relations offensive "between now and November" when President Reagan will meet with Soviet leader Gorbachev.

Soviet Ad on Arms Controls Seen Start of Big Campaign

(Jeremiah O'Leary, Washington Times, A2) -- The advertisement, covering two-thirds of Page A-15 in The New York Times, was entitled, "What Holds Back Progress At The Geneva Talks?" The ad said the text was a reprint of an editorial in the Aug. 1 issue of Pravda and was signed by the Information Department of the USSR Embassy in Washington.

U.S. Officials Say Soviets Want to See Reagan 'With Egg On His Face'

(Linda Deutsch, AP) -- (A) senior Administration official, reacting to (the ad) and other such moves, said a public relations battle could hurt the talks.

"It's obvious it's going to impede and impinge on open and frank discussions because everybody will be playing to the media," said the official, who accompanied Reagan to the West Coast at the start of his three-week California vacation.

The Administration, speaking only on the condition of anonymity, asserted that the Russians want to see Reagan "with egg on his face," and are following a pattern set in previous summits with Presidents Kennedy and Carter.

U.S. Expects Public Relations

(New York Times, A10) -- The comment came as officials finished a strategy session with recommendations for President Reagan's priorities this fall. Preparations for the summit meeting was one area discussed, participants said.

White House: Ad Is Part of Soviet Public Relations Campaign

(UPI) -- "You're seeing an increasing number of Soviet officials made available for U.S. television. You're seeing a number of policy statements made by the Soviets. Sometimes many of them are a rehash of previous policy statements that, once examined by us and by the public at large, don't hold water.

"You're going to see a real P.R. offensive on the part of the Soviets between now and November," (Speakes) said.

GORBACHEV CITES PACT GOALS

(Celestine Bohlen, Washington Post, A10) MOSCOW -- Soviet leader Gorbachev said the Soviet Union would seek a nuclear test ban agreement that included "an appropriate system of verification measures -- both national and international ones."

Answering questions put by Tass one week after Moscow imposed a five-month moratorium on its nuclear testing program, Gorbachev said unilateral steps alone would not stop nuclear tests.

Gorbachev: Moratorium Interrupted Soviet Research

(John Iams, UPI) -- Gorbachev rejected U.S. reasons for declining to join a Soviet-declared moratorium on nuclear testing, saying Moscow ordered the ban even though its test program was incomplete.

Gorbachev Says Soviet Tests Interrupted, Urges U.S. to Join

(Peter Millar, Reuter) -- "The decision on the unilateral discontinuation of nuclear explosions was made by the Soviet leadership after a thorough and comprehensive study. It was not an easy matter at all to take such a step. In order to introduce the unilateral moratorium we had to interrupt the testing program, leaving it unfinished," (Gorbachev) said.

Gorbachev Denies Soviet Completed Nuclear Tests

(Seth Mydans, New York Times, A10) -- He said the subject of a comprehensive test ban was one that should be discussed in his meeting with President Reagan in November.

'YELLOW RAIN' SPREAD BY SOVIETS, NATIONS SILENTLY AGREE

(Tom Diaz, Washington Times, A1) -- Other nations have independently confirmed U.S. charges that "yellow rain" reported in Southeast Asia and Afghanistan is caused by Soviet chemical weapons but have kept quiet for fear of internal repercussions, according to a highly classified government report.

The intelligence analysis, made last year, disputes the theory that yellow rain is actually a mist made by the feces of millions of high-flying bees.

U.S. VOWS BALANCE IN KOREA ZONE

(Don Oberdorfer, Washington Post, A17) -- A senior State Department official, calling the military balance on the Korean peninsula "extremely serious and potentially unsettling," has pledged that North Korea will not be permitted to gain major advantage through a new military supply arrangement with the Soviet Union.

Assistant Secretary of State Paul Wolfowitz, speaking at a conference on U.S.-Korea security relations, pledged that the United States and South Korea's combined forces will maintain "a qualitative edge" despite North Korea's acquisition of MiG-23 warplanes from the Soviet Union.

U.S. MAY TOUGHEN TRADE POLICY

(Jane Seaberry, Washington Post, F1) -- The Reagan Administration is considering changing its trade policy in the hope of heading off an explosive buildup of frustration in Congress over record trade deficits.

Commerce Undersecretary Bruce Smart said that scores of pieces of legislation introduced in Congress to curb imports are a clear attempt to "try to point up frustration" with what Capitol Hill considers the Administration's lack of a trade policy. And, he said, it appears that the time has come for the Administration to do something about it.

ISRAEL WARNS ON MISSION BY MURPHY

(William Claiborne, Washington Post, A19) JERUSALEM -- Israeli officials expressed deep concern over U.S. Assistant Secretary of State Richard Murphy's visit to Amman in which he reportedly may meet with nominees to the joint Jordanian-Palestinian delegation for Middle East peace negotiations.

Foreign Minister Shamir called the Murphy trip "an unprecedentedly grave step that will have serious implications for peace in the area." Shamir charged that any meeting between U.S. officials and nominees to the delegation before it holds direct negotiations with Israel would move the United States one step closer to recognizing the PLO.

Israel Objects to U.S. Talk with Palestinians

(New York Times, A6) -- Israel's objections were conveyed Monday by Amb. Rosenne to Secretary Shultz. The envoy, according to a diplomatic source, said such a meeting would tend to give recognition and legitimacy to the PLO and would divert attention from the goal of direct negotiations involving Israel, Jordan and Palestinians not affiliated with the PLO.

State Department officials said Shultz had assured the Israeli envoy that Murphy would hold only exploratory talks in the Middle East. In addition, they said, the chances that Murphy would meet with a Palestinian-Jordanian delegation appeared to be less than even.

KIDNAPPED AMERICANS IN LEBANON GETTING MEDICAL AID, SYRIANS TELL CONGRESSMAN

(Neil McLaughlin, AP) -- An Illinois congressman has been told seven Americans kidnapped in Lebanon are receiving medical attention and that Syrian officials are continuing to work for their release.

But Rep. O'Brien, who met with Syrian President Assad and other high-level government figures this week during a visit to the Middle Eastern country, noted that Assad "disclaimed any responsibility for the kidnappings or that he had knowledge of the people who had them."

CAR BOMBING, SLAYING TIED

(William Drozdiak, Washington Post, A17) BONN -- West German investigators said they were examining the possibility that left-wing guerrillas murdered an American soldier to use his papers to smuggle a car bomb into the heavily guarded U.S. Rhein-Main Air Base in Frankfurt.

The military identity card of Edward F. Pimental, slain only hours before the bombing took place, was received in the mail by a western news agency. The card was accompanied by an identical copy of an earlier letter claiming responsibility for the attack, and it was signed by the Red Army Faction and the French extremist group Direct Action.

Germans Link Slain GI's ID to Car Bomb

(Washington Times, A1) -- West German authorities said that they had warned security officials of more attacks on military and government installations.

Murdered U.S. Soldier Is Latest Lead in Air Base Bombing

(David Fritz, Reuter) -- The Federal Criminal Office said it had been following numerous leads in the investigation of last Thursday's attack in which two Americans were killed.

But security sources, who are involved in the investigation, said they were now concentrating on a likely link between the blast and the murder of Pimental.

CHINA TRADE FURTHER STRAINED BY JAILING OF U.S. EXECUTIVE

(Danelle Morton, Washington Times, A8) HONG KONG -- The conviction and imprisonment of an American businessman in China may put an additional strain on Sino-American trade, already under various pressures. Richard Ondrik was found guilty of criminal negligence, sentenced to 18 months in a Chinese jail and fined \$54,000 on charges of causing a Harbin hotel fire that killed 10 people.

In a case that has received tremendous attention in Chinese and American diplomatic and business circles, some Hong Kong lawyers familiar with Chinese law say the American was tried unfairly. Another businessman added that the sentence will "exacerbate disappointments" about doing business in China.

NETWORK NEWS SUMMARY FOR TUESDAY EVENING, August 13, 1985

JAPAN AIR CRASH

Four people somehow survived the crash of Japan Airlines Flight 123. They are still being examined but none is thought to be in critical condition.

(ALL NETS LEAD)

WESTERN WHITE HOUSE

CBS's Charles Kuralt: It was Regan, not Reagan, reporters in California saw the most of -- in what you would have to call an unusual White House photo opportunity.

CBS's Bill Plante: President Reagan, on foot rather than on horseback as he recuperates from surgery, is spending a more quiet vacation than usual.

(TV Coverage: Shots of ranch, two people walking on the grounds.)

But members of his staff were unusually visible as they discussed public relations and policy strategy. For the first time in this Administration a staff meeting was covered as a news event.

(Regan at meeting: "We have to know what we're going to do between now and, let's say, a year from now. We have to plan ahead. You can't possibly just let yourself drift, be at the mercy of others who would set your agenda. We want to set the agenda for Ronald Reagan.")

That's precisely what bothers some people about Donald Regan -- the notion that he's the one running things at a time when the President has suffered serious setbacks.

(Sen. Gorton: "It's clear he's made a number of serious errors in his relationship with members of Congress of both parties, but particularly with Senate Republicans. All of us will be better off when he does that job better.")

Today's discussion of long-range strategy included domestic as well as foreign policy and planning for the November summit meeting, perhaps none too soon since the Soviet Union set forth its view of arms control talks in a large advertisement in the New York Times which accused the U.S. of seeking superiority rather than reductions in the arms race.

(Larry Speakes: "You're going to see a real PR offensive on the part of the Soviets between now and November.")

And as for the U.S.?

(Speakes: "I think ours will hold water. On close examination ours will bear up under public international scrutiny.")

Today's meeting signals the start of a White House PR offensive as well. Administration policy makers hope that by the beginning of September the President's programs, as well as Mr. Reagan himself, will show signs of new vigor.

(CBS-7)

ABC's Ted Koppel: There is nothing unusual about the President's aides meeting to plan strategy. What is unusual is that today Donald Regan called a meeting and for the first time reporters and photographers were brought in to see what was happening.

WESTERN WHITE HOUSE (continued)

ABC's Sam Donaldson: White House staff meetings are ordinarily not media events. But then Donald Regan is no ordinary White House chief of staff. While the President is regaining his strength at his mountaintop ranch -- (TV Coverage: Ranch house with two people walking on grounds.)

-- those tiny figures moving across the center of your screen through the shimmering heat waves are probably Ronald and Nancy Reagan -- Chief of Staff Regan wanted it known that the battle plan for the President's fall offensive in both domestic and foreign affairs is being written.

(Regan at meeting: "We have to plan ahead. You can't possibly just let yourself drift, be at the mercy of others who would set your agenda.")

Later, Larry Speakes said holding the line on spending is one of the top domestic priorities.

(Speakes: "The President will be prepared to veto, and I would expect unless Congress tows the line on spending that you will see a number of vetoes this fall.")

In foreign affairs, the November summit meeting with Gorbachev is the top priority. Today's New York Times carries a paid ad from the Soviets accusing the U.S. of blocking an arms agreement -- all part of summit warmup strategy, says Speakes.

(Speakes: "You're going to see a real PR offensive on the part of the Soviets between now and November." Donaldson: "You're going to mount your own PR offensive, aren't you?" Speakes: "I wouldn't call it a PR offensive, but -- " Bill Plante: "Well what would you call it?"

Donaldson: "Why is the Soviets' a PR offensive but yours is not?" Speakes: "Well I think ours will hold water.")

PR offensives are something the Reagan Administration has always been good at, because Ronald Reagan -- the central player -- is who he is. But that's why all today's planning means very little unless the President comes back from his August vacation fit and ready to go. Mr. Reagan's aides may do the planning without him, but they can't do it without him.

(ABC-6)

NBC's Tom Brokaw: As President Reagan continued his vacation in Santa Barbara, the White House staff held a trans-continental conference call to discuss a new political offensive this fall. But it was also an attempt to regroup and get off to a fresh start.

NBC's Chris Wallace: The President was still walking, not riding around his ranch today as he continued his recovery from cancer surgery.

(TV Coverage: Shot of ranch with entourage walking on grounds.)

At their hotel, top Reagan aides were also trying to recover -- from a rocky start. Ever since Donald Regan became chief of staff this year, his team has been accused of being politically inept. To counter that view, Regan invited cameras to the start of a meeting to plot a fall offensive for the President.

(Regan: "Many of these people came aboard in March and April. We've had many distractions since then as well as a very active legislative program, so it's the first time we've had to sit down.")

Regan maintains the President is having his best legislative year since 1981. But Mr. Reagan has had problems with Congress. His request for 100 MX missiles was cut in half. He had to struggle even to get non-military aid for Nicaraguan rebels. And Congress made drastic changes in his budget. Even staunch Republicans see the White House drifting.

WESTERN WHITE HOUSE (continued)

Wallace continues: (Alan Greenspan: "Clearly, this first six months has not been good for the President. And for those of us who support him, we keep looking back at how well he did in the past and there is a tone of disappointment.")

Staffers say the fall will be different, that Mr. Reagan will push tax reform around the country and veto congressional overspending. But even with all its plans, the Administration may again have a problem this fall with Congress, which shows no qualms about taking on a lame duck President and his new team. (NBC-3)

SOUTH AFRICA

Kuralt: South Africa declared it will not end its policy of racial separation. There may be changes, said the country's Minister of Black Affairs, but in housing, education, and political matters apartheid stays.

At least six more black South Africans were killed, and the home of Nelson Mandella was firebombed.

CBS's Alan Pizzey: By the time Winnie Mandella arrived home this afternoon, there was little left for her to salvage. Apparently, no attempt had been made to put the fire out. Winnie Mandella was in no doubt about who started the fire.

(Mrs. Mandella: "It is the South African government...")

Kuralt: There was more anti-apartheid protest in this country. Thousands of people marched to the U.N. in New York this evening to demonstrate against South Africa's racial policy. (NBC-8 CBS-3)

Koppel: Fifty different organizations were represented at the rally at the U.N.

In South Africa, 11 more blacks have died in one day -- bringing the total in almost a year of violence to over 600.

ABC's Jim Hickey reports on the latest violence in South Africa and recaps black demands. Apartheid opponents have increased their demands for Nelson Mandella's unconditional release. The government will not release him because he refused to renounce violence as a means of change. (ABC-3)

GENERAL DYNAMICS

Kuralt: The U.S. Navy said General Dynamics has settled up for past abuses and has taken steps to avoid future abuses and has regained the right to receive Navy contracts. Then the Navy announced it has awarded General Dynamics more than \$500M in new contracts. The Navy said relations with General Dynamics are back to normal. (ABC-9, CBS-5)

ECONOMY

Kuralt: There was a setback for Reagan Administration hopes the economy would revive in the second half of the year. The Commerce Department said retail sales edged up just 0.4% in July. (CBS-6)

DOLLAR

NBC's Mike Jensen: The dollar has been plunging and American manufacturers love it. During a five year period, the value of the dollar grew 60% against foreign currencies, but it has declined 16% in just the last five months. (NBC-4)

RHEIN MAIN

ABC's Hal Walker reports investigators in West Germany may have a lead on who was behind last week's car bombing at Rhein Main Air Base. Authorities received a letter from leftist terrorists claiming responsibility for the blast; enclosed was an Army identification card from a previously murdered American soldier. Police are now working on the theory that the car bomb was driven through the tight air base security by terrorists using that card. The hunt now focuses on a man and a woman who were seen with the slain soldier the night before his body was found. The three reportedly met at a saloon in Weisbaden and left together seven hours before the bomb went off. Police suspect he may have been singled out at the bar and murdered for his papers. (NBC-9, ABC-5)

JAPAN/TRADE

CBS's Wyatt Andrews reports from Tokyo on the Japanese pre-fabricated housing industry. The assembly of the pre-fab boxes takes less than a day. It's a product the Japanese next want to move into the U.S. A Japanese assault on American housing would be an assault on a fourth of the GNP. It would be Japan's toughest invasion. But America's strict housing laws could stop Japan from mass producing homes. (CBS-13)