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News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, MAY 18, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

Iraqi Air Strike On U.S. Navy Ship -- A U.S. Navy frigate was hit Sunday night by at least one of two missiles fired by Iraqi jets in the Persian Gulf, officials said. (Washington Post, AP, Reuter, UPI)

Shultz Sees Progress On Mideast Peace Conference -- Secretary Shultz said there has been progress towards arranging an international conference that could bring about direct Mideast peace talks between Israel and its Arab neighbors. (Baltimore Sun, Washington Post, Reuter)

IRAN-NICARAGUA

White House, NSC Exempt From Aid Ban, Reagan Says -- President Reagan says the Boland Amendment barring U.S. aid to the Nicaraguan resistance from October 1984 to October 1986 applied neither to him nor to his National Security Council. (Baltimore Sun, USA Today, Wall Street Journal, Washington Post, Washington Times, AP, Reuter, UPI)

NETWORK NEWS (Sunday Evening)

IRAN-CONTRA -- With the Iran-contra hearings entering their third week, White House damage control efforts are speeding up.

PERES -- Israeli Foreign Minister Peres insisted there must be a full scale peace conference on the Middle East and asked U.S. support.

BRITISH ELECTIONS -- Prime Minister Thatcher launched her third election campaign.



INTERNATIONAL NEWS

U.S. Ship Hit In Persian Gulf, 3 Dead, 30 Unaccounted For

Three U.S. sailors were killed and 30 others were unaccounted for when an American guided-missile frigate patrolling in the Persian Gulf was attacked by Iraqi aircraft in an apparent case of mistaken identity, the Pentagon said.

Lt. Col. Arnold Williams, a Pentagon spokesman, said three crewmen were known dead and 30 were not accounted for, apparently still in the portion of the ship that was hit.

Lt. Cmdr. Chris Baumann, also a Pentagon spokesman, later said that five sailors were recovered alive from the water, causing the number of unaccounted for to be "at or close to 25."

"The fires appear to be under control, but one portion of the ship is still too hot to enter. Until it becomes possible to enter the space, we expect that the number of the unaccounted-for will remain at close to 30," Williams said. (Norman Black, UPI)

Iraqi Air Strike On U.S. Navy Ship

A U.S. Navy frigate was hit Sunday night by at least one of two missiles fired by Iraqi jets in the Persian Gulf, officials said. At least three Americans were killed and 30 were unaccounted for as the burning ship was "dead in the water."

Secretary Shultz denounced the attack, saying, "The ship at last report was dead in the water. The entire crew was taken off. There have been serious casualties.... We take this with the utmost seriousness."

Shultz said President Reagan was "following the situation closely."

Two French-built Mirage F-1 fighter-bombers from Iraq each launched an Exocet anti-ship missile from 20 miles over the horizon in darkness at the guided missile frigate USS Stark, officials said. At least one missile hit the ship as it patrolled international waters about 85 miles northeast of Bahrain. (Richard Gross, UPI)

U.S. Frigate Hit In Gulf, Shipping Sources Say

BAHRAIN -- Three Crewmen were killed and more than 30 were missing and unaccounted for aboard a U.S. Navy frigate hit by an Iraqi missile in the Persian Gulf, the Defense Department said.

The attack last night started a fire aboard the vessel which burned through the night, but it was brought under control early today and the ship did not appear to be in danger of sinking, a Defense Department spokesman said.

He said that "one area of the ship is still too hot to enter," and it was thought many of the missing might be in this part of the ship.

(Reuter)

U.S. Warship Attacked In Persian Gulf

MANAMA, Bahrain -- A tugboat towed the smoldering USS Stark toward port in the Persian Gulf after a missile tore into the ship, killing at least three crewmen in the first attack on an American warship in the Iran-Iraq war.

U.S. officials in Washington said the Stark was hit by a missile fired by an Iraqi warplane in "a case of mistaken identity." The State Department issued a strong protest.

However, gulf-based shipping sources said the frigate was fired on by a gunboat. Most gunboat attacks in the gulf are carried out by Iran.

Neither Iraq nor Iran issued any immediate comment.

At the State Department, spokeswoman Deborah Cavin said: "We have strongly protested the attack to the Iraqi ambassador in Washington and instructed our ambassador in Baghdad to make a similar protest there."

(Aly Mahmoud, AP)

Iraqi Missile Sets U.S. Frigate Ablaze

A U.S. frigate on patrol in the Persian Gulf was seriously damaged last night and at least one crewman was killed when the ship was hit, apparently inadvertently, by a missile fired from an Iraqi fighter plane, the Pentagon reported.

Pentagon officials said that fires aboard the ship, the USS Stark, were under control early today and it was heading for Bahrain, about 85 miles away, but that there was concern it might not make it. Nonessential personnel from the ship were evacuated to the USS Waddell, one of two other U.S. Navy vessels with the Stark at the time of the attack, U.S. officials said.

The White House promptly demanded a "full and complete explanation" from Iraq, a spokesman said.

(George Wilson & Lou Cannon, Washington Post, A1)

U.S. STILL HOPES TO ELIMINATE ALL INF MISSILES, BAKER SAYS

White House Chief of Staff Howard Baker refused to say the U.S. would sign a treaty leaving the Soviets with 100 intermediate-range nuclear missiles in Asia.

But he reaffirmed "that is still the official U.S. negotiating position," while making it clear the U.S. would prefer to eliminate intermediate missiles altogether.

(Willis Witter, Washington Times, A4)

WEINBERGER PLAN COULD STRENGTHEN ALLIED HAND

West European concern about terms of a possible nuclear missile agreement gives Defense Secretary Weinberger ammunition to seek a tougher negotiating stand at the Geneva arms talks, U.S. officials say.

For the record, the White House denies reports of internal division over how far to push the Soviets on reducing medium-range missiles while NATO countries remain undecided on how also to eliminate shorter-range weapons in Europe.

But Weinberger's success in a meeting of NATO defense ministers last week in Norway was welcomed by the defense secretary and his supporters as possible increased leverage from the current stance with the Soviets in Geneva.

(Norman Sandler, UPI)

KOHL DEALT SETBACKS IN ELECTIONS
West German States Back Party Seeking Euromissile Accord

BONN -- Chancellor Helmut Kohl's Christian Democratic Union suffered significant setbacks in two state elections today, and the results were viewed as a sign that West German voters were worried that Kohl's party was holding up a U.S.-Soviet nuclear arms accord.

The Christian Democrats lost their absolute majority in the southwestern state of Rhineland-Palatinate, Kohl's home state, for the first time in 16 years although they still will dominate the government there. They were toppled from their six-month-old position as the largest party in the northern port of Hamburg.

The detente-minded Free Democratic Party, the junior partner in Kohl's center-right coalition in Bonn, scored substantial gains and was set to enter the ruling coalition in both state legislatures.

(Robert McCartney, Washington Post, A1)

JUSTICE DEPT. TO TAKE OVER EMBASSY MARINE SPY CASE

The Justice Department is expected to take over the case against a U.S. Marine embassy guard suspected of spying for the Soviet Union while posted at the U.S. Consulate in Leningrad, according Administration officials.

"We're expecting a referral (of the case) any day," said one Justice official, who declined to be named. The decision is expected soon, the official said.

(Bill Gertz, Washington Times, A2)

U.S. BACKS MIDDLE EAST CONFERENCE
'Opportunity' Seen By Shultz Despite Division In Israel

Secretary Shultz gave a strong official U.S. endorsement to the idea of exploring an international peace conference on the Middle East, even though the proposal has caused bitter division in Israel and threatens to topple that country's coalition government.

In a speech to the American Israel Public Affairs Committee, the principal pro-Israel lobbying group, Shultz repeated that the U.S. is neutral in the dispute between Israeli Prime Minister and Foreign Minister Shimon Peres. But he left no doubt that the Reagan Administration sides with Peres' desire to pursue the possibility of Israeli negotiations with Jordan under the umbrella of an international conference.

(John Goshko, Washington Post, A1)

Shultz Sees Progress On Mideast Peace Conference

Secretary Shultz said there has been progress towards arranging an international conference that could bring about direct Mideast peace talks between Israel and its Arab neighbors.

"Now there recently has been progress toward such a negotiating format which would offer serious prospects of reaching an agreement between the parties of peace," he told 1,200 members of America's most powerful pro-Israel group.

But while Shultz said an international conference should be seriously explored, he insisted the U.S. would not go forward unless the divided Israeli government was united on the idea and unless the two allies were prepared to walk away if the conference failed.

(Carol Giacomo, Reuter)

Peres Considers Leaving Soviets Out Of Any Talks

NEW YORK -- Diplomats trying to arrange an international peace conference on the Middle East may have to work on alternatives that would leave the Soviet Union out of the negotiations, Israeli Foreign Minister said.

"I think we shall try, the U.S. and Israel together, to see where the Russians are, if they're available for a constructive opening of direct negotiations," Peres...told the American Jewish Committee, "If not, we shall look for alternatives."

(Baltimore Sun, A1)

IF THE CONTRAS COLLAPSE, U.S. FACES BIGGER TASK OF CONTAINING MARXISM

TEGUCIGALPA, Honduras -- Congress last year approved aid to Nicaragua's contras by a whisker, and that was before the Iran-contra arms scandal.

Now, Congress probably will cut off military aid -- a move that many think will doom the rebels' seven-year effort to oust Nicaragua's Sandinista government. And observers throughout Central America worry that Washington still isn't focusing on the vital question: What happens then?

(Clifford Krauss, Wall Street Journal, A1)

EDITOR'S NOTE: "Pattern Of Abuses Seen In Nicaragua," by William Branigin, appears in The Washington Post, A1.

IRAN — NICARAGUA

WHITE HOUSE, NSC EXEMPT FROM AID BAN, REAGAN SAYS

President Reagan says the Boland Amendment barring U.S. aid to the Nicaraguan resistance from October 1984 to October 1986 applied neither to him nor to his National Security Council.

"There is nothing in the law that prevents citizens, individuals or groups from offering aid of whatever kind they wanted, and my interpretation was that it was not restrictive on the National Security Adviser or NSC," Reagan said.

Previously, Reagan has insisted that he did not know anything about money diversions from Iranian arms sales to the contras and was waiting to find out what happened to the funds.

Instead of pleading ignorance, the President now says he knew a great deal about private fund-raising efforts for the contras and has even said this was his idea in the first place.

(Jeremiah O'Leary, Washington Times, A1)

President's Contra Story Shifts Gears

The White House, reacting to hearings into the Iran-contra affair, is shifting its defense.

The hearings resume Tuesday, after revelations last week that saw the White House like a peeling onion -- admit new layers of involvement.

At week's beginning, the White House said President Reagan did not solicit contra contributions from foreign leaders, and did not know of plans to ransom U.S. hostages.

By week's end, Reagan said he discussed a \$2-million-a-month donation to the contras with Saudi King Fahd, and may have approved \$2 million in bribes to spring hostages.

And Reagan, after weeks of portraying himself as detached, told reporters Friday he was uninformed only about the diversion of funds from the Iran arms sales. U.S. efforts to fund the contras, he said, were "my idea to begin with."

(Johanna Neuman, USA Today, A6)

White House Case Against Boland Amendment Attempts End Run Around Charges Of Violation

In an abrupt change from its previous tactic of carefully denying that the President violated the (Boland Amendment), the White House has begun asserting that the act didn't even apply to him. "It so happens it doesn't legally apply to me, but I have never done anything that encroaches upon it or violates it," President Reagan said over the weekend.

In recent days, the White House has attacked the Boland Amendment, which lapsed last fall, as a vague, narrow and shifting statute that couldn't restrict the President's constitutional authority to conduct foreign policy. The Administration now argues that the amendment, which prohibited any agency involved in "intelligence activities" from militarily aiding the contras, didn't apply to the President himself or his National Security Council staff.

The White House has adopted this aggressive new strategy largely for political reasons: White House aides feared a "perception" was building that Reagan had done something sneaky or illegal. And by simply denying that he had broken the law, the aides felt, Reagan was beginning to appear weak or ignorant.

(Gerald Seib, Wall Street Journal, A56)

Iran-Contra Hearings Draw Reagan Out, White House In

As congressional hearings draw the White House ever deeper into the Iran-contra scandal, President Reagan has grown more vocal in his denials and in defense of his past actions.

After initial anxious watching and waiting to see where the televised public hearings would lead, Reagan and his aides began speaking out last week about what was done and, even more significantly, whether it was legal.

Hair-splitting over the scope of congressional bans on aid to the Nicaraguan contras continued during the weekend, with Reagan himself plunging into the fray to insist he never was barred from drumming up non-government support for the rebels at a time when U.S. military aid to them was illegal.
(Norman Sandler, UPI)

Legal Lines Of The Boland Amendment

Fourteen years ago, Sen. Howard Baker wanted to know what the President knew and when he knew it. Today White House Chief of Staff Howard Baker wants to make it clear the President knew of nothing illegal.

Baker (on NBC's "Meet the Press") argued that the Boland amendment...barred only the CIA, Pentagon, State Department and other intelligence agencies from providing direct or indirect military assistance to the contras.

The lawyer and former lawmaker challenged the interpretation offered last week by former National Security Adviser Robert McFarlane that the language of the measure also applied to the White House and NSC.

(Henry David Rosso, UPI)

White House Denies New Reading Of Contra Law

White House Chief of Staff Howard Baker has rejected suggestions the Reagan Administration adopted a new interpretation of the Boland amendment barring aid to Nicaraguan contra rebels.

"It (the President's action) was legal, always had been legal. But that's not a new position," Baker said on NBC's "Meet the Press."

"The President helped in raising funds for the contras even on television, and spoke of raising funds for the contras," Baker said.

(Reuter)

Baker Denies Reagan Violated Aid Ban

While asserting that President Reagan "has done nothing illegal," White House Chief of Staff Howard Baker failed to endorse the President's contention that the National Security Council was not covered by a law barring intelligence agencies from aiding Nicaraguan rebels.

Baker said "the White House has taken the position" that the NSC staff did not constitute an intelligence agency and thus was not covered by the ban on assisting the contras, which is known as the Boland Amendment. But, he added, "Now, I don't know the answer to that" -- whether the White House was correct on the law.

(Mark Matthews, Baltimore Sun, A1)

Lawmakers Dispute Reagan's Claim That Contra Aid Ban Didn't Apply To Him

Congressional investigators looking into the Iran-contra affair say President Reagan is wrong when he asserts he was exempt from congressional restrictions on U.S. aid to Nicaraguan rebels.

"He's not a king and this is not a monarchy," Sen. George Mitchell said on ABC's "This Week with David Brinkley." "The reality is that Colonel North was engaged in activities covered by" the Boland Amendment that banned U.S. aid to the Nicaraguan contras.

Rep. Jack Brooks said on CBS's "Face the Nation" that the President "is clearly wrong" when he says the restriction didn't apply to him.

(Tim Ahern, AP)

'85 Plan To Free Hostages Wasn't Ransom, White House Says

White House Chief of Staff Howard Baker asserted that President Reagan "did not pay ransom" in approving a 1985 plan to have American hostages in Lebanon freed through bribes of \$1 million apiece.

"The President has said he did not pay ransom and I believe that," Baker declared. Baker said Reagan did know of plans to supply funds "to get past checkpoints, to get past guards, to get past others, but that any description of such payoffs as "ransom" would be incorrect.

Baker also reiterated the Administration's view that "the President did nothing illegal" in his support for the rebels in Nicaragua. Baker said that the Boland Amendment, which prohibited U.S. intelligence from supporting the contras militarily, clearly did not apply to the President and perhaps not to the National Security Council.

(George Lardner, Washington Post, A6)

ORDERS AND INTENTIONS

President Reagan's style on the big-ticket items of his presidency has been to proclaim his agenda and let subordinates decide on the best way of accomplishing it.

Now, Reagan is trying to have it both ways, declaring that he has gone all-out to aid the contras while distancing himself from the Iran arms-sale diversion. His strategy has tarnished his new White House staff. White House officials, including National Security Adviser Frank Carlucci, concealed for two months the knowledge that Reagan and Fahd had discussed contra aid. White House spokesman Marlin Fitzwater defended the solicitations while denying Reagan's involvement in them.

Last week, Reagan made another speech about the Latin America in which he again declared that "the freedom fighters' fight is our fight." He might stand a better chance of persuading a skeptical nation on that score if he decides that it is time to tell all he knows about outside contributions to his favorite cause instead of letting investigators and reporters drag out the information piece by piece.

(Lou Cannon, Washington Post, A2)

CONTRA LEADER COLERO FACES IRAN-CONTRA PANELS

Nicaraguan contra leader Adolfo Calero, a soft-drink bottler turned hard-bitten guerrilla, faces the congressional Iran-contra committees this week to testify about money and arms for his rebel army.

Calero, head of the largest U.S.-backed force fighting Nicaragua's leftist Sandinista government, has denied his group received any of the profits from President Reagan's secret sales of arms to Iran.

(Michael Myers, UPI)

WEBSTER: I INTEND TO SEE IF CIA ACTED ILLEGALLY IN IRAN-CONTRA AFFAIR

FULTON, Mo. -- William Webster, nominee for CIA director, said that he did no plan "a witch hunt" but did intend to find out whether anyone in the CIA acted illegally in the Iran-contra affair.

"I believe I have a responsibility to review what does come out, to review particularly the findings of the inspector general of the Central Intelligence Agency; to determine whether or not any individual departed from the rules," Webster said at a news conference here after he delivered the commencement address at Westminster College.

(Lynn Byczynski, Scripps Howard)

OWEN SAID TO HAVE BEEN PRIVY TO PLAN TO ASSASSINATE CONTRA LEADER

Robert Owen, who served as Lt. Col. Oliver North's secret courier to the Nicaraguan contra rebels, is reported to have attended two meetings in 1984 and 1985 at which plans were discussed to assassinate rebel leader Eden Pastora.

A former U.S. mercenary, Jack Terrell, to the Providence Journal-Bulletin that he was asked, at the first of those meetings to come up with a plot to kill Pastora. He said he reported back with the plot at the second meeting.

Terrell said he decided to abandon the plot as far too risky because of the presence at both sessions of Owen and John Hull, one of Owen's associates (because of their government affiliation).

(Randall Richard, Scripps Howard)

EDITOR'S NOTES: "Iran Probe: Few Big Issues And Myriad Details," by Charles Babcock, appears in The Washington Post, A8.

"White House, Foes Debate Extent Of Contra Aid Ban," by Mary Belcher, appears in The Washington Times, A10.

NATIONAL NEWS

BUSINESS ECONOMISTS SAY WEAKER DOLLAR WILL FUEL INFLATION THIS YEAR

The U.S. economy will see significantly higher inflation this year because of a weaker dollar, but the falling greenback will finally begin to lift the fortunes of American manufacturers, leading economists predicted.

The National Association of Business Economists said its latest survey of members sentiment found more optimism that the country will be able to avoid a recession through 1988.

The economists, who work for some of the nation's largest corporations, forecast stronger growth this year, a lower trade deficit and a declining federal budget. But they said these favorable economic developments would be offset somewhat by a pickup in inflation.

(Martin Crutsinger, AP)

DOING DOUBLES DUTY

Celebrities, Pros Play Tennis For Mrs. Reagan's Drug Abuse Fund

Over a red-and-white striped tent that had been pitched on the White House lawn, "Wheel of Fortune's" letter-turning wonder Vanna White munched honey-roasted peanuts and talked politely with rapt fans gathered around. She was dressed in tennis whites for the third annual nancy Reagan Drug Abuse Fund tennis tournament, though she didn't play.

It was perfect tennis weather Saturday, and a crowd of about 250 gathered to watch show biz, sports and political powers swat balls, make quips and raise almost a half-million dollars for charity. The south lawn and the tennis court swarmed with celebrities -- every time you turned around there was some famous face next to yours.

(Kara Swisher, Washington Post, B1)

-End of A-Section-

NETWORK NEWS SUMMARY

(Sunday Evening, May 17, 1987)

IRAN-CONTRA

ABC's Sam Donaldson: Did President Reagan approve a cash ransom plan for U.S. hostages or did he not? A Senior White House official today confirmed the existence of a document that could clear up the question -- a question that arose when former National Security Advisor Robert McFarlane testified that Mr. Reagan did approve such a plan and the President declared that while he can't remember exactly what he approved, it certainly wasn't ransom.

ABC's Kenneth Walker: White House Chief of Staff Howard Baker revealed that the secret plan actually was authorized by the President as required by a written intelligence finding.

(Sen. Baker: "It may not have required a finding but there was a finding -- yes, there was a written finding with respect to this.")

When told that Robert McFarlane had testified there was no finding, Baker reasserted that he was right.

(Sen. Baker: "Well, I may be mistaken, but I don't think so.")

Congressional investigators certainly will demand a copy of the document to help prove whether the project was a ransom plan or, as the President vaguely claimed on Friday, a series of bribes and payments to people planning to rescue the hostages.

(The President: "I'm having some trouble remembering that -- it's possible that what we're talking about was use of money to pay people and hire individuals who could affect a rescue of our people there.")

(TV coverage: The President speaking from the podium in the White House Briefing Room.)

Baker also challenged McFarlane's testimony that he believed the Boland amendment did bar the NSC as well as other government agencies from aiding the Nicaraguan contras.

(Sen. Baker: "The apparent dispute between Bud and the White House is on the question of whether NSC is an intelligence agency and Bud takes the position, I think, that it was; the White House is taking the position it was not.")

A member of the Senate investigating committee, on "This Week With David Brinkley" took issue with that.

(Sen. Mitchell: "That is a reliance wholly on form as oppose to substance. If you accept that interpretation, then they could easily have subverted the law and made it into annuity.")

The apparent existence of a written finding on the ransom project raises the question or whether Congressional investigators have all the relevant documents from the White House. If some documents have been withheld, that would almost certainly overshadow the lawyers' debate about who and what was covered by the Boland amendment.

Donaldson: In the wake of Robert McFarlane's testimony last week on Capitol Hill, without a cloak of use immunity from prosecution, some members of the committees believe McFarlane may face indictment for perjury since he admitted he had not answered fully in a previous appearances before Congress.

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Donaldson continues: But McFarlane's lawyer, Leonard Garment, does not. Unlike other lawyers for key witnesses in the affair, Garment said he had not advised his client to seek immunity before testifying because McFarlane believes he has done nothing wrong. And, said Garment, "I don't feel he will go to jail." (ABC-Lead)

CBS's Susan Spencer: With the Iran-contra hearings entering their third week, White House damage control efforts (sped up) today. A big question -- was Mr. Reagan bound by Congressional restrictions forbidding military aid to the contra rebels of Nicaragua or was he free to act as he wished?

CBS's Jaqueline Adams: White House Chief of Staff Howard Baker stuck by his man today, insisted that all of President Reagan's efforts to help Nicaragua's contras rebels were legal. Baker defense, however, did not extend to the NSC.

(Chris Wallace: "Is it your view then that it was perfectly legal for Oliver North to be running the supply of the contras out of the White House? In term of the Boland amendment was it legal?"

Sen. Baker: "I cannot tell you that. All I can tell you is does not apply to the President. The President has done nothing illegal.")

This White House effort to create a legal fire wall between the President and his staff, is, according to one constitutional expert, absurd.

(Laurence Tribe, Harvard Law School: "If the NSC cannot conduct special covert operations of aid to the contras, then surely the President cannot, behind the scenes as a kind of puppet master, orchestrate an effort of that kind, whether by the the NSC or by other groups. He is not outside or beyond the law.")

And what that means, Tribe says, is that the President may have committed an impeachable offense.

(Tribe: "I can think of few clearer impeachable offenses than using the office of the Presidency to subvert the laws of the land by creating a virtually private government to conduct an illegal war.")

So far no member of the Iran-contra committee has publicly raised the impeachment question. But committee staffer are studying the issue. White House officials, of course, dismissed the notion. But as the hearings enter week three, it's clear the President and his men do not have the kind of control over the unfolding drama that they'd like to have.

Spencer: Rob Owen, who served as a courier and sometimes consultant for Lt. Col. Oliver North will be back in hot seat this week when the Iran-contra hearings resume. His testimony so far has described a tangled network of military support for the contras under North's control.

CBS's Rita Braver: The story that Rob Owen told on Capitol Hill was a stunner -- how he, code named "the courier," had been the bag man for Oliver North, code named "steel hammer." Owen said he took contra operatives funds provided by North.

(Owen: "He got them out of the safe in his office.")

It was a gripping tale -- one that had been told before but always doubted. For more than a year, American soldiers of fortune have claimed they worked in contra military operations based on this farm in Costa Rica.

Braver continued: The men said that North bankrolled the operation, Owen funneling the money to John Hull, owner of the farm.

(Jack Terrell: "Owen told me, he said, 'Well, I take \$10,000 a month to John Hull from NSC for these types of operations.'")

Hull denied any financial dealing with Owen.

(John Hull: "I have no idea even who the fellow works for. We're friends, we've met a few times and that's all there is to it.")

But now Owen says he set Hull up with Adolfo Calero, a contra leader allegedly funded by North.

(Owen: "The deal was worked out where Adolfo Calero would provide \$10,000 a month to a bank account for Mr. Hull to use.")

Senator John Kerry's staff spent months investigating the operation and last October put out a report with much of the same information Owen testified about. But Kerry said he was stonewalled by the White House and could not get anyone in the Republican controlled Congress to launch a broader investigation.

(Sen. Kerry: "I think we were fighting against the White and their pressures to see this not move forward.")

One reason that the operation was shielded was that many of the mercenaries had criminal records for drug and weapons' violation and it was hard to believe such people were involved in a White House operation.

(Sen. Kerry: "I remain shocked by it. I remain shocked by not only the types, but more especially by the process. What we have here is one of the most unique violations of the political structure of this country that I can certainly remember.")

In fact, a Miami U.S. attorney's investigation of the mercenaries network got off to a slow start because prosecutors doubted the credibility of major witnesses. Federal law enforcement sources say indictments in the case are expected within the next few weeks.

(CBS-2)

NBC's John Hart: The White House today sent out it's Chief of Staff to deny President Reagan violated any laws when he helped raise money for the contras. Howard Baker insisting that Congressional restrictions applied to intelligence agencies but not the President.

NBC's Robin Lloyd: Chief of Staff Howard Baker reiterated the White House position today that Congress had not placed any restrictions of the President.

(Sen. Baker: "The last two or three weeks the idea has grown up that the Boland amendment forbid the President to aid the contras. That simply is not so.")

Even Congressional committee members investigating the Iran-contra affair were sharply divided over what the law meant and what restrictions it placed on the President.

(Rep. Cheney: "Congress does not have an unlimited ability to limit his conduct of foreign policy.")

Rep. Fascell: "We can certainly stop the money."

Rep. Cheney: "Well you can't stop him, for example, from soliciting funds from a third country."

Rep. Fascell: "You can stop him from doing almost anything.")

Lloyd continues: What the Boland amendment says is that at a time when aid to the contras was cut off, the Administration was prohibited from turning to the Pentagon, the State Department, the CIA, or any intelligence gathering agency for help for the contras. There is no specific mention of the President of his NSC.

(Sen. Baker: "He's done nothing illegal. He has never tried to conceal the facts that he wanted to see the contras survive and there's nothing new about that.")

But some committee member say the evidence is mounting that the President may know more than he's admitting. Sources say contras leader Adolfo Calero will testify this week that he believed the President fully backed the covert aid operation. White House officials want to emphasize their view that the Congressional restrictions were ambiguous and confusing. And that even though the investigations may show that the President did not go along with the intent of Congress, he did not break any law. (NBC-2)

PERES VISITS THE U.S./PEACE CONFERENCE

Spencer: It's a plan that threatens to topple the Israeli government, but Israeli Former Minister Shimon Peres stood firm today insisting there must be a full scale peace conference on the Middle East and he urged the U.S. to support it.

CBS's Bill McLaughlin: Israeli Foreign Minister Shimon Peres' private trip to the U.S. quickly became political today as he plugged his efforts for an international peace conference with Arab states. A plan that is tearing apart Israeli's coalition government.

(Peres: "The task of the conference, in my judgement, is not just to serve as an opening occasion, or a ceremony, but to serve as something that apparently some of the Arabs are in need of and that is...to open direct negotiations.")

Jordan's King Hussein, the Arab world's leading moderate first approached the idea and he has been meeting secretly with Peres to work out the details. The idea is to have the five permanent members of the United Nations Security Council, the U.S., Soviet Union, France, Great Britain and China convene a peace conference under their auspices and protection aimed at allowing Israeli and Jordan to talk peace. The U.S. is concerned that the Soviet Union would try to use the talks to push it's own goals, so the State Department will support the idea of a conference only if it restricts itself to opening the way to direct Israeli-Arab talks. Peres backs Washington's position.

(Peres: "We are telling the Russians -- 'Look, if you want to participate in making peace between us and Arabs, make peace with Israeli.'")

But those negotiations may never take place because they are opposed by the other half of Israeli's government, Prime Minister Shamir....

(CBS-Lead, ABC-2, NBC-3)

U.S. MISSILE ATTACKED

Hart: The Pentagon now says it believes it was an inadvertent attack by an Iraqi airplane firing one or two missiles at an American missile frigate in the Persian Gulf today, injuring, perhaps killing one American. The frigate was identified by others as the The Stark which is now apparently under its own power heading for Bahrain. Those are all the details we have.

(NBC-Lead, NBC Updates 4 & 12)

Donaldson: We have a late news report from Reuter's -- a U.S. guided missile frigate was attacked in the Persian Gulf tonight causing casualty according to Lord of London. The frigate was hit shortly before midnight and is proceeding under its own power to Bahrain. The Pentagon will not confirm this news report from the wires of Reuter's.

(ABC-11, CBS-3)

BRITISH ELECTIONS

NBC's John Cochran: Margaret Thatcher launching her third campaign for Prime Minister.... Only a year ago even conservatives were (condemning) Thatcher for giving President Reagan the go-ahead to order American bombers from British bases to strike Libya. Labor party thought it had a voter-getter in anti-Americanism and promised if elected to shut down U.S. nuclear bases in Britain. Now, a year later, anti-Americanism is no longer in fashion. The polls show that the British public overwhelmingly agrees with Mrs. Thatcher that the Americans and their nuclear weapons should stay here. And Thatcher's recent trip to Moscow left the wide spread impression that she can get along not only with Ronald Reagan, But Mikhail Gorbachev as well....

(NBC-6)

BURMANESE REBELS

Spencer: In Southeast Asia, the U.S. finds itself increasingly involved in a war that rebels have been waging in Burma since 1948.

CBS's Doug Tunnell: These rebels...now claim to be caught in another crossfire from America's war on drugs. Their jungle battleground is the edge of the golden triangle's poppy field that produce almost 20 percent of all the heroin consumed in the U.S. each year. The tribesmen claim American aircraft given to the Burmese government to help police the drug trade are ferrying troops into battle against them. Western experts believe that American financial aid to Burma has also been diverted to the war.... But the State Department says America assists the Burmese government because Burma's two wars -- on narcotics and on insurgents go hand and hand.

(CBS-6)

ANDREW YOUNG/JUSTICE DEPARTMENT

Hart: Mayor Andrew Young of Atlanta who learned that he is the target of a federal grand jury investigation said today he'd been told and his lawyer had been told that it's coming out of Washington. The Justice Department he said. Young telling NBC News, "It is a convenient vehicle for keeping someone else on the front page beside Reagan." The grand jury's reported to be wondering if city hall interfered with a police investigation when the police were checking charges by the estranged wife of civil rights leader Julian Bond that Bond had used cocaine. (NBC-9)

ADVERTISING FOR COSMETIC PRODUCTS

Spencer:....Anti aging creams...(are) the fastest growing segment of the booming cosmetic business.... Do these products deliver?...The claims also have drawn fire from the FDA. (John Norris, FDA: "When a claims made that the product will make the skin young again, or brand new, that is a medical claim. These claims go beyond what is permitted by federal law.") ...FDA has sent stern warning to 14 cosmetic companies, telling them to either tone down their claims or persuade the agency that they are true and that their products are not cosmetics, but safe and effective drugs, able to slow the aging process. (CBS-8)

SUPREME COURT ACTIVITIES

Donaldson: This term the Supreme Court is working extremely hard and fast in handing down opinion.

ABC's Tim O'Brein reports on the activities of the Supreme Court and on charges that "haste makes waste." (TV coverage: The President at the swearing-in ceremony for Chief Justice William Rehnquist). (ABC-8)

-End of B-Section-

ABC -- THIS WEEK WITH DAVID BRINKLEY

Moderator: David Brinkley. Panel; George Will, Sam Donaldson.
Guests: Senator George Mitchell, Senator Orrin Hatch, Representative Dante Fascell, Representative Dick Cheney. Leonard Garment, attorney for Robert McFarlane.

Brinkley: Mr. Garment you have been writing about these Iran-contra hearings, and being very critical, suggesting that there wasn't any really good reason to have them at all. Is that your view?

Garment: I don't know that I specifically said there was no good reason for having the Iran-contras hearings at all.... I wrote an article...and said we were going to have, whether we like it or not, and despite the protestation of Senators, a major media, another Watergate; that it was just too tempting. So I think that is a legitimate matter for inquiry.

Will: You said even if it can be demonstrated that certain criminal statutes, such as fraud...had been violated, it might not be a good idea to apply them in the absence of venality or recognizable criminal purpose, where violations were committed in a climate of authorization by the highest officials of the executive branch. Are you saying that there was a climate of authorization for everything that has been demonstrated?

Garment: I don't think there is any question that there was a climate of authorization....

Will: But what about the Boland amendment? Is it your contention that the Boland amendment was not restrictive of the NSC?

Garment: My client and I have two, somewhat different, positions. He took a very broad position on that.... Now, there are arguments with respect to the coverage of the Boland amendment...with respect particularly to its constitutionality in its application to the President of the U.S.

Will: You put your client on the stand without any form of immunity. And in the process of testifying, he said he did not testify with full candor, did not tell...the whole truth in testifying before Congress. How can the special prosecutor hear that and not act against your client?

Garment: I think he will have to find out how Bud McFarlane defined total candor and the like....McFarlane is a very extraordinary man.... He is a truly honorable man of immense integrity and devotion to duty. The idea of loyalty is ingrained in him. And I think he is, in addition, a deeply religious man. And when he talks, as he has throughout the hearing, about the extent of responsibility that he was taking upon his own shoulders, he wasn't doing it with any narrow legal sense. He was doing it in the sense of right and wrong, and what he thought were obligation to come forward, to volunteer, to explain things that weren't even asked about.

Donaldson: Are you saying that Mr. McFarlane insisted that he go on without immunity? Was that your recommendation?

THIS WEEK WITH DAVID BRINKLEY continued

Garment: Basically -- it was. I wish I could take credit for having thought through and labored long and hard over the question of whether or not he would waive immunity.... We received 24 hour notice. He was asked to come to testify on a Monday. We were told Sunday morning that they wanted him. His decision to testify was almost instantaneous.... For Bud McFarlane, being a public man, leadership is so much a part of his reason for living.

Donaldson: So its worth going to jail in order to exert leadership?

Garment: It's not worth going to jail. He didn't feel that he would go to jail. I don't feel he will go to jail. I don't feel there is any basis for an indictment of Bud McFarlane. His belief was that his actions were always within the law, that they were in the interests of his country, that they were done even where he disagreed, in a faithful discharge of his responsibility.... And he is ready to take the risk that a jury of his peers might at some point make a different determination.

Guests: Representatives Danny Fascell and Richard Cheney.

Brinkley: Can we deal first with Mr. Reagan's new approach, which is that all of this was private money...therefore the Boland amendment did not apply. What he did was perfectly legal and there is nothing to be ashamed of.

Fascell: It's not new. The question is, will it hold up? And that's debatable.

Cheney: I think it clearly applies in a portion of the case. It seems to me the hardest point gets to be identifying that \$3.5 million that was diverted from the Iranian transaction to the contras. It is clearly the most viable defense the Administration has. I would feel a lot better if some attorney had sat down...and given an interpretation.

Will: There seems to be, some people say, a constitutional doctrine emerging roughly like this: because Congress appropriates all funds, and therefore, appropriates the funds for executive branch salaries, therefore, Congress can minutely manage and prescribe activities of the President. Is that your doctrine?

Fascell: No. But that is an argument that is being used more and more. Ever since I've been in Congress every President, at one time or another, wishes Congress would go home and stay there. But the fact is that Congress has a responsibility under the Constitution, even though the President is the primary maker of foreign policy.

Cheney: Congress does not have the unlimited ability to limit his (the President's) conduct of foreign policy.

Fascell: We can certainly stop the money.

Cheney: Well, you can't stop him from soliciting funds from a third country.

THIS WEEK WITH DAVID BRINKLEY continued

Fascell: You can stop him from doing almost anything.

Cheney: It is perfectly legal and legitimate for him to express his views to another head of state. And there isn't anything the Congress can do to prohibit that.

Fascell: It's permissible with a president. It's like the violation of the -- just ignoring laws that are on the book, for example, that have no criminal penalty. Then the issue becomes constitutional. The President shall faithfully execute the law. But he doesn't have to worry about that law, because it has no criminal content.

Will: But Congressmen, there's also the constitutional doctrine of the separation of powers....

Donaldson: Do you think last week's testimony from Mr. McFarlane demonstrated that the President knew far more about this than his aides would have us believe early on?

Cheney: There's no doubt in my mind that the President was deeply committed to the contra cause, privately, publicly, every way he could be. During the same period of time he was spending a lot of time trying to get Congress to reverse its position, which we finally did, and authorize military assistance to the contras once again. It seems to me the most recent tack the President is taking in terms of talking about his role and his involvement is the valid one; is the most appropriate one.

Donaldson: Do you think Ronald Reagan knew that Col. North was coordinating activities of raising private money for arms for the contras?

Fascell: Since all the evidence is not in, I don't want to be any more bias than I already am.

Will: Could I briefly have the opinion of the two of you on the testimony of Mr. McFarlane?

Cheney: I thought Bud gave us as straight a shot as he could. I think he's been through some difficult times. But I think he was very candid and forthcoming.

Fascell: I think Bud was forthcoming. Except he said he tortured the language; he manufactured some of the facts; he omitted facts, changed documents. I feel sorry for him, because he was an honorable man and he was caught in loyalty.

Guests: Senators Mitchell and Hatch.

Brinkley: Give us your feelings about the McFarlane testimony.

Hatch: I think that Bud McFarlane has given a lifetime of service to this country, and I think he's in a tough position as National Security Advisor testifying before Congress. And I think he testified as candidly and as forthrightly as he could.

THIS WEEK WITH DAVID BRINKLEY continued

Hatch continues: I don't think he should be prosecuted. You know, these guys were trying to carry out what they thought the President's policies were. And if you can find a more honorable person than Bud McFarlane, I'd like to shake his or her hand.

Mitchell: I think Mr. McFarlane has had a distinguished record of service to the country. And he's in a very difficult position; quite a sympathetic figure. But as he himself acknowledged, his language was tortured; there were several omissions; and I think there were glaring inconsistencies in his testimony. I think he is trying very hard. I certainly regret having contributed to his anguish over this circumstance.

Donaldson: If in fact he lied under oath should he be excused simply because he had honorable service to his country?

Hatch: I don't think it should be excused. And I don't think you'll find he deliberately lied under oath....

Mitchell: It is not the political composition of the Congress that it the test of whether or not someone should tell the truth when testifying before Congress. The law requires it, morality requires it....

Will: Is it your contention that the Boland amendment does restrict and can restrict the activities of the NSC?

Mitchell: I believe that in this case it does apply to the NSC but not to the President....

Hatch: When the NSC was enacted in 1947 there was nothing mentioned about intelligence.... And to make a long story short we have here Congress trying to micromanage, through the Boland amendments, not just one but four of them, which are inconsistent, ambiguous, send different messages....

Mitchell: I think the President is the President, and the U.S. is a democracy. He is not a king and this is not a monarchy. And I think it is simply incorrect to suggests that he has plenary and exclusive power in foreign affairs.... I do believe that the President himself is not subject to the Boland amendment, but I don't think you can extend that to the NSC and it operatives....

Donaldson: McFarlane testified before you that President Reagan approved a plan to use ransom money to get U.S. hostages from Lebanon. Do you believe McFarlane?

Mitchell: Yes.

Hatch: I believe McFarlane also. I also believe the President, that he did not think he was approving ransom funds....

THIS WEEK WITH DAVID BRINKLEY continued

FREE-FOR-ALL DISCUSSION (Tom Wicker joins panel)

Brinkley: Margaret Thatcher has called an election for June 2. Her opponents will be the Alliance -- where she is conservative the Alliance which is short of a middle/moderate party and then, of course, the Labor Party -- which some think may be in danger of being wiped out. Do you think so?

Will: I think she said when she entered the upper reaches of British politics a decade ago that her overriding ambition was to destroy socialism. She demonstrates a number of things -- A. You can darn near do it. She may have done that. Second, she she -- a woman -- is about to become, I think, if the polls are right, the first person in modern British history to win three consecutive elections -- it tells you something about the role of women in a conservative party and in a sort of conservative country in many ways. The effects she's had are extraordinary. You know she has probably more than anyone else, she brought democracy to Argentina.

Donaldson: I don't think Mrs. Thatcher has destroyed socialism. She certainly started to refuse what Labor had in place and to some extent that's diminishing socialism in Britain, but she hasn't destroyed it any more than Lyndon Johnson destroyed the Republican party when he beat Barry Goldwater so badly. To say she has been popular and she may be reelected is not to say that socialism is destroyed.

Wicker: It seems to me that the Labor Party has done a great deal to destroy itself here as well as whatever Mrs. Thatcher has been able to accomplish. The present Labor Party leader has somewhat revived that party's changes and he's taking back to a somewhat more moderate course than then had before. I would think if Labor makes even a reasonably good showing here, I wouldn't see any prospect that their party itself would be destroyed.

Brinkley: In Israeli...the Prime Minister of one party and the Foreign Minister of another party fighting each other about the possibility, likelihood or advisability of having a peace conference including talking with some Arabs. It may bring down the government. What's going to happen?

Will: (The peace conference) is a terrible idea for two reasons. First, the persons around the table who is most extreme would set the tone. Second, (it was once) said that the unlikelihood of achieving results in negotiations is the square of the number of parties participating. We've had these big conferences before....

Donaldson: I'm inclined to agree with you. Probably a general conference is not the best way -- it's a way the Reagan Administration might want in this case. But that's not the point....

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CBS -- FACE THE NATION

Moderator: Lesley Stahl. Panel: Eleanor Clift, Fred Barnes.

Guests: Senator William Cohen, Representative Jack Brooks.

Stahl: Despite President Reagan's denials that he solicited funds for the contras, committee member Senator Cohen says he believes a solicitation was made.

Cohen: You have case where, if we sit down and talk to a foreign leader and he asks about what our problems are, and that's explained, and then the President would ask what are your interests, and he explains those interests and then -- nothing need be said.... Nothing is really said directly but its all suggested.

Stahl: The President says there's nothing wrong with that.

Cohen: That's precisely the point -- why is all this effort being spent to avoid using a word? ...I also find it unusual to have all of this time spent if they didn't feel it as either improper -- or even if they felt it was constitutional on the part of the President to be able to do this.

Stahl: Do you have a sense from what you've heard so far that there's a total disregard for the law?

Cohen: It wasn't a total indifference, but I think it was an attempt on the part of many to find ways, creative ways if they could, to come as close without stepping over the line, but in fact did step over the line.

Stahl: Are you persuaded that major laws are broken here?

Cohen: I think there is growing evidence that a number of laws in fact were broken at specific periods of time.

Stahl: Are you angry? Are you outraged?

Cohen: I'm disappointed, and yes, I have a sense of outrage when I find there have been clear examples of a flaunting the rule of law. And you have good people who are damaged. I believe Bud McFarlane is one of them.... I think from what he said it was clear he was trying to gild the President's record....

Stahl: You seem to be suggesting...that William Casey may have masterminded all of this. Is that your view?

Cohen: I don't think he masterminded all of it.... After three top advisors said no, somehow the program came back to life. That could only come about through, in my judgment, Director Casey, and perhaps, in addition to Mr. Casey, I would say President Reagan. The President wanted to carry out the program, he's the one in charge, and he made the decision to go forward. So I think its a case of Bill Casey being principle advisor to the President. The President is the one who made the decision.

FACE THE NATION continued

Guest: Rep. Brooks.

Stahl: The President says he does not come under the Boland amendment. Is he right?

Brooks: I think he is pretty clearly wrong.... I think the public ought to get the facts -- I think we ought to lay out all the facts of who did what, and the legality of it will be determined by the special investigator. Our committee is not designed to prosecute; we are just getting the facts.

Stahl: What are the most important things that have come out with the four witnesses who have testified so far?

Brooks: I think we have found out very clearly that the Administration has furnished arms to the Ayatollah, to the terrorists in Iran, and they furnished arms for hostages, and they tried to bribe the Iranians for hostages... And I think the Administration did it, more and more people say the President knew about it, he was informed, he started it -- he's all for it, he's the chief mover and shaker in this operation.

Stahl: What about the quid pro quo?

Brooks: You've got to ask -- nobody gives \$32 million away without you asking....

Stahl: What did you learn from him (McFarlane) and what were your impressions of his overall testimony?

Brooks: McFarlane is a man of high principles and speaks well, but he doesn't follow what he preaches, he doesn't practice what he preaches. He's torn between the desire to tell the truth -- but then he worries about criminal prosecution for himself, and he worries about protecting the President. It's difficult for him. He slips from one area to another. He said the President was fully informed.

Stahl: Let me ask you about Secord.

Brooks: Secord is not much better. I'd call him a "WASP Rambo." He's intelligent, good memory, says he's a patriot....

Stahl: Are you suggesting that the Reagan Administration sent the money (\$454 million) back expecting the hostages to be released and returned?

Brooks: No, I wouldn't say that. Just keep doing nice things for them. I guess they think if they smile at them and buy them lots of dinners that something good will come of it.

Discussion with Eleanor Clift and Fred Barnes.

Stahl: The President...now admits that he knew all along about the contra operation, and that, in any event, he is not subject to the Boland amendment. Will this strategy work for him?

FACE THE NATION continued

Clift: It may work from a legal standpoint...I think the fiction that he was an innocent bystander has been demolished, and I think politically his credibility is shot.

Barnes: ...The NSC is not an intelligence agency. I think his interpretation that he's not covered by the Boland amendment is very arguable.... He's already lost the political case here. He wants to win at least the legal battle. Look, this committee in Congress is trying to make a case for an illegal government conspiracy led by the President funnelling money from the arms deal to the contras in violation of the Boland amendment. And he has to combat that....

Stahl: I don't think they've given up the political battle.

Clift: They may not have given up on it, but I think they've lost it... I think the feeling that most people would like to let him finish out his term with a modicum of dignity. I don't think we are on the edge of impeachment or anything like that.

Stahl: On the strategy of having the President comment on these hearings almost every day -- why are they doing that?

Barnes: The fact is that it that was not the strategy.... But their strategy has just plain broken down....

Stahl: The Tower Commission report -- how do both of you think that commission got the impression that Reagan was totally uninvolved and disengaged from these policies? Do either of you think there was a deliberate plan to portray him in that way to get him off the hook?

Clift: No, I don't think the Tower Commission is necessarily contradictory. It focused on the Iran-arms-for-hostages deal, and I think the President was less involved in that than he was in providing the inspirational force behind the aid to the contras.

Barnes: The Tower report didn't say he was disengaged in everything....

Stahl: People believe that Reagan will pardon everybody anyway. Do you think he will pardon everybody?

Barnes: I do. Ollie North, John Poindexter, anyone else.

Clift: I don't think even President Reagan could be that crass politically no.

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NBC -- MEET THE PRESS

Moderator: Chris Wallace

Panel: Ellen Hume, Robert Kaiser.

Guests: Senator Howard Baker, Shimon Peres.

Wallace: The White House seems to have changed its strategy in the last few days, after a string of revelations that the President is more deeply involved. Suddenly, from the President on down, you're all saying, "Well, even if he was involved, it was legal." Is that your fall-back position?

Baker: No, it certainly isn't a fall-back position. That's been our position all along. I agree with you -- the press coverage has changed. And it may be because I think there is a general perception that the President now is telling the truth when he says that he was not uninvolved, did not know of, the diversion of funds. But I've contended all along as has the President that he's done nothing illegal, that he has never tried to conceal the facts, that he wanted to see the contras survive and there's nothing new about that.

Wallace: Well, what about -- because I have to tell you, I cover the White House everyday as you well know, and it was only this week that I suddenly started hearing from the President, from Marlin Fitzwater, from other officials on background that even if he was involved, even if he did know about and did solicit, that it was legal.

Baker: It was legal -- has always been legal. But that's not a new position. You know, take the Boland amendment for example. For the last couple weeks I have been absolutely astonished to hear people say, and the general perception to be, that it was illegal for the government, any agency of the government or the President to try to solicit funds for the contras. That was never, never the language of the Boland amendment in any of its several configurations. The Boland amendment specifically provided that no fund appropriated could be used by the CIA, by the DEA of whatever it was, by the State Department, or by any other intelligence apparatus. That's what it said -- it never mentioned the President or any other agency of government.

Wallace: But Senator, forgive me, this reminds me of the old lawyers statement, "If the facts are against you, argue the law." Back in 1985 when all of this was going on, Bud McFarlane was testifying before Congress and saying yes indeed, the NSC was covered by the Boland amendment. And when they'd ask him, "What's Oliver North up to?" he'd deliberately misled them and said, "He's up to nothing." If it was all legal -- if the President and Oliver North and Bud McFarlane could have done it back then, why didn't they do it openly? Why did they sneak around?

Baker: I'm not saying that. And they didn't sneak around as far as the President was concerned. The President helped in raising funds for the contras, he went on television and spoke of raising funds for the contras, he thanked people for raising fund so that you could have t.v. programs to try to affect the opinion of Congress on this. There was no secret about that. You're speaking of the lawyer's argument -- the lawyer's argument until now has been that it is illegal for the President to do anything with respect to Central America and the contras. All I'm saying is that was not the law -- it was never the law. And that's what the White House is saying.

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MEET THE PRESS continued

Hume: But Mr. Baker, aren't you now trying to have it both ways? Originally, the idea was that the President really didn't remember much about it. He just said again, I think on Friday, "Gee, I really don't remember much about this ransom payment, this alleged ransom payment." And yet at the same time you've spent weeks depicting him as a hands-on President. And it turns out that he did know a lot about this. In fact, he says it was his idea to have this contra effort. So, which way it is? Did he know about exactly what was going on? And where did he raise objections? What does he think Oliver North did wrong? Anything?

Baker: Let me say this -- I have never, ever contended that Ronald Reagan was disengaged or there was a hands-off Presidency. Since the first day that I knew Ronald Reagan in 1966, I knew him to be a man very much involved in many affairs of his political career. And I found that still be to be the case when I came to the White House. Now I can't say what it was in November 1986 -- I don't know that. All I can tell you is that I find an alert President who is fully engaged at this time. That does not however say that Ronald Reagan knew every detail or that everything that was going on was related to him. The President, on the contrary, has specifically said, "I did not know that there were any extra funds raised or they were diverted to the contras," and I believe him.

Hume: Aside for the diversion issue, is there anything else that he's had -- that he's expressed to you -- about this contra private supply network?

Baker: No, I don't know of any. You know he's very up front with it. He says after the Boland amendment -- and there are about seven variations of it -- said that the funds appropriated by Congress can't be used by the CIA or the DOD or other intelligence apparatus -- he made no bones of the fact that he did not want to see the contras cut adrift. And he said that publicly, many times in the past. And he urged and encouraged that the country, the Congress, support them. But I don't know of anything at variance with what the President has done in the past and what is being printed and reported now.

Kaiser: Senator, with respect, the Boland amendment doesn't mention any agencies, it says that the money can't be spent by any aspect, any agency of the government that deals with intelligence.

Baker: That's not quite what it says, Bob. What it says is that it can't be spent by the CIA, by DOD or by other agencies, other intelligence agencies of the government.

Kaiser: Agencies that deal with intelligence. And McFarlane said at the time and he said again last week it was absolutely clear to him that that meant that the executive branch officials could not solicit military aid for others...testified explicitly, "I can't do anything now, I'm under the Boland amendment," when he was Assistant Secretary of State.

MEET THE PRESS continued

Baker: Really, let me disagree with you again. I don't believe that's what Bud said. Bud came close to saying that. But the dispute, the apparent dispute, between Bud and the White House is on the question of whether NSC is an intelligence agency. And Bud takes the position, I think, that it was; the White House has taken the position that it was not. Now I don't know the answer to that. But Bud McFarlane was not saying that the White House was in violation of the Boland amendment in general. He was saying that he considered the NSC to be an intelligence apparatus. Now there's a vast difference between alleging that the Boland amendment said that the President of the U.S. could not do these things vs. saying that intelligence agencies could not do these things.

Kaiser: Let's go to the next step -- the White House seemed to be saying at the end of the week that the President's ability to conduct foreign policy could not be limited by Congress. Is that the position you want to take?

Baker: It may be, but I don't think you have to reach that point. That's a very good constitutional argument that is now and will be debated for a long time -- that is to say -- can the Congress limit the President's authority under the Constitution to administer the foreign of this country? There's a strong argument that is cannot -- that Congress can't do that. but you don't have to reach that argument. All you have to do is acknowledge, as I'm trying to say, that the Boland amendment is...specific and it applies only to particular agencies that is DOD, CIA and to the State Department and it did not include in it the President -- so you don't have to reach the constitutional argument.

Wallace: Senator let me try to button this up so we can move on to other subjects...is it your view then that it was perfectly legal for Oliver North to be running the supply of the contra out of the White House -- giving money, giving arms, all those things -- out of the NSC?

Baker: I simply don't know the answer to that. All I know is--

Wallace: ...Was it (the Boland amendment) legal?

Baker: I cannot tell you that. All I can tell you is does not apply to the President. The President has done nothing illegal.

Wallace: Let me ask you something else. The President says that he can't remember whether or not he approved a ransom plan in 1985. Now the fact is Bud McFarlane testified under oath this week that he did discuss it with the President and Oliver North wrote a memo at that time saying that it was a ransom plan -- do you really have any doubts that that was what was going on then?

Baker: Of course, but you've got to distinguish between what the President was talking about and what you're talking about. The President says, "I never paid ransom." The President acknowledge just this past week that he was privy to conversations about supplying funds to get past check point, to get past guards, to get past others so we could try to rescue our hostages. What the difference between a ransom payment and a payment to get past guards? There's a big difference -- the difference is that you're not paying the captures and rewarding their misfeasance.

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Monday, May 18, 1987 -- C12

MEET THE PRESS continued

Wallace: But Senator, you know I have the document here -- this is the top secret Oliver North memo to Bud McFarlane in June 85 that was declassified this week. And in it it's clear -- they're not talking about bribing -- they're talking about ransom.

Baker: Well, the President's not talking about that--

Wallace: Quote, "This effort will produce two hostages and additional hostages will be released for \$1 million each."

Baker: I believe you. I don't dispute that document one bit.

Wallace: This is a memo going through channels here between -- it was from Oliver North to Bud McFarlane. Do you think that they didn't tell the President what was--

Baker: The President has said he did not know of any plan to pay ransom and I believe that.

Hume: Is it just a case of semantics -- is it like the Dannoloff swap -- that it wasn't really a swap -- of the Iceland summit -- it wasn't really a summit -- this wasn't really a ransom?

Baker: Really, it isn't. Look, we're dangerously close to doing what lawyers do best and I'm a lawyer and that is shoveling smoke. That's what Justice Holmes said about us once. But there really is a fundamental, fabulous difference between paying ransom to your captors in order to gain their release and thus rewarding their crime on the one hand vs. paying money to get past check points in Iran, to bribe guards and to gain the release of your hostages -- they're two vastly difference things. That is not a lawyer's argument -- it's a practical argument.

Kaiser: Let me put it another way. Secord was in the stand a week before last and he testified that this a private operation -- it had nothing to do with the government. It was launched by a Presidential intelligence finding, the currency involved was arms out of U.S. arsenals. It was in pursuit of U.S. policy objectives and yet Secord said it was just a private operation. Do you accept that bizarre distinction?

Baker: You're talking now about the Iran arms shipment?

Kaiser: The enterprise as he called it.

Baker: I don't know how to characterize that, Bob. I will tell you that there was an official finding perhaps after the fact, I'm not sure about that, to authorize the exchange of Israeli arms to moderate Iranians, as the President described them, and to try to provide a new opening and to provide an opportunity to those arms that Israeli's supplying to be replenished. But how to characterize that, I'm afraid I'll have to leave to others. It was not, however, from the government standpoint, a private initiative. But that does not mean from Gen. Secord's standpoint it could not be a private initiative, because after all he was a private citizen.

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MEET THE PRESS continued

Wallace: Senator, let me change subjects on you if I can. I know you're going to want to get off the Iran-contra thing.

Baker: No, I'm having fun.

Wallace: Let's go on to arms control because there are continual reports that the White House is mad at Defense Secretary Weinberger because he agreed with the NATO ministers this week that instead of the agreement that the President and Gorbachev had in Iceland, which was 100 medium-range missiles outside of Europe, that you should go for a total ban on all medium-range missiles. Are you mad at Cap Weinberger?

Baker: No, no. The Administration, the President is not mad at Cap Weinberger. I have to tell you that I, like you, read that account and was concerned about its implications. For instance, was Cap saying that we ought to officially and formally revise our negotiating position and take the draft treaty off the table? So I talked to Cap. He was in Oslo at the time he made those statements. He was back here shortly, within hours, after that. And he assured me that what he said was perfectly within the range of the President's instructions -- that is to say we have tabled a draft treaty which provides for 100 on a side of INF -- intermediate range missiles -- but that we have conveyed to the Soviet Union and to our NATO allies that the President has a strong preference for zero-zero on both sides.

Wallace: Would you consider redrafting the draft treaty in Geneva to make it, instead of 100 on each side, a total ban?

Baker: If the Soviet Union would be interested in that I think we would agree in a minute to zero-zero on a side.... Once again we're acting like lawyers -- we're putting too much confidence, or too much importance in what a draft treaty is. The U.S. position, as stated by the President of the U.S. is that we would like to negotiate on the business of the removal of intermediate-range missiles from Europe, retaining only 100 on each side, but not in Europe and elsewhere in the world. The President has also expressed his preference for zero-zero.

Kaiser: But if the Russian want the 100 still, we'll accept the 0-0 still -- we haven't changed our minds?

Baker: I'm not going to say that except to point out that that is still the official U.S. negotiating position. Let me say one word about -- we've got a real opportunity here, in my opinion, to get a meaningful reduction in the level of nuclear weapons. The President is committed to that effort. We have set up a system to bring in outside experts to consult with the President on this -- we brought it--

Wallace: I'm sorry. I appreciate very much you coming in and unfortunately, we're just out of time.

Editor's Note: The second guest was Israel's Foreign Minister Shimon Peres who discussed the bitter division in Israel over an international peace conference. He touched on his meeting with Secretary of State Shultz and his ideas on the U.S.'s role in this peace plan. A full transcript is available from the News Summary office.

THE McLAUGHLIN GROUP

Moderator: John McLaughlin.
Morton Kondracke, Robert Novak.

Panel: Mark Shields, Jack Germond,

On The Iran-Contra Hearings:

McLaughlin: When Bud McFarlane says that President Reagan is without fault -- is this the literal truth or is he being a good soldier and putting a wall around his commander-in-chief?

Shields: Yes, he is being a good soldier. Watching Bud McFarlane is just watching a man in great anguish and great pain. He's obviously a tormented fellow.

Novak: Shield is trying to give the impression that he's lying to save the President and that's not true at all. The trouble is that people like Shields is using this as an attempt to discredit the Reagan Administration, discredit the Reagan Revolution and the tremendous overplay in the media indicated that the media is accomplices in the whole thing.

Germond: The truth of the matter is you cannot protect the President because the picture that is emerging has two elements -- one is the President knew a great deal about the money raising and the second one is the President knew nothing (of) what people were doing in his name.

Kondracke: What we've got to go after here is whether the President is impeachable or if he committed a crime. The President has not been proved to have committed a crime. And on the basis of the McFarlane testimony...there's nothing illegal about it. I don't see that this has advanced the case against Reagan at all.

Germond: There was this consorted Reagan-inspired effort to get around the Boland amendment.

McLaughlin: What's the most important thing that Bud McFarlane has said? ...let me help you all...McFarlane's most important statement is this...North took orders from Casey. Casey has had his last laugh from the grave. What do you make of that?

Shields: I think someone has to stand up for Bill Casey last week...Casey's going to be the heavy in the whole thing.

Novak: This whole thing stated because of the shocking news that we were sending shipments of arms to Iran...but what are these hearings about? They're not about those thing -- what they're about is the program...to discredit the Congress and prevent Congress from passing more aid--

Germond: We have learned already that the fiction that there was any reason for us to send arms except to deal with hostages was indeed a fiction.

McLaughlin: Is public interest in the Irangate hearings building at present or ebbing?

THE McLAUGHLIN GROUP continued

Shields: Thanks to the rhetoric of Bud McFarlane...its ebbing.

Novak: Ebbing.

Germond: Ebbing.

Kondracke: It's in a dip.

McLaughlin: Ebbing.

On Congressional Budget Proposals:

McLaughlin: Is Reagan's defense buildup about to be torn down?

Novak: It's not about to be torn down -- it is being halted. The question is, "Are the Democrats going to impose a tax increase as the nose under the tent as a ... as bigger things to come?"...

Germond: He (the President) is going to swallow a tax bill and it is no big deal.

Kondracke: I'm in favor of the taxes, but what really distresses me is the way the Congress is removing from the President the threat of the deployment of SDI that will enable him to get a bargain, if he can get a bargain, in Geneva....

McLaughlin: The debt ceiling is back on the table--

Novak: You're going to have an impasse on that. You're going to possibly have payless days for the government -- gonna be a lot of fun and games -- gonna be a lot of difficulty.

Shields: I think this time it'll be part of the whole arrangement which will be the tax increase on the budget....

McLaughlin: Will the Congress enact a appropriations measure amounting to about \$15 billion in excise tax?

Germond: Yes.

Novak: It's very embarrassing that you don't understand how the system works. You do not have taxes on an appropriations bills. The tax bill will come maybe a year from now, not much sooner. I think there is a better than 50/50 chance it will be vetoed.

Kondracke: Yes. It is very interesting that Novak is not confident that Reagan would veto such a bill.

Shields: I think what the President will do is that he'll get some changes on the budget process and that will be his way out.

Monday, May 18, 1987-- C-16

THE McLAUGHLIN GROUP continued

On Wedtech/Attorney General Meese:

McLaughlin: Is this scrutiny justified or has a partisan Democratic witchhunt forced Meese to seek the independent counsel inquiry?

Kondracke: The problem here is that Ronald Reagan presumed to lead the people morally and what's happening is that down beneath him you've got all of his cronies now suddenly dipping in pies, into pools of cash for one thing or another...

Germond: This is the Administration where David Fischer, who used to carry his coat, gets \$20,000 a month to bring people in to meet the President.

Shields: This was a call back in 1982...the fact of the matter is there hasn't been an Administration in the history of the country where you don't make calls for friends.

McLaughlin: Will Ed Meese be Attorney General on September 15th?

Shields: Yes.

Novak: Ed Meese was protecting himself -- his whole involvement in this is so peripheral -- but there are a lot of people in this town who view Ed Meese as the devil and they've been trying to get rid of him.

Germond: Yes, absolutely.

Kondracke: He'll still here.

McLaughlin: (He) will not be Attorney General -- he will take a leave.

Predictions:

Shields: The Democratic nominee for President is in the field right now -- it will not be Nunn or Bradley. Second prediction -- the SMU football team will go undefeated in 1987.

Novak: The pressure on the tightening up of security in embassy is going to lead to demands in the Senate for the removal of Harry Barnes as Ambassador to Chile because of his wife's indiscretions in Romania.

Germond: There are a group of former Hart supporters, particularly in the South, led by John Mills of Florida, who are trying to form a bloc to move in a group to another candidate later in the year.

Kondracke: The Reagan Administration wants a substitute missile for the INF and short-range missiles that are going to be removed from Europe -- it's called the Lance 2 missile. It's still on the drawing board. If an when we want to deploy that missile, you will see a fight in Europe like you had over INF.

McLaughlin: In the political comeback of the month John Y. Brown will defeat four competitors for the nomination and will go on in November to win the governorship from Kentucky.

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AGRONSKY & COMPANY

Moderator: Martin Agronsky Panel: Strobe Talbott, Elizabeth Drew, Carl Rowan, James J. Kilpatrick.

On The Iran-Contra Hearings:

Agronsky: How bad a week was it for the President?

Talbott: Bad. It put the lie to what has been the White House strategy, which was that Presidential ignorance was the best defense -- now it's pretty clear that the President knew a great deal and he liked a lot of what he knew.

Drew: It's been a very difficult two weeks for the President.... They are now trying a new tactic at the White House which is to say that the laws passed by Congress...does not apply to the President. I have a feeling it (this theory) won't fly.

Rowan: The White House must worry that this has been a terrible blow to the President's credibility....

Kilpatrick: I'm in total disagreement...I don't think these two weeks have been all that bad for the President. These hearing have produced little but nitpicking, petty contradictions, nothing it seems to me of great significant.... Let's getting over this business of convicting them on a fairly murky law.

Agronsky: Let me give you a crack at answering the question that Rep. Hamilton addresses to McFarlane, "If the Nation Security Advisor...did not provide complete and accurate answers to the Congress on substantive matters of American foreign policy what can we do?"

Kilpatrick: I wouldn't provide complete and accurate answers to Congress in a covert operation of this sort -- (it would be) leaked all over town within 24 hours.

Drew: The key Boland amendment...so what the Administration did, because it didn't like that law, was set up a covert operation in the NSC.... On of the things you're seeing is the White House keeps shifting its defense. It rather liked the Tower Commission.... Somehow I think they are trying to argue that the President is above the law. I don't think that will work.

Talbott: Let's get back to the question not of the White House's defense, but what the principle offense was on the part of the White House. There was more than a secret operation -- there was a secret policy. I think that really goes to the heart--

Kilpatrick: What's so secret about that?

Talbott: The legislative branch made clear that that policy was to ends -- the policy of funding the contras. So the executive branch then continued the policy in secret. It was more than just an operation -- it was an entire policy.

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AGRONSKY & COMPANY continued

Kilpatrick: You just took away the President's right of free speech.

Drew: No one is arguing the President's right to (go) to the public to support his policy. What we have here...Congress said no.... It's quite clear they were reflecting public opinion. The President doesn't really have a choice here to decide that he doesn't like this law...and simply set up a large scale covert operation to violate that law.... The Boland amendment said, "no assistance direct or indirect." The point of indirect was to prohibit them from going to third countries....

Rowan: ...There must be a finding.... We now learn there was no finding -- no notification of Congress. And again, they try to hide this because at the very moment the President is talking about how he would never ransom hostages, he is approving someone toting \$2 million to try to do a ransom.

Kilpatrick: Haven't you all trashed Reagan enough?

Talbott: ...On this business of trashing Reagan that's exactly not what is going on here. Absolutely not. This whole drama is...in the final analysis I don't think anybody involved in a responsible position either wants to get Reagan or expects that the outcome of this whole process will be to drive him from office. IF this were Nixon, he'd be on the brink of impeachment now.

Drew: For the most part this is a highly bipartisan proceedings. There are several Republicans who are being just as tough on the Administration than some of the Democrats....

Rowan: ...Now there's nobody alive who can believe Casey wasn't talking to Ronald Reagan.... Then along comes McFarlane and he testifies that Oliver North was taking directions from Casey. Those Senator are right when they say a awful lot of secrets may have gone to the grave with Casey, because a lot of people think he was the mastermind behind North.

Drew: It's very convenient for someone like McFarlane to say he felt North was taking his orders from Casey.... It still gets back to the fact that) the President has to be held accountable for the actions of his Administration.

Agronsky: There is no stomach whatsoever in the Congress, among the media or in this country to see Mr. Reagan brought to impeachment.

-End of News Summary-



News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, MAY 18, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

Iraqi Air Strike On U.S. Navy Ship -- A U.S. Navy frigate was hit Sunday night by at least one of two missiles fired by Iraqi jets in the Persian Gulf, officials said. (Washington Post, AP, Reuter, UPI)

Shultz Sees Progress On Mideast Peace Conference -- Secretary Shultz said there has been progress towards arranging an international conference that could bring about direct Mideast peace talks between Israel and its Arab neighbors. (Baltimore Sun, Washington Post, Reuter)

IRAN-NICARAGUA

White House, NSC Exempt From Aid Ban, Reagan Says -- President Reagan says the Boland Amendment barring U.S. aid to the Nicaraguan resistance from October 1984 to October 1986 applied neither to him nor to his National Security Council. (Baltimore Sun, USA Today, Wall Street Journal, Washington Post, Washington Times, AP, Reuter, UPI)

NETWORK NEWS (Sunday Evening)

IRAN-CONTRA -- With the Iran-contra hearings entering their third week, White House damage control efforts are speeding up.

PERES -- Israeli Foreign Minister Peres insisted there must be a full scale peace conference on the Middle East and asked U.S. support.

BRITISH ELECTIONS -- Prime Minister Thatcher launched her third election campaign.



INTERNATIONAL NEWS

U.S. Ship Hit In Persian Gulf, 3 Dead, 30 Unaccounted For

Three U.S. sailors were killed and 30 others were unaccounted for when an American guided-missile frigate patrolling in the Persian Gulf was attacked by Iraqi aircraft in an apparent case of mistaken identity, the Pentagon said.

Lt. Col. Arnold Williams, a Pentagon spokesman, said three crewmen were known dead and 30 were not accounted for, apparently still in the portion of the ship that was hit.

Lt. Cmdr. Chris Baumann, also a Pentagon spokesman, later said that five sailors were recovered alive from the water, causing the number of unaccounted for to be "at or close to 25."

"The fires appear to be under control, but one portion of the ship is still too hot to enter. Until it becomes possible to enter the space, we expect that the number of the unaccounted-for will remain at close to 30," Williams said. (Norman Black, UPI)

Iraqi Air Strike On U.S. Navy Ship

A U.S. Navy frigate was hit Sunday night by at least one of two missiles fired by Iraqi jets in the Persian Gulf, officials said. At least three Americans were killed and 30 were unaccounted for as the burning ship was "dead in the water."

Secretary Shultz denounced the attack, saying, "The ship at last report was dead in the water. The entire crew was taken off. There have been serious casualties.... We take this with the utmost seriousness."

Shultz said President Reagan was "following the situation closely."

Two French-built Mirage F-1 fighter-bombers from Iraq each launched an Exocet anti-ship missile from 20 miles over the horizon in darkness at the guided missile frigate USS Stark, officials said. At least one missile hit the ship as it patrolled international waters about 85 miles northeast of Bahrain. (Richard Gross, UPI)

U.S. Frigate Hit In Gulf, Shipping Sources Say

BAHRAIN -- Three Crewmen were killed and more than 30 were missing and unaccounted for aboard a U.S. Navy frigate hit by an Iraqi missile in the Persian Gulf, the Defense Department said.

The attack last night started a fire aboard the vessel which burned through the night, but it was brought under control early today and the ship did not appear to be in danger of sinking, a Defense Department spokesman said.

He said that "one area of the ship is still too hot to enter," and it was thought many of the missing might be in this part of the ship.

(Reuter)

U.S. Warship Attacked In Persian Gulf

MANAMA, Bahrain -- A tugboat towed the smoldering USS Stark toward port in the Persian Gulf after a missile tore into the ship, killing at least three crewmen in the first attack on an American warship in the Iran-Iraq war.

U.S. officials in Washington said the Stark was hit by a missile fired by an Iraqi warplane in "a case of mistaken identity." The State Department issued a strong protest.

However, gulf-based shipping sources said the frigate was fired on by a gunboat. Most gunboat attacks in the gulf are carried out by Iran.

Neither Iraq nor Iran issued any immediate comment.

At the State Department, spokeswoman Deborah Cavin said: "We have strongly protested the attack to the Iraqi ambassador in Washington and instructed our ambassador in Baghdad to make a similar protest there."

(Aly Mahmoud, AP)

Iraqi Missile Sets U.S. Frigate Ablaze

A U.S. frigate on patrol in the Persian Gulf was seriously damaged last night and at least one crewman was killed when the ship was hit, apparently inadvertently, by a missile fired from an Iraqi fighter plane, the Pentagon reported.

Pentagon officials said that fires aboard the ship, the USS Stark, were under control early today and it was heading for Bahrain, about 85 miles away, but that there was concern it might not make it. Nonessential personnel from the ship were evacuated to the USS Waddell, one of two other U.S. Navy vessels with the Stark at the time of the attack, U.S. officials said.

The White House promptly demanded a "full and complete explanation" from Iraq, a spokesman said.

(George Wilson & Lou Cannon, Washington Post, A1)

U.S. STILL HOPES TO ELIMINATE ALL INF MISSILES, BAKER SAYS

White House Chief of Staff Howard Baker refused to say the U.S. would sign a treaty leaving the Soviets with 100 intermediate-range nuclear missiles in Asia.

But he reaffirmed "that is still the official U.S. negotiating position," while making it clear the U.S. would prefer to eliminate intermediate missiles altogether.

(Willis Witter, Washington Times, A4)

WEINBERGER PLAN COULD STRENGTHEN ALLIED HAND

West European concern about terms of a possible nuclear missile agreement gives Defense Secretary Weinberger ammunition to seek a tougher negotiating stand at the Geneva arms talks, U.S. officials say.

For the record, the White House denies reports of internal division over how far to push the Soviets on reducing medium-range missiles while NATO countries remain undecided on how also to eliminate shorter-range weapons in Europe.

But Weinberger's success in a meeting of NATO defense ministers last week in Norway was welcomed by the defense secretary and his supporters as possible increased leverage from the current stance with the Soviets in Geneva.

(Norman Sandler, UPI)

KOHL DEALT SETBACKS IN ELECTIONS
West German States Back Party Seeking Euromissile Accord

BONN -- Chancellor Helmut Kohl's Christian Democratic Union suffered significant setbacks in two state elections today, and the results were viewed as a sign that West German voters were worried that Kohl's party was holding up a U.S.-Soviet nuclear arms accord.

The Christian Democrats lost their absolute majority in the southwestern state of Rhineland-Palatinate, Kohl's home state, for the first time in 16 years although they still will dominate the government there. They were toppled from their six-month-old position as the largest party in the northern port of Hamburg.

The detente-minded Free Democratic Party, the junior partner in Kohl's center-right coalition in Bonn, scored substantial gains and was set to enter the ruling coalition in both state legislatures.

(Robert McCartney, Washington Post, A1)

JUSTICE DEPT. TO TAKE OVER EMBASSY MARINE SPY CASE

The Justice Department is expected to take over the case against a U.S. Marine embassy guard suspected of spying for the Soviet Union while posted at the U.S. Consulate in Leningrad, according Administration officials.

"We're expecting a referral (of the case) any day," said one Justice official, who declined to be named. The decision is expected soon, the official said.

(Bill Gertz, Washington Times, A2)

U.S. BACKS MIDDLE EAST CONFERENCE
'Opportunity' Seen By Shultz Despite Division In Israel

Secretary Shultz gave a strong official U.S. endorsement to the idea of exploring an international peace conference on the Middle East, even though the proposal has caused bitter division in Israel and threatens to topple that country's coalition government.

In a speech to the American Israel Public Affairs Committee, the principal pro-Israel lobbying group, Shultz repeated that the U.S. is neutral in the dispute between Israeli Prime Minister and Foreign Minister Shimon Peres. But he left no doubt that the Reagan Administration sides with Peres' desire to pursue the possibility of Israeli negotiations with Jordan under the umbrella of an international conference.

(John Goshko, Washington Post, A1)

Shultz Sees Progress On Mideast Peace Conference

Secretary Shultz said there has been progress towards arranging an international conference that could bring about direct Mideast peace talks between Israel and its Arab neighbors.

"Now there recently has been progress toward such a negotiating format which would offer serious prospects of reaching an agreement between the parties of peace," he told 1,200 members of America's most powerful pro-Israel group.

But while Shultz said an international conference should be seriously explored, he insisted the U.S. would not go forward unless the divided Israeli government was united on the idea and unless the two allies were prepared to walk away if the conference failed.

(Carol Giacomo, Reuter)

Peres Considers Leaving Soviets Out Of Any Talks

NEW YORK -- Diplomats trying to arrange an international peace conference on the Middle East may have to work on alternatives that would leave the Soviet Union out of the negotiations, Israeli Foreign Minister said.

"I think we shall try, the U.S. and Israel together, to see where the Russians are, if they're available for a constructive opening of direct negotiations," Peres...told the American Jewish Committee, "If not, we shall look for alternatives."

(Baltimore Sun, A1)

IF THE CONTRAS COLLAPSE, U.S. FACES
BIGGER TASK OF CONTAINING MARXISM

TEGUCIGALPA, Honduras -- Congress last year approved aid to Nicaragua's contras by a whisker, and that was before the Iran-contra arms scandal.

Now, Congress probably will cut off military aid -- a move that many think will doom the rebels' seven-year effort to oust Nicaragua's Sandinista government. And observers throughout Central America worry that Washington still isn't focusing on the vital question: What happens then?

(Clifford Krauss, Wall Street Journal, A1)

EDITOR'S NOTE: "Pattern Of Abuses Seen In Nicaragua," by William Branigin, appears in The Washington Post, A1.

IRAN — NICARAGUA

WHITE HOUSE, NSC EXEMPT FROM AID BAN, REAGAN SAYS

President Reagan says the Boland Amendment barring U.S. aid to the Nicaraguan resistance from October 1984 to October 1986 applied neither to him nor to his National Security Council.

"There is nothing in the law that prevents citizens, individuals or groups from offering aid of whatever kind they wanted, and my interpretation was that it was not restrictive on the National Security Adviser or NSC," Reagan said.

Previously, Reagan has insisted that he did not know anything about money diversions from Iranian arms sales to the contras and was waiting to find out what happened to the funds.

Instead of pleading ignorance, the President now says he knew a great deal about private fund-raising efforts for the contras and has even said this was his idea in the first place.

(Jeremiah O'Leary, Washington Times, A1)

President's Contra Story Shifts Gears

The White House, reacting to hearings into the Iran-contra affair, is shifting its defense.

The hearings resume Tuesday, after revelations last week that saw the White House like a peeling onion -- admit new layers of involvement.

At week's beginning, the White House said President Reagan did not solicit contra contributions from foreign leaders, and did not know of plans to ransom U.S. hostages.

By week's end, Reagan said he discussed a \$2-million-a-month donation to the contras with Saudi King Fahd, and may have approved \$2 million in bribes to spring hostages.

And Reagan, after weeks of portraying himself as detached, told reporters Friday he was uninformed only about the diversion of funds from the Iran arms sales. U.S. efforts to fund the contras, he said, were "my idea to begin with."

(Johanna Neuman, USA Today, A6)

White House Case Against Boland Amendment Attempts End Run Around Charges Of Violation

In an abrupt change from its previous tactic of carefully denying that the President violated the (Boland Amendment), the White House has begun asserting that the act didn't even apply to him. "It so happens it doesn't legally apply to me, but I have never done anything that encroaches upon it or violates it," President Reagan said over the weekend.

In recent days, the White House has attacked the Boland Amendment, which lapsed last fall, as a vague, narrow and shifting statute that couldn't restrict the President's constitutional authority to conduct foreign policy. The Administration now argues that the amendment, which prohibited any agency involved in "intelligence activities" from militarily aiding the contras, didn't apply to the President himself or his National Security Council staff.

The White House has adopted this aggressive new strategy largely for political reasons: White House aides feared a "perception" was building that Reagan had done something sneaky or illegal. And by simply denying that he had broken the law, the aides felt, Reagan was beginning to appear weak or ignorant.

(Gerald Seib, Wall Street Journal, A56)

Iran-Contra Hearings Draw Reagan Out, White House In

As congressional hearings draw the White House ever deeper into the Iran-contra scandal, President Reagan has grown more vocal in his denials and in defense of his past actions.

After initial anxious watching and waiting to see where the televised public hearings would lead, Reagan and his aides began speaking out last week about what was done and, even more significantly, whether it was legal.

Hair-splitting over the scope of congressional bans on aid to the Nicaraguan contras continued during the weekend, with Reagan himself plunging into the fray to insist he never was barred from drumming up non-government support for the rebels at a time when U.S. military aid to them was illegal.
(Norman Sandler, UPI)

Legal Lines Of The Boland Amendment

Fourteen years ago, Sen. Howard Baker wanted to know what the President knew and when he knew it. Today White House Chief of Staff Howard Baker wants to make it clear the President knew of nothing illegal.

Baker (on NBC's "Meet the Press") argued that the Boland amendment...barred only the CIA, Pentagon, State Department and other intelligence agencies from providing direct or indirect military assistance to the contras.

The lawyer and former lawmaker challenged the interpretation offered last week by former National Security Adviser Robert McFarlane that the language of the measure also applied to the White House and NSC.

(Henry David Rosso, UPI)

White House Denies New Reading Of Contra Law

White House Chief of Staff Howard Baker has rejected suggestions the Reagan Administration adopted a new interpretation of the Boland amendment barring aid to Nicaraguan contra rebels.

"It (the President's action) was legal, always had been legal. But that's not a new position," Baker said on NBC's "Meet the Press."

"The President helped in raising funds for the contras even on television, and spoke of raising funds for the contras," Baker said.

(Reuter)

Baker Denies Reagan Violated Aid Ban

While asserting that President Reagan "has done nothing illegal," White House Chief of Staff Howard Baker failed to endorse the President's contention that the National Security Council was not covered by a law barring intelligence agencies from aiding Nicaraguan rebels.

Baker said "the White House has taken the position" that the NSC staff did not constitute an intelligence agency and thus was not covered by the ban on assisting the contras, which is known as the Boland Amendment. But, he added, "Now, I don't know the answer to that" -- whether the White House was correct on the law.

(Mark Matthews, Baltimore Sun, A1)

Lawmakers Dispute Reagan's Claim That Contra Aid Ban Didn't Apply To Him

Congressional investigators looking into the Iran-contra affair say President Reagan is wrong when he asserts he was exempt from congressional restrictions on U.S. aid to Nicaraguan rebels.

"He's not a king and this is not a monarchy," Sen. George Mitchell said on ABC's "This Week with David Brinkley." "The reality is that Colonel North was engaged in activities covered by" the Boland Amendment that banned U.S. aid to the Nicaraguan contras.

Rep. Jack Brooks said on CBS's "Face the Nation" that the President "is clearly wrong" when he says the restriction didn't apply to him.

(Tim Ahern, AP)

'85 Plan To Free Hostages Wasn't Ransom, White House Says

White House Chief of Staff Howard Baker asserted that President Reagan "did not pay ransom" in approving a 1985 plan to have American hostages in Lebanon freed through bribes of \$1 million apiece.

"The President has said he did not pay ransom and I believe that," Baker declared. Baker said Reagan did know of plans to supply funds "to get past checkpoints, to get past guards, to get past others, but that any description of such payoffs as "ransom" would be incorrect.

Baker also reiterated the Administration's view that "the President did nothing illegal" in his support for the rebels in Nicaragua. Baker said that the Boland Amendment, which prohibited U.S. intelligence from supporting the contras militarily, clearly did not apply to the President and perhaps not to the National Security Council.

(George Lardner, Washington Post, A6)

ORDERS AND INTENTIONS

President Reagan's style on the big-ticket items of his presidency has been to proclaim his agenda and let subordinates decide on the best way of accomplishing it.

Now, Reagan is trying to have it both ways, declaring that he has gone all-out to aid the contras while distancing himself from the Iran arms-sale diversion. His strategy has tarnished his new White House staff. White House officials, including National Security Adviser Frank Carlucci, concealed for two months the knowledge that Reagan and Fahd had discussed contra aid. White House spokesman Marlin Fitzwater defended the solicitations while denying Reagan's involvement in them.

Last week, Reagan made another speech about the Latin America in which he again declared that "the freedom fighters' fight is our fight." He might stand a better chance of persuading a skeptical nation on that score if he decides that it is time to tell all he knows about outside contributions to his favorite cause instead of letting investigators and reporters drag out the information piece by piece.

(Lou Cannon, Washington Post, A2)

CONTRA LEADER COLERO FACES IRAN-CONTRA PANELS

Nicaraguan contra leader Adolfo Calero, a soft-drink bottler turned hard-bitten guerrilla, faces the congressional Iran-contra committees this week to testify about money and arms for his rebel army.

Calero, head of the largest U.S.-backed force fighting Nicaragua's leftist Sandinista government, has denied his group received any of the profits from President Reagan's secret sales of arms to Iran.

(Michael Myers, UPI)

WEBSTER: I INTEND TO SEE IF CIA ACTED ILLEGALLY IN IRAN-CONTRA AFFAIR

FULTON, Mo. -- William Webster, nominee for CIA director, said that he did no plan "a witch hunt" but did intend to find out whether anyone in the CIA acted illegally in the Iran-contra affair.

"I believe I have a responsibility to review what does come out, to review particularly the findings of the inspector general of the Central Intelligence Agency; to determine whether or not any individual departed from the rules," Webster said at a news conference here after he delivered the commencement address at Westminster College.

(Lynn Byczynski, Scripps Howard)

OWEN SAID TO HAVE BEEN PRIVY TO PLAN TO ASSASSINATE CONTRA LEADER

Robert Owen, who served as Lt. Col. Oliver North's secret courier to the Nicaraguan contra rebels, is reported to have attended two meetings in 1984 and 1985 at which plans were discussed to assassinate rebel leader Eden Pastora.

A former U.S. mercenary, Jack Terrell, to the Providence Journal-Bulletin that he was asked, at the first of those meetings to come up with a plot to kill Pastora. He said he reported back with the plot at the second meeting.

Terrell said he decided to abandon the plot as far too risky because of the presence at both sessions of Owen and John Hull, one of Owen's associates (because of their government affiliation).

(Randall Richard, Scripps Howard)

EDITOR'S NOTES: "Iran Probe: Few Big Issues And Myriad Details," by Charles Babcock, appears in The Washington Post, A8.

"White House, Foes Debate Extent Of Contra Aid Ban," by Mary Belcher, appears in The Washington Times, A10.

NATIONAL NEWS

BUSINESS ECONOMISTS SAY WEAKER DOLLAR WILL FUEL INFLATION THIS YEAR

The U.S. economy will see significantly higher inflation this year because of a weaker dollar, but the falling greenback will finally begin to lift the fortunes of American manufacturers, leading economists predicted.

The National Association of Business Economists said its latest survey of members sentiment found more optimism that the country will be able to avoid a recession through 1988.

The economists, who work for some of the nation's largest corporations, forecast stronger growth this year, a lower trade deficit and a declining federal budget. But they said these favorable economic developments would be offset somewhat by a pickup in inflation.

(Martin Crutsinger, AP)

DOING DOUBLES DUTY

Celebrities, Pros Play Tennis For Mrs. Reagan's Drug Abuse Fund

Over a red-and-white striped tent that had been pitched on the White House lawn, "Wheel of Fortune's" letter-turning wonder Vanna White munched honey-roasted peanuts and talked politely with rapt fans gathered around. She was dressed in tennis whites for the third annual nancy Reagan Drug Abuse Fund tennis tournament, though she didn't play.

It was perfect tennis weather Saturday, and a crowd of about 250 gathered to watch show biz, sports and political powers swat balls, make quips and raise almost a half-million dollars for charity. The south lawn and the tennis court swarmed with celebrities -- every time you turned around there was some famous face next to yours.

(Kara Swisher, Washington Post, B1)

-End of A-Section-

NETWORK NEWS SUMMARY

(Sunday Evening, May 17, 1987)

IRAN-CONTRA

ABC's Sam Donaldson: Did President Reagan approve a cash ransom plan for U.S. hostages or did he not? A Senior White House official today confirmed the existence of a document that could clear up the question -- a question that arose when former National Security Advisor Robert McFarlane testified that Mr. Reagan did approve such a plan and the President declared that while he can't remember exactly what he approved, it certainly wasn't ransom.

ABC's Kenneth Walker: White House Chief of Staff Howard Baker revealed that the secret plan actually was authorized by the President as required by a written intelligence finding.

(Sen. Baker: "It may not have required a finding but there was a finding -- yes, there was a written finding with respect to this.") When told that Robert McFarlane had testified there was no finding, Baker reasserted that he was right.

(Sen. Baker: "Well, I may be mistaken, but I don't think so.") Congressional investigators certainly will demand a copy of the document to help prove whether the project was a ransom plan or, as the President vaguely claimed on Friday, a series of bribes and payments to people planning to rescue the hostages.

(The President: "I'm having some trouble remembering that -- it's possible that what we're talking about was use of money to pay people and hire individuals who could affect a rescue of our people there.")

(TV coverage: The President speaking from the podium in the White House Briefing Room.)

Baker also challenged McFarlane's testimony that he believed the Boland amendment did bar the NSC as well as other government agencies from aiding the Nicaraguan contras.

(Sen. Baker: "The apparent dispute between Bud and the White House is on the question of whether NSC is an intelligence agency and Bud takes the position, I think, that it was; the White House is taking the position it was not.")

A member of the Senate investigating committee, on "This Week With David Brinkley" took issue with that.

(Sen. Mitchell: "That is a reliance wholly on form as oppose to substance. If you accept that interpretation, then they could easily have subverted the law and made it into annuity.")

The apparent existence of a written finding on the ransom project raises the question or whether Congressional investigators have all the relevant documents from the White House. If some documents have been withheld, that would almost certainly overshadow the lawyers' debate about who and what was covered by the Boland amendment.

Donaldson: In the wake of Robert McFarlane's testimony last week on Capitol Hill, without a cloak of use immunity from prosecution, some members of the committees believe McFarlane may face indictment for perjury since he admitted he had not answered fully in a previous appearances before Congress.

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Donaldson continues: But McFarlane's lawyer, Leonard Garment, does not. Unlike other lawyers for key witnesses in the affair, Garment said he had not advised his client to seek immunity before testifying because McFarlane believes he has done nothing wrong. And, said Garment, "I don't feel he will go to jail." (ABC-Lead)

CBS's Susan Spencer: With the Iran-contra hearings entering their third week, White House damage control efforts (sped up) today. A big question -- was Mr. Reagan bound by Congressional restrictions forbidding military aid to the contra rebels of Nicaragua or was he free to act as he wished?

CBS's Jaqueline Adams: White House Chief of Staff Howard Baker stuck by his man today, insisted that all of President Reagan's efforts to help Nicaragua's contras rebels were legal. Baker defense, however, did not extend to the NSC.

(Chris Wallace: "Is it your view then that it was perfectly legal for Oliver North to be running the supply of the contras out of the White House? In term of the Boland amendment was it legal?")

Sen. Baker: "I cannot tell you that. All I can tell you is does not apply to the President. The President has done nothing illegal.") This White House effort to create a legal fire wall between the President and his staff, is, according to one constitutional expert, absurd.

(Laurence Tribe, Harvard Law School: "If the NSC cannot conduct special covert operations of aid to the contras, then surely the President cannot, behind the scenes as a kind of puppet master, orchestrate an effort of that kind, whether by the the NSC or by other groups. He is not outside or beyond the law.")

And what that means, Tribe says, is that the President may have committed an impeachable offense.

(Tribe: "I can think of few clearer impeachable offenses than using the office of the Presidency to subvert the laws of the land by creating a virtually private government to conduct an illegal war.")

So far no member of the Iran-contra committee has publicly raised the impeachment question. But committee staffer are studying the issue. White House officials, of course, dismissed the notion. But as the hearings enter week three, it's clear the President and his men do not have the kind of control over the unfolding drama that they'd like to have.

Spencer: Rob Owen, who served as a courier and sometimes consultant for Lt. Col. Oliver North will be back in hot seat this week when the Iran-contra hearings resume. His testimony so far has described a tangled network of military support for the contras under North's control.

CBS's Rita Braver: The story that Rob Owen told on Capitol Hill was a stunner -- how he, code named "the courier," had been the bag man for Oliver North, code named "steel hammer." Owen said he took contra operatives funds provided by North.

(Owen: "He got them out of the safe in his office.")

It was a gripping tale -- one that had been told before but always doubted. For more than a year, American soldiers of fortune have claimed they worked in contra military operations based on this farm in Costa Rica.

Braver continued: The men said that North bankrolled the operation, Owen funneling the money to John Hull, owner of the farm.

(Jack Terrell: "Owen told me, he said, 'Well, I take \$10,000 a month to John Hull from NSC for these types of operations.'")

Hull denied any financial dealing with Owen.

(John Hull: "I have no idea even who the fellow works for. We're friends, we've met a few times and that's all there is to it.")

But now Owen says he set Hull up with Adolfo Calero, a contra leader allegedly funded by North.

(Owen: "The deal was worked out where Adolfo Calero would provide \$10,000 a month to a bank account for Mr. Hull to use.")

Senator John Kerry's staff spent months investigating the operation and last October put out a report with much of the same information Owen testified about. But Kerry said he was stonewalled by the White House and could not get anyone in the Republican controlled Congress to launch a broader investigation.

(Sen. Kerry: "I think we were fighting against the White and their pressures to see this not move forward.")

One reason that the operation was shielded was that many of the mercenaries had criminal records for drug and weapons' violation and it was hard to believe such people were involved in a White House operation.

(Sen. Kerry: "I remain shocked by it. I remain shocked by not only the types, but more especially by the process. What we have here is one of the most unique violations of the political structure of this country that I can certainly remember.")

In fact, a Miami U.S. attorney's investigation of the mercenaries network got off to a slow start because prosecutors doubted the credibility of major witnesses. Federal law enforcement sources say indictments in the case are expected within the next few weeks.

(CBS-2)

NBC's John Hart: The White House today sent out it's Chief of Staff to deny President Reagan violated any laws when he helped raise money for the contras. Howard Baker insisting that Congressional restrictions applied to intelligence agencies but not the President.

NBC's Robin Lloyd: Chief of Staff Howard Baker reiterated the White House position today that Congress had not placed any restrictions of the President.

(Sen. Baker: "The last two or three weeks the idea has grown up that the Boland amendment forbid the President to aid the contras. That simply is not so.")

Even Congressional committee members investigating the Iran-contra affair were sharply divided over what the law meant and what restrictions it placed on the President.

(Rep. Cheney: "Congress does not have an unlimited ability to limit his conduct of foreign policy.")

Rep. Fascell: "We can certainly stop the money."

Rep. Cheney: "Well you can't stop him, for example, from soliciting funds from a third country."

Rep. Fascell: "You can stop him from doing almost anything.")

Lloyd continues: What the Boland amendment says is that at a time when aid to the contras was cut off, the Administration was prohibited from turning to the Pentagon, the State Department, the CIA, or any intelligence gathering agency for help for the contras. There is no specific mention of the President or his NSC.

(Sen. Baker: "He's done nothing illegal. He has never tried to conceal the facts that he wanted to see the contras survive and there's nothing new about that.")

But some committee member say the evidence is mounting that the President may know more than he's admitting. Sources say contras leader Adolfo Calero will testify this week that he believed the President fully backed the covert aid operation. White House officials want to emphasize their view that the Congressional restrictions were ambiguous and confusing. And that even though the investigations may show that the President did not go along with the intent of Congress, he did not break any law. (NBC-2)

PERES VISITS THE U.S./PEACE CONFERENCE

Spencer: It's a plan that threatens to topple the Israeli government, but Israeli Former Minister Shimon Peres stood firm today insisting there must be a full scale peace conference on the Middle East and he urged the U.S. to support it.

CBS's Bill McLaughlin: Israeli Foreign Minister Shimon Peres' private trip to the U.S. quickly became political today as he plugged his efforts for an international peace conference with Arab states. A plan that is tearing apart Israeli's coalition government.

(Peres: "The task of the conference, in my judgement, is not just to serve as an opening occasion, or a ceremony, but to serve as something that apparently some of the Arabs are in need of and that is...to open direct negotiations.")

Jordan's King Hussein, the Arab world's leading moderate first approached the idea and he has been meeting secretly with Peres to work out the details. The idea is to have the five permanent members of the United Nations Security Council, the U.S., Soviet Union, France, Great Britain and China convene a peace conference under their auspices and protection aimed at allowing Israeli and Jordan to talk peace. The U.S. is concerned that the Soviet Union would try to use the talks to push it's own goals, so the State Department will support the idea of a conference only if it restricts itself to opening the way to direct Israeli-Arab talks. Peres backs Washington's position.

(Peres: "We are telling the Russians -- 'Look, if you want to participate in making peace between us and Arabs, make peace with Israeli.'")

But those negotiations may never take place because they are opposed by the other half of Israeli's government, Prime Minister Shamir....

(CBS-Lead, ABC-2, NBC-3)

U.S. MISSILE ATTACKED

Hart: The Pentagon now says it believes it was an inadvertent attack by an Iraqi airplane firing one or two missiles at an American missile frigate in the Persian Gulf today, injuring, perhaps killing one American. The frigate was identified by others as the The Stark which is now apparently under its own power heading for Bahrain. Those are all the details we have.

(NBC-Lead, NBC Updates 4 & 12)

Donaldson: We have a late news report from Reuter's -- a U.S. guided missile frigate was attacked in the Persian Gulf tonight causing casualty according to Lord of London. The frigate was hit shortly before midnight and is proceeding under its own power to Bahrain. The Pentagon will not confirm this news report from the wires of Reuter's.

(ABC-11, CBS-3)

BRITISH ELECTIONS

NBC's John Cochran: Margaret Thatcher launching her third campaign for Prime Minister.... Only a year ago even conservatives were (condemning) Thatcher for giving President Reagan the go-ahead to order American bombers from British bases to strike Libya. Labor party thought it had a voter-getter in anti-Americanism and promised if elected to shut down U.S. nuclear bases in Britain. Now, a year later, anti-Americanism is no longer in fashion. The polls show that the British public overwhelmingly agrees with Mrs. Thatcher that the Americans and their nuclear weapons should stay here. And Thatcher's recent trip to Moscow left the wide spread impression that she can get along not only with Ronald Reagan, But Mikhail Gorbachev as well....

(NBC-6)

BURMANESE REBELS

Spencer: In Southeast Asia, the U.S. finds itself increasingly involved in a war that rebels have been waging in Burma since 1948.

CBS's Doug Tunnell: These rebels...now claim to be caught in another crossfire from America's war on drugs. Their jungle battleground is the edge of the golden triangle's poppy field that produce almost 20 percent of all the heroin consumed in the U.S. each year. The tribesmen claim American aircraft given to the Burmese government to help police the drug trade are ferrying troops into battle against them. Western experts believe that American financial aid to Burma has also been diverted to the war.... But the State Department says America assists the Burmese government because Burma's two wars -- on narcotics and on insurgents go hand and hand.

(CBS-6)

ANDREW YOUNG/JUSTICE DEPARTMENT

Hart: Mayor Andrew Young of Atlanta who learned that he is the target of a federal grand jury investigation said today he'd been told and his lawyer had been told that it's coming out of Washington. The Justice Department he said. Young telling NBC News, "It is a convenient vehicle for keeping someone else on the front page beside Reagan." The grand jury's reported to be wondering if city hall interfered with a police investigation when the police were checking charges by the estranged wife of civil rights leader Julian Bond that Bond had used cocaine. (NBC-9)

ADVERTISING FOR COSMETIC PRODUCTS

Spencer:Anti aging creams...(are) the fastest growing segment of the booming cosmetic business.... Do these products deliver?...The claims also have drawn fire from the FDA. (John Norris, FDA: "When a claims made that the product will make the skin young again, or brand new, that is a medical claim. These claims go beyond what is permitted by federal law.") ...FDA has sent stern warning to 14 cosmetic companies, telling them to either tone down their claims or persuade the agency that they are true and that their products are not cosmetics, but safe and effective drugs, able to slow the aging process. (CBS-8)

SUPREME COURT ACTIVITIES

Donaldson: This term the Supreme Court is working extremely hard and fast in handing down opinion.

ABC's Tim O'Brein reports on the activities of the Supreme Court and on charges that "haste makes waste."
(TV coverage: The President at the swearing-in ceremony for Chief Justice William Rehnquist). (ABC-8)

-End of B-Section-

ABC -- THIS WEEK WITH DAVID BRINKLEY

Moderator: David Brinkley. Panel: George Will, Sam Donaldson.

Guests: Senator George Mitchell, Senator Orrin Hatch, Representative Dante Fascell, Representative Dick Cheney. Leonard Garment, attorney for Robert McFarlane.

Brinkley: Mr. Garment you have been writing about these Iran-contra hearings, and being very critical, suggesting that there wasn't any really good reason to have them at all. Is that your view?

Garment: I don't know that I specifically said there was no good reason for having the Iran-contras hearings at all.... I wrote an article...and said we were going to have, whether we like it or not, and despite the protestation of Senators, a major media, another Watergate; that it was just too tempting. So I think that is a legitimate matter for inquiry.

Will: You said even if it can be demonstrated that certain criminal statutes, such as fraud...had been violated, it might not be a good idea to apply them in the absence of venality or recognizable criminal purpose, where violations were committed in a climate of authorization by the highest officials of the executive branch. Are you saying that there was a climate of authorization for everything that has been demonstrated?

Garment: I don't think there is any question that there was a climate of authorization....

Will: But what about the Boland amendment? Is it your contention that the Boland amendment was not restrictive of the NSC?

Garment: My client and I have two, somewhat different, positions. He took a very broad position on that.... Now, there are arguments with respect to the coverage of the Boland amendment...with respect particularly to its constitutionality in its application to the President of the U.S.

Will: You put your client on the stand without any form of immunity. And in the process of testifying, he said he did not testify with full candor, did not tell...the whole truth in testifying before Congress. How can the special prosecutor hear that and not act against your client?

Garment: I think he will have to find out how Bud McFarlane defined total candor and the like....McFarlane is a very extraordinary man.... He is a truly honorable man of immense integrity and devotion to duty. The idea of loyalty is ingrained in him. And I think he is, in addition, a deeply religious man. And when he talks, as he has throughout the hearing, about the extent of responsibility that he was taking upon his own shoulders, he wasn't doing it with any narrow legal sense. He was doing it in the sense of right and wrong, and what he thought were obligation to come forward, to volunteer, to explain things that weren't even asked about.

Donaldson: Are you saying that Mr. McFarlane insisted that he go on without immunity? Was that your recommendation?

THIS WEEK WITH DAVID BRINKLEY continued

Garment: Basically -- it was. I wish I could take credit for having thought through and labored long and hard over the question of whether or not he would waive immunity.... We received 24 hour notice. He was asked to come to testify on a Monday. We were told Sunday morning that they wanted him. His decision to testify was almost instantaneous.... For Bud McFarlane, being a public man, leadership is so much a part of his reason for living.

Donaldson: So its worth going to jail in order to exert leadership?

Garment: It's not worth going to jail. He didn't feel that he would go to jail. I don't feel he will go to jail. I don't feel there is any basis for an indictment of Bud McFarlane. His belief was that his actions were always within the law, that they were in the interests of his country, that they were done even where he disagreed, in a faithful discharge of his responsibility.... And he is ready to take the risk that a jury of his peers might at some point make a different determination.

Guests: Representatives Danny Fascell and Richard Cheney.

Brinkley: Can we deal first with Mr. Reagan's new approach, which is that all of this was private money...therefore the Boland amendment did not apply. What he did was perfectly legal and there is nothing to be ashamed of.

Fascell: It's not new. The question is, will it hold up? And that's debatable.

Cheney: I think it clearly applies in a portion of the case. It seems to me the hardest point gets to be identifying that \$3.5 million that was diverted from the Iranian transaction to the contras. It is clearly the most viable defense the Administration has. I would feel a lot better if some attorney had sat down...and given an interpretation.

Will: There seems to be, some people say, a constitutional doctrine emerging roughly like this: because Congress appropriates all funds, and therefore, appropriates the funds for executive branch salaries, therefore, Congress can minutely manage and prescribe activities of the President. Is that your doctrine?

Fascell: No. But that is an argument that is being used more and more. Ever since I've been in Congress every President, at one time or another, wishes Congress would go home and stay there. But the fact is that Congress has a responsibility under the Constitution, even though the President is the primary maker of foreign policy.

Cheney: Congress does not have the unlimited ability to limit his (the President's) conduct of foreign policy.

Fascell: We can certainly stop the money.

Cheney: Well, you can't stop him from soliciting funds from a third country.

THIS WEEK WITH DAVID BRINKLEY continued

Fascell: You can stop him from doing almost anything.

Cheney: It is perfectly legal and legitimate for him to express his views to another head of state. And there isn't anything the Congress can do to prohibit that.

Fascell: It's permissible with a president. It's like the violation of the -- just ignoring laws that are on the book, for example, that have no criminal penalty. Then the issue becomes constitutional. The President shall faithfully execute the law. But he doesn't have to worry about that law, because it has no criminal content.

Will: But Congressmen, there's also the constitutional doctrine of the separation of powers....

Donaldson: Do you think last week's testimony from Mr. McFarlane demonstrated that the President knew far more about this than his aides would have us believe early on?

Cheney: There's no doubt in my mind that the President was deeply committed to the contra cause, privately, publicly, every way he could be. During the same period of time he was spending a lot of time trying to get Congress to reverse its position, which we finally did, and authorize military assistance to the contras once again. It seems to me the most recent tack the President is taking in terms of talking about his role and his involvement is the valid one; is the most appropriate one.

Donaldson: Do you think Ronald Reagan knew that Col. North was coordinating activities of raising private money for arms for the contras?

Fascell: Since all the evidence is not in, I don't want to be any more bias than I already am.

Will: Could I briefly have the opinion of the two of you on the testimony of Mr. McFarlane?

Cheney: I thought Bud gave us as straight a shot as he could. I think he's been through some difficult times. But I think he was very candid and forthcoming.

Fascell: I think Bud was forthcoming. Except he said he tortured the language; he manufactured some of the facts; he omitted facts, changed documents. I feel sorry for him, because he was an honorable man and he was caught in loyalty.

Guests: Senators Mitchell and Hatch.

Brinkley: Give us your feelings about the McFarlane testimony.

Hatch: I think that Bud McFarlane has given a lifetime of service to this country, and I think he's in a tough position as National Security Advisor testifying before Congress. And I think he testified as candidly and as forthrightly as he could.

THIS WEEK WITH DAVID BRINKLEY continued

Hatch continues: I don't think he should be prosecuted. You know, these guys were trying to carry out what they thought the President's policies were. And if you can find a more honorable person than Bud McFarlane, I'd like to shake his or her hand.

Mitchell: I think Mr. McFarlane has had a distinguished record of service to the country. And he's in a very difficult position; quite a sympathetic figure. But as he himself acknowledged, his language was tortured; there were several omissions; and I think there were glaring inconsistencies in his testimony. I think he is trying very hard. I certainly regret having contributed to his anguish over this circumstance.

Donaldson: If in fact he lied under oath should he be excused simply because he had honorable service to his country?

Hatch: I don't think it should be excused. And I don't think you'll find he deliberately lied under oath....

Mitchell: It is not the political composition of the Congress that it the test of whether or not someone should tell the truth when testifying before Congress. The law requires it, morality requires it....

Will: Is it your contention that the Boland amendment does restrict and can restrict the activities of the NSC?

Mitchell: I believe that in this case it does apply to the NSC but not to the President....

Hatch: When the NSC was enacted in 1947 there was nothing mentioned about intelligence.... And to make a long story short we have here Congress trying to micromanage, through the Boland amendments, not just one but four of them, which are inconsistent, ambiguous, send different messages....

Mitchell: I think the President is the President, and the U.S. is a democracy. He is not a king and this is not a monarchy. And I think it is simply incorrect to suggests that he has plenary and exclusive power in foreign affairs.... I do believe that the President himself is not subject to the Boland amendment, but I don't think you can extend that to the NSC and it operatives....

Donaldson: McFarlane testified before you that President Reagan approved a plan to use ransom money to get U.S. hostages from Lebanon. Do you believe McFarlane?

Mitchell: Yes.

Hatch: I believe McFarlane also. I also believe the President, that he did not think he was approving ransom funds....

THIS WEEK WITH DAVID BRINKLEY continued

FREE-FOR-ALL DISCUSSION (Tom Wicker joins panel)

Brinkley: Margaret Thatcher has called an election for June 2. Her opponents will be the Alliance -- where she is conservative the Alliance which is short of a middle/moderate party and then, of course, the Labor Party -- which some think may be in danger of being wiped out. Do you think so?

Will: I think she said when she entered the upper reaches of British politics a decade ago that her overriding ambition was to destroy socialism. She demonstrates a number of things -- A. You can darn near do it. She may have done that. Second, she she -- a woman -- is about to become, I think, if the polls are right, the first person in modern British history to win three consecutive elections -- it tells you something about the role of women in a conservative party and in a sort of conservative country in many ways. The effects she's had are extraordinary. You know she has probably more than anyone else, she brought democracy to Argentina.

Donaldson: I don't think Mrs. Thatcher has destroyed socialism. She certainly started to refuse what Labor had in place and to some extent that's diminishing socialism in Britain, but she hasn't destroyed it any more than Lyndon Johnson destroyed the Republican party when he beat Barry Goldwater so badly. To say she has been popular and she may be reelected is not to say that socialism is destroyed.

Wicker: It seems to me that the Labor Party has done a great deal to destroy itself here as well as whatever Mrs. Thatcher has been able to accomplish. The present Labor Party leader has somewhat revived that party's changes and he's taking back to a somewhat more moderate course than then had before. I would think if Labor makes even a reasonably good showing here, I wouldn't see any prospect that their party itself would be destroyed.

Brinkley: In Israeli...the Prime Minister of one party and the Foreign Minister of another party fighting each other about the possibility, likelihood or advisability of having a peace conference including talking with some Arabs. It may bring down the government. What's going to happen?

Will: (The peace conference) is a terrible idea for two reasons. First, the persons around the table who is most extreme would set the tone. Second, (it was once) said that the unlikelihood of achieving results in negotiations is the square of the number of parties participating. We've had these big conferences before....

Donaldson: I'm inclined to agree with you. Probably a general conference is not the best way -- it's a way the Reagan Administration might want in this case. But that's not the point....

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CBS -- FACE THE NATION

Moderator: Lesley Stahl. Panel: Eleanor Clift, Fred Barnes.

Guests: Senator William Cohen, Representative Jack Brooks.

Stahl: Despite President Reagan's denials that he solicited funds for the contras, committee member Senator Cohen says he believes a solicitation was made.

Cohen: You have case where, if we sit down and talk to a foreign leader and he asks about what our problems are, and that's explained, and then the President would ask what are your interests, and he explains those interests and then -- nothing need be said.... Nothing is really said directly but its all suggested.

Stahl: The President says there's nothing wrong with that.

Cohen: That's precisely the point -- why is all this effort being spent to avoid using a word? ...I also find it unusual to have all of this time spent if they didn't feel it as either improper -- or even if they felt it was constitutional on the part of the President to be able to do this.

Stahl: Do you have a sense from what you've heard so far that there's a total disregard for the law?

Cohen: It wasn't a total indifference, but I think it was an attempt on the part of many to find ways, creative ways if they could, to come as close without stepping over the line, but in fact did step over the line.

Stahl: Are you persuaded that major laws are broken here?

Cohen: I think there is growing evidence that a number of laws in fact were broken at specific periods of time.

Stahl: Are you angry? Are you outraged?

Cohen: I'm disappointed, and yes, I have a sense of outrage when I find there have been clear examples of a flaunting the rule of law. And you have good people who are damaged. I believe Bud McFarlane is one of them.... I think from what he said it was clear he was trying to gild the President's record....

Stahl: You seem to be suggesting...that William Casey may have masterminded all of this. Is that your view?

Cohen: I don't think he masterminded all of it.... After three top advisors said no, somehow the program came back to life. That could only come about through, in my judgment, Director Casey, and perhaps, in addition to Mr. Casey, I would say President Reagan. The President wanted to carry out the program, he's the one in charge, and he made the decision to go forward. So I think its a case of Bill Casey being principle advisor to the President. The President is the one who made the decision.

FACE THE NATION continued

Guest: Rep. Brooks.

Stahl: The President says he does not come under the Boland amendment. Is he right?

Brooks: I think he is pretty clearly wrong.... I think the public ought to get the facts -- I think we ought to lay out all the facts of who did what, and the legality of it will be determined by the special investigator. Our committee is not designed to prosecute; we are just getting the facts.

Stahl: What are the most important things that have come out with the four witnesses who have testified so far?

Brooks: I think we have found out very clearly that the Administration has furnished arms to the Ayatollah, to the terrorists in Iran, and they furnished arms for hostages, and they tried to bribe the Iranians for hostages... And I think the Administration did it, more and more people say the President knew about it, he was informed, he started it -- he's all for it, he's the chief mover and shaker in this operation.

Stahl: What about the quid pro quo?

Brooks: You've got to ask -- nobody gives \$32 million away without you asking....

Stahl: What did you learn from him (McFarlane) and what were your impressions of his overall testimony?

Brooks: McFarlane is a man of high principles and speaks well, but he doesn't follow what he preaches, he doesn't practice what he preaches. He's torn between the desire to tell the truth -- but then he worries about criminal prosecution for himself, and he worries about protecting the President. It's difficult for him. He slips from one area to another. He said the President was fully informed.

Stahl: Let me ask you about Secord.

Brooks: Secord is not much better. I'd call him a "WASP Rambo." He's intelligent, good memory, says he's a patriot....

Stahl: Are you suggesting that the Reagan Administration sent the money (\$454 million) back expecting the hostages to be released and returned?

Brooks: No, I wouldn't say that. Just keep doing nice things for them. I guess they think if they smile at them and buy them lots of dinners that something good will come of it.

Discussion with Eleanor Clift and Fred Barnes.

Stahl: The President...now admits that he knew all along about the contra operation, and that, in any event, he is not subject to the Boland amendment. Will this strategy work for him?

FACE THE NATION continued

Clift: It may work from a legal standpoint...I think the fiction that he was an innocent bystander has been demolished, and I think politically his credibility is shot.

Barnes: ...The NSC is not an intelligence agency. I think his interpretation that he's not covered by the Boland amendment is very arguable.... He's already lost the political case here. He wants to win at least the legal battle. Look, this committee in Congress is trying to make a case for an illegal government conspiracy led by the President funnelling money from the arms deal to the contras in violation of the Boland amendment. And he has to combat that....

Stahl: I don't think they've given up the political battle.

Clift: They may not have given up on it, but I think they've lost it... I think the feeling that most people would like to let him finish out his term with a modicum of dignity. I don't think we are on the edge of impeachment or anything like that.

Stahl: On the strategy of having the President comment on these hearings almost every day -- why are they doing that?

Barnes: The fact is that it that was not the strategy.... But their strategy has just plain broken down....

Stahl: The Tower Commission report -- how do both of you think that commission got the impression that Reagan was totally uninvolved and disengaged from these policies? Do either of you think there was a deliberate plan to portray him in that way to get him off the hook?

Clift: No, I don't think the Tower Commission is necessarily contradictory. It focused on the Iran-arms-for-hostages deal, and I think the President was less involved in that than he was in providing the inspirational force behind the aid to the contras.

Barnes: The Tower report didn't say he was disengaged in everything....

Stahl: People believe that Reagan will pardon everybody anyway. Do you think he will pardon everybody?

Barnes: I do. Ollie North, John Poindexter, anyone else.

Clift: I don't think even President Reagan could be that crass politically no.

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NBC -- MEET THE PRESS

Moderator: Chris Wallace Panel: Ellen Hume, Robert Kaiser.
Guests: Senator Howard Baker, Shimon Peres.

Wallace: The White House seems to have changed its strategy in the last few days, after a string of revelations that the President is more deeply involved. Suddenly, from the President on down, you're all saying, "Well, even if he was involved, it was legal." Is that your fall-back position?

Baker: No, it certainly isn't a fall-back position. That's been our position all along. I agree with you -- the press coverage has changed. And it may be because I think there is a general perception that the President now is telling the truth when he says that he was not uninvolved, did not know of, the diversion of funds. But I've contended all along as has the President that he's done nothing illegal, that he has never tried to conceal the facts, that he wanted to see the contras survive and there's nothing new about that.

Wallace: Well, what about -- because I have to tell you, I cover the White House everyday as you well know, and it was only this week that I suddenly started hearing from the President, from Marlin Fitzwater, from other officials on background that even if he was involved, even if he did know about and did solicit, that it was legal.

Baker: It was legal -- has always been legal. But that's not a new position. You know, take the Boland amendment for example. For the last couple weeks I have been absolutely astonished to hear people say, and the general perception to be, that it was illegal for the government, any agency of the government or the President to try to solicit funds for the contras. That was never, never the language of the Boland amendment in any of its several configurations. The Boland amendment specifically provided that no fund appropriated could be used by the CIA, by the DEA of whatever it was, by the State Department, or by any other intelligence apparatus. That's what it said -- it never mentioned the President or any other agency of government.

Wallace: But Senator, forgive me, this reminds me of the old lawyers statement, "If the facts are against you, argue the law." Back in 1985 when all of this was going on, Bud McFarlane was testifying before Congress and saying yes indeed, the NSC was covered by the Boland amendment. And when they'd ask him, "What's Oliver North up to?" he'd deliberately misled them and said, "He's up to nothing." If it was all legal -- if the President and Oliver North and Bud McFarlane could have done it back then, why didn't they do it openly? Why did they sneak around?

Baker: I'm not saying that. And they didn't sneak around as far as the President was concerned. The President helped in raising funds for the contras, he went on television and spoke of raising funds for the contras, he thanked people for raising fund so that you could have t.v. programs to try to affect the opinion of Congress on this. There was no secret about that. You're speaking of the lawyer's argument -- the lawyer's argument until now has been that it is illegal for the President to do anything with respect to Central America and the contras. All I'm saying is that was not the law -- it was never the law. And that's what the White House is saying.

MEET THE PRESS continued

Hume: But Mr. Baker, aren't you now trying to have it both ways? Originally, the idea was that the President really didn't remember much about it. He just said again, I think on Friday, "Gee, I really don't remember much about this ransom payment, this alleged ransom payment." And yet at the same time you've spent weeks depicting him as a hands-on President. And it turns out that he did know a lot about this. If fact, he says it was his idea to have this contra effort. So, which way it is? Did he know about exactly what was going on? And where did he raise objections? What does he think Oliver North did wrong? Anything?

Baker: Let me say this -- I have never, ever contended that Ronald Reagan was disengaged or there was a hands-off Presidency. Since the first day that I knew Ronald Reagan in 1966, I knew him to be a man very much involved in many affairs of his political career. And I found that still be to be the case when I came to the White House. Now I can't say what it was in November 1986 -- I don't know that. All I can tell you is that I find an alert President who is fully engaged at this time. That does not however say that Ronald Reagan knew every detail or that everything that was going on was related to him. The President, on the contrary, has specifically said, "I did not know that there were any extra funds raised or they were diverted to the contras," and I believe him.

Hume: Aside for the diversion issue, is there anything else that he's had -- that he's expressed to you -- about this contra private supply network?

Baker: No, I don't know of any. You know he's very up front with it. He says after the Boland amendment -- and there are about seven variations of it -- said that the funds appropriated by Congress can't be used by the CIA or the DOD or other intelligence apparatus -- he made no bones of the fact that he did not want to see the contras cut adrift. And he said that publicly, many times in the past. And he urged and encouraged that the country, the Congress, support them. But I don't know of anything at variance with what the President has done in the past and what is being printed and reported now.

Kaiser: Senator, with respect, the Boland amendment doesn't mention any agencies, it says that the money can't be spent by any aspect, any agency of the government that deals with intelligence.

Baker: That's not quite what it says, Bob. What it says is that it can't be spent by the CIA, by DOD or by other agencies, other intelligence agencies of the government.

Kaiser: Agencies that deal with intelligence. And McFarlane said at the time and he said again last week it was absolutely clear to him that that meant that the executive branch officials could not solicit military aid for others...testified explicitly, "I can't do anything now, I'm under the Boland amendment," when he was Assistant Secretary of State.

MEET THE PRESS continued

Baker: Really, let me disagree with you again. I don't believe that's what Bud said. Bud came close to saying that. But the dispute, the apparent dispute, between Bud and the White House is on the question of whether NSC is an intelligence agency. And Bud takes the position, I think, that it was; the White House has taken the position that it was not. Now I don't know the answer to that. But Bud McFarlane was not saying that the White House was in violation of the Boland amendment in general. He was saying that he considered the NSC to be an intelligence apparatus. Now there's a vast difference between alleging that the Boland amendment said that the President of the U.S. could not do these things vs. saying that intelligence agencies could not do these things.

Kaiser: Let's go to the next step -- the White House seemed to be saying at the end of the week that the President's ability to conduct foreign policy could not be limited by Congress. Is that the position you want to take?

Baker: It may be, but I don't think you have to reach that point. That's a very good constitutional argument that is now and will be debated for a long time -- that is to say -- can the Congress limit the President's authority under the Constitution to administer the foreign of this country? There's a strong argument that is cannot -- that Congress can't do that. but you don't have to reach that argument. All you have to do is acknowledge, as I'm trying to say, that the Boland amendment is...specific and it applies only to particular agencies that is DOD, CIA and to the State Department and it did not include in it the President -- so you don't have to reach the constitutional argument.

Wallace: Senator let me try to button this up so we can move on to other subjects...is it your view then that it was perfectly legal for Oliver North to be running the supply of the contra out of the White House -- giving money, giving arms, all those things -- out of the NSC?

Baker: I simply don't know the answer to that. All I know is--

Wallace: ...Was it (the Boland amendment) legal?

Baker: I cannot tell you that. All I can tell you is does not apply to the President. The President has done nothing illegal.

Wallace: Let me ask you something else. The President says that he can't remember whether or not he approved a ransom plan in 1985. Now the fact is Bud McFarlane testified under oath this week that he did discuss it with the President and Oliver North wrote a memo at that time saying that it was a ransom plan -- do you really have any doubts that that was what was going on then?

Baker: Of course, but you've got to distinguish between what the President was talking about and what you're talking about. The President says, "I never paid ransom." The President acknowledge just this past week that he was privy to conversations about supplying funds to get past check point, to get past guards, to get past others so we could try to rescue our hostages. What the difference between a ransom payment and a payment to get past guards? There's a big difference -- the difference is that you're not paying the captures and rewarding their misfeasance.

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MEET THE PRESS continued

Wallace: But Senator, you know I have the document here -- this is the top secret Oliver North memo to Bud McFarlane in June 85 that was declassified this week. And in it it's clear -- they're not talking about bribing -- they're talking about ransom.

Baker: Well, the President's not talking about that--

Wallace: Quote, "This effort will produce two hostages and additional hostages will be released for \$1 million each."

Baker: I believe you. I don't dispute that document one bit.

Wallace: This is a memo going through channels here between -- it was from Oliver North to Bud McFarlane. Do you think that they didn't tell the President what was--

Baker: The President has said he did not know of any plan to pay ransom and I believe that.

Hume: Is it just a case of semantics -- is it like the Dannoloff swap -- that it wasn't really a swap -- of the Iceland summit -- it wasn't really a summit -- this wasn't really a ransom?

Baker: Really, it isn't. Look, we're dangerously close to doing what lawyers do best and I'm a lawyer and that is shoveling smoke. That's what Justice Holmes said about us once. But there really is a fundamental, fabulous difference between paying ransom to your captors in order to gain their release and thus rewarding their crime on the one hand vs. paying money to get past check points in Iran, to bribe guards and to gain the release of your hostages -- they're two vastly difference things. That is not a lawyer's argument -- it's a practical argument.

Kaiser: Let me put it another way. Secord was in the stand a week before last and he testified that this a private operation -- it had nothing to do with the government. It was launched by a Presidential intelligence finding, the currency involved was arms out of U.S. arsenals. It was in pursuit of U.S. policy objectives and yet Secord said it was just a private operation. Do you accept that bizarre distinction?

Baker: You're talking now about the Iran arms shipment?

Kaiser: The enterprise as he called it.

Baker: I don't know how to characterize that, Bob. I will tell you that there was an official finding perhaps after the fact, I'm not sure about that, to authorize the exchange of Israeli arms to moderate Iranians, as the President described them, and to try to provide a new opening and to provide an opportunity to those arms that Israeli's supplying to be replenished. But how to characterize that, I'm afraid I'll have to leave to others. It was not, however, from the government standpoint, a private initiative. But that does not mean from Gen. Secord's standpoint it could not be a private initiative, because after all he was a private citizen.

MEET THE PRESS continued

Wallace: Senator, let me change subjects on you if I can. I know you're going to want to get off the Iran-contra thing.

Baker: No, I'm having fun.

Wallace: Let's go on to arms control because there are continual reports that the White House is mad at Defense Secretary Weinberger because he agreed with the NATO ministers this week that instead of the agreement that the President and Gorbachev had in Iceland, which was 100 medium-range missiles outside of Europe, that you should go for a total ban on all medium-range missiles. Are you mad at Cap Weinberger?

Baker: No, no. The Administration, the President is not mad at Cap Weinberger. I have to tell you that I, like you, read that account and was concerned about its implications. For instance, was Cap saying that we ought to officially and formally revise our negotiating position and take the draft treaty off the table? So I talked to Cap. He was in Oslo at the time he made those statements. He was back here shortly, within hours, after that. And he assured me that what he said was perfectly within the range of the President's instructions -- that is to say we have tabled a draft treaty which provides for 100 on a side of INF -- intermediate range missiles -- but that we have conveyed to the Soviet Union and to our NATO allies that the President has a strong preference for zero-zero on both sides.

Wallace: Would you consider redrafting the draft treaty in Geneva to make it, instead of 100 on each side, a total ban?

Baker: If the Soviet Union would be interested in that I think we would agree in a minute to zero-zero on a side.... Once again we're acting like lawyers -- we're putting too much confidence, or too much importance in what a draft treaty is. The U.S. position, as stated by the President of the U.S. is that we would like to negotiate on the business of the removal of intermediate-range missiles from Europe, retaining only 100 on each side, but not in Europe and elsewhere in the world. The President has also expressed his preference for zero-zero.

Kaiser: But if the Russian want the 100 still, we'll accept the 0-0 still -- we haven't changed our minds?

Baker: I'm not going to say that except to point out that that is still the official U.S. negotiating position. Let me say one word about -- we've got a real opportunity here, in my opinion, to get a meaningful reduction in the level of nuclear weapons. The President is committed to that effort. We have set up a system to bring in outside experts to consult with the President on this -- we brought it--

Wallace: I'm sorry. I appreciate very much you coming in and unfortunately, we're just out of time.

Editor's Note: The second guest was Israel's Foreign Minister Shimon Peres who discussed the bitter division in Israel over an international peace conference. He touched on his meeting with Secretary of State Shultz and his ideas on the U.S.'s role in this peace plan. A full transcript is available from the News Summary office.

THE McLAUGHLIN GROUP

Moderator: John McLaughlin.
Morton Kondracke, Robert Novak.

Panel: Mark Shields, Jack Germond,

On The Iran-Contra Hearings:

McLaughlin: When Bud McFarlane says that President Reagan is without fault -- is this the literal truth or is he being a good soldier and putting a wall around his commander-in-chief?

Shields: Yes, he is being a good soldier. Watching Bud McFarlane is just watching a man in great anguish and great pain. He's obviously a tormented fellow.

Novak: Shield is trying to give the impression that he's lying to save the President and that's not true at all. The trouble is that people like Shields is using this as an attempt to discredit the Reagan Administration, discredit the Reagan Revolution and the tremendous overplay in the media indicated that the media is accomplices in the whole thing.

Germond: The truth of the matter is you cannot protect the President because the picture that is emerging has two elements -- one is the President knew a great deal about the money raising and the second one is the President knew nothing (of) what people were doing in his name.

Kondracke: What we've got to go after here is whether the President is impeachable or if he committed a crime. The President has not been proved to have committed a crime. And on the basis of the McFarlane testimony...there's nothing illegal about it. I don't see that this has advanced the case against Reagan at all.

Germond: There was this consorted Reagan-inspired effort to get around the Boland amendment.

McLaughlin: What's the most important thing that Bud McFarlane has said? ...let me help you all...McFarlane's most important statement is this...North took orders from Casey. Casey has had his last laugh from the grave. What do you make of that?

Shields: I think someone has to stand up for Bill Casey last week...Casey's going to be the heavy in the whole thing.

Novak: This whole thing stated because of the shocking news that we were sending shipments of arms to Iran...but what are these hearings about? They're not about those thing -- what they're about is the program...to discredit the Congress and prevent Congress from passing more aid--

Germond: We have learned already that the fiction that there was any reason for us to send arms except to deal with hostages was indeed a fiction.

McLaughlin: Is public interest in the Irangate hearings building at present or ebbing?

THE McLAUGHLIN GROUP continued

Shields: Thanks to the rhetoric of Bud McFarlane...its ebbing.

Novak: Ebbing.

Germond: Ebbing.

Kondracke: It's in a dip.

McLaughlin: Ebbing.

On Congressional Budget Proposals:

McLaughlin: Is Reagan's defense buildup about to be torn down?

Novak: It's not about to be torn down -- it is being halted. The question is, "Are the Democrats going to impose a tax increase as the nose under the tent as a ... as bigger things to come?"...

Germond: He (the President) is going to swallow a tax bill and it is no big deal.

Kondracke: I'm in favor of the taxes, but what really distresses me is the way the Congress is removing from the President the threat of the deployment of SDI that will enable him to get a bargain, if he can get a bargain, in Geneva....

McLaughlin: The debt ceiling is back on the table--

Novak: You're going to have an impasse on that. You're going to possibly have payless days for the government -- gonna be a lot of fun and games -- gonna be a lot of difficulty.

Shields: I think this time it'll be part of the whole arrangement which will be the tax increase on the budget....

McLaughlin: Will the Congress enact a appropriations measure amounting to about \$15 billion in excise tax?

Germond: Yes.

Novak: It's very embarrassing that you don't understand how the system works. You do not have taxes on an appropriations bills. The tax bill will come maybe a year from now, not much sooner. I think there is a better than 50/50 chance it will be vetoed.

Kondracke: Yes. It is very interesting that Novak is not confident that Reagan would veto such a bill.

Shields: I think what the President will do is that he'll get some changes on the budget process and that will be his way out.

THE McLAUGHLIN GROUP continued

On Wedtech/Attorney General Meese:

McLaughlin: Is this scrutiny justified or has a partisan Democratic witchhunt forced Meese to seek the independent counsel inquiry?

Kondracke: The problem here is that Ronald Reagan presumed to lead the people morally and what's happening is that down beneath him you've got all of his cronies now suddenly dipping in pies, into pools of cash for one thing or another...

Germond: This is the Administration where David Fischer, who used to carry his coat, gets \$20,000 a month to bring people in to meet the President.

Shields: This was a call back in 1982...the fact of the matter is there hasn't been an Administration in the history of the country where you don't make calls for friends.

McLaughlin: Will Ed Meese be Attorney General on September 15th?

Shields: Yes.

Novak: Ed Meese was protecting himself -- his whole involvement in this is so peripheral -- but there are a lot of people in this town who view Ed Meese as the devil and they've been trying to get rid of him.

Germond: Yes, absolutely.

Kondracke: He'll still here.

McLaughlin: (He) will not be Attorney General -- he will take a leave.

Predictions:

Shields: The Democratic nominee for President is in the field right now -- it will not be Nunn or Bradley. Second prediction -- the SMU football team will go undefeated in 1987.

Novak: The pressure on the tightening up of security in embassy is going to lead to demands in the Senate for the removal of Harry Barnes as Ambassador to Chile because of his wife's indiscretions in Romania.

Germond: There are a group of former Hart supporters, particularly in the South, led by John Mills of Florida, who are trying to form a bloc to move in a group to another candidate later in the year.

Kondracke: The Reagan Administration wants a substitute missile for the INF and short-range missiles that are going to be removed from Europe -- it's called the Lance 2 missile. It's still on the drawing board. If and when we want to deploy that missile, you will see a fight in Europe like you had over INF.

McLaughlin: In the political comeback of the month John Y. Brown will defeat four competitors for the nomination and will go on in November to win the governorship from Kentucky.

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AGRONSKY & COMPANY

Moderator: Martin Agronsky Panel: Strobe Talbott, Elizabeth Drew, Carl Rowan, James J. Kilpatrick.

On The Iran-Contra Hearings:

Agronsky: How bad a week was it for the President?

Talbott: Bad. It put the lie to what has been the White House strategy, which was that Presidential ignorance was the best defense -- now it's pretty clear that the President knew a great deal and he liked a lot of what he knew.

Drew: It's been a very difficult two weeks for the President.... They are now trying a new tactic at the White House which is to say that the laws passed by Congress...does not apply to the President. I have a feeling it (this theory) won't fly.

Rowan: The White House must worry that this has been a terrible blow to the President's credibility....

Kilpatrick: I'm in total disagreement...I don't think these two weeks have been all that bad for the President. These hearing have produced little but nitpicking, petty contradictions, nothing it seems to me of great significant.... Let's getting over this business of convicting them on a fairly murky law.

Agronsky: Let me give you a crack at answering the question that Rep. Hamilton addresses to McFarlane, "If the Nation Security Advisor...did not provide complete and accurate answers to the Congress on substantive matters of American foreign policy what can we do?"

Kilpatrick: I wouldn't provide complete and accurate answers to Congress in a covert operation of this sort -- (it would be) leaked all over town within 24 hours.

Drew: The key Boland amendment...so what the Administration did, because it didn't like that law, was set up a covert operation in the NSC.... On of the things you're seeing is the White House keeps shifting its defense. It rather liked the Tower Commission.... Somehow I think they are trying to argue that the President is above the law. I don't think that will work.

Talbott: Let's get back to the question not of the White House's defense, but what the principle offense was on the part of the White House. There was more than a secret operation -- there was a secret policy. I think that really goes to the heart--

Kilpatrick: What's so secret about that?

Talbott: The legislative branch made clear that that policy was to ends -- the policy of funding the contras. So the executive branch then continued the policy in secret. It was more than just an operation -- it was an entire policy.

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AGRONSKY & COMPANY continued

Kilpatrick: You just took away the President's right of free speech.

Drew: No one is arguing the President's right to (go) to the public to support his policy. What we have here...Congress said no.... It's quite clear they were reflecting public opinion. The President doesn't really have a choice here to decide that he doesn't like this law...and simply set up a large scale covert operation to violate that law.... The Boland amendment said, "no assistance direct or indirect." The point of indirect was to prohibit them from going to third countries....

Rowan: ...There must be a finding.... We now learn there was no finding -- no notification of Congress. And again, they try to hide this because at the very moment the President is talking about how he would never ransom hostages, he is approving someone toting \$2 million to try to do a ransom.

Kilpatrick: Haven't you all trashed Reagan enough?

Talbott: ...On this business of trashing Reagan that's exactly not what is going on here. Absolutely not. This whole drama is...in the final analysis I don't think anybody involved in a responsible position either wants to get Reagan or expects that the outcome of this whole process will be to drive him from office. IF this were Nixon, he'd be on the brink of impeachment now.

Drew: For the most part this is a highly bipartisan proceedings. There are several Republicans who are being just as tough on the Administration than some of the Democrats....

Rowan: ...Now there's nobody alive who can believe Casey wasn't talking to Ronald Reagan.... Then along comes McFarlane and he testifies that Oliver North was taking directions from Casey. Those Senator are right when they say a awful lot of secrets may have gone to the grave with Casey, because a lot of people think he was the mastermind behind North.

Drew: It's very convenient for someone like McFarlane to say he felt North was taking his orders from Casey.... It still gets back to the fact that) the President has to be held accountable for the actions of his Administration.

Agronsky: There is no stomach whatsoever in the Congress, among the media or in this country to see Mr. Reagan brought to impeachment.

-End of News Summary-