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# News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, JULY 16, 1987 -- 6 a.m. EDT EDITION

## TODAY'S HEADLINES

### IRAN-NICARAGUA

Poindexter Says He Never Told Reagan Of Arms-Money Diversion -- John Poindexter testified he never told President Reagan about using Iranian arms sales money for the contras because "I wanted the President to be protected" from political embarrassment if the plan leaked out.

(Los Angeles Times, New York Times, USA Today, Washington Post, Washington Times, AP, Newhouse, UPI)

### INTERNATIONAL NEWS

Three Hill Leaders Criticized For 'Leak' -- The White House and the Pentagon criticized three members of Congress for revealing after a classified briefing on Tuesday the date that the first reflagged Kuwaiti oil tanker will sail under U.S. protection.

(New York Times, Washington Post, Washington Times)

### NATIONAL NEWS

Administration Moves To Block Hill Deficit Plan -- The Reagan Administration has moved to knock out a key component of Congress' plan to reduce the federal budget in fiscal 1988, saying it would cost the government more in the long run than it would save next year.

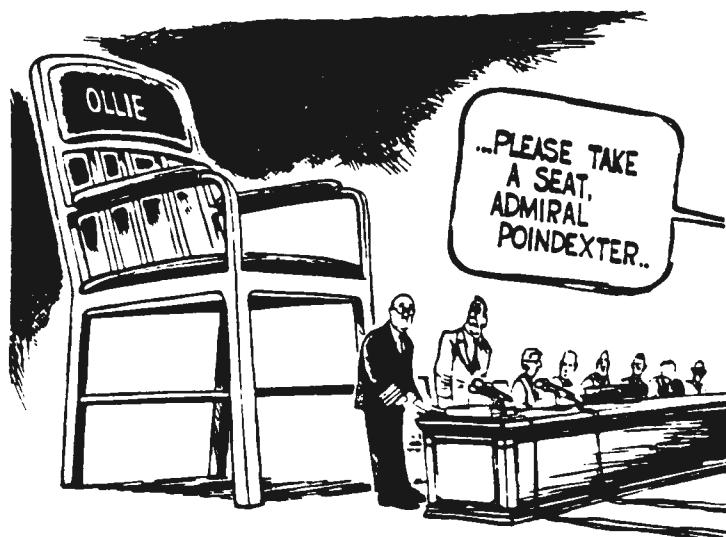
(Washington Post)

### NETWORK NEWS (Wednesday Evening)

**IRAN-CONTRA** -- John Poindexter said he deliberately did not tell the President about the diversion of Iran arms sales profits to the contras.

**PERSIAN GULF** -- Senate Democrats gave up their effort for a 90-day delay in the reflagging plan.

**TRADE DEFICIT** -- The \$14.5 billion deficit in May was \$1 billion more than expected.



## **IRAN — NICARAGUA**

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### **POINDEXTER SAYS REAGAN NOT TOLD OF DIVERSION President 'Would Have Approved' If Asked**

Former National Security Adviser John Poindexter, addressing a central mystery in the Iran-contra affair, told Congress he never informed President Reagan that proceeds from U.S.-Iran arms sales were used to support the Nicaraguan rebels, but added he believed that the President "would have approved the decision at the time if I had asked him."

Poindexter, a 50-year-old Navy rear admiral who met almost daily with Reagan from December 1985 to November 1986, told a hushed hearing room in the Rayburn House Office Building: "I made the decision. I felt that I had the authority to do it. I thought it was a good idea. I was convinced that the President would, in the end, think it was a good idea. But I did not want him to be associated with the decision."

Under questioning from Arthur Liman, chief counsel for the Senate panel investigating the affair, Poindexter admitted that his motive in keeping the President ignorant was to provide Reagan "some future deniability" that would protect him from "political damage."

(Walter Pincus & David Hoffman, Washington Post, A1)

### **Didn't Tell Reagan Of Funds Diversion, Poindexter Says**

John Poindexter told Congress that he deliberately chose never to tell President Reagan about the diversion of profits from the Iran arms sales to the Nicaraguan contras in order to protect Reagan from political damage if the secret program ever became public.

Poindexter's long-awaited testimony...was widely viewed as the final word on whether Reagan knew about the diversion. It ended months of anxious speculation that began Nov. 25, when the scheme was disclosed by Attorney General Meese.

"The buck stops here with me," declared Poindexter, confidently puffing on his pipe.

(Sara Fritz & Karen Tumulty, Los Angeles Times, A1)

### **John Poindexter's Testimony/Funds Diversion**

John Poindexter said he alone approved the diversion of arms sales profits to the contras and that he "made a deliberate decision" not to tell President Reagan. He also said, contrary to Reagan's denials, the President approved the swap of arms to Iran for hostages.

"I made a very deliberate decision not to ask the President so I could insulate the President and provide him with deniability if it leaked out," Poindexter said.

"I was convinced I understood the President's thinking on this and if I would have taken it to the President he would approve," Poindexter said...

But, Poindexter said, the diversion of the arms sales proceeds "was a politically volatile issue" and he wanted to protect Reagan.

(Robert Lewis & Robert Gettlin, Newhouse)

### Poindexter Says He Never Told Reagan Of Arms-Money Diversion

John Poindexter testified he never told President Reagan about using Iranian arms sales money for the contras because "I wanted the President to be protected" from political embarrassment if the plan leaked out.

But, while supporting the President on that point, [Poindexter] contradicted Reagan on a second important issue...: He said the President initially approved selling weapons to Iran in late 1985 as a straight arms-for-hostages deal. (Harry Rosenthal, AP)

### 'What's New,' Is The Reaction From President

John Poindexter's testimony that he did not tell President Reagan about the diversion of Iran arms sale profits to Nicaragua's contras prompted a terse reaction from the President:

"What's new about that? I've been saying it for seven months"

What is new is that it was Poindexter, the former presidential national security adviser who had been silent on the Iran-contra affair since last November, who said it. (James Gerstenzang, Los Angeles Times, A1)

### Reagan 'Gratified' By Hill Testimony

President Reagan was "gratified" by John Poindexter's testimony that he never told the President about the Iran-contra diversion, but the Chief Executive stuck by his story that he doesn't recall signing a document the admiral says he did.

In spite of the favorable outcome of Poindexter's long-awaited testimony, senior Administration officials said the White House mood is far from euphoric.

"We still have credibility problems and some major rebuilding to do," said one official who asked not to be named. "We can't turn public opinion around until the end of August, when the hearings end, and we'll be living with the independent counsel investigation for the next 18 months."

(Jeremiah O'Leary, Washington Times, A8)

### Testimony Gratifies President

White House officials described a mood of wary relief that John Poindexter had supported President Reagan's assertion that he had no knowledge of the plan to divert the profits of the Iran arms sales to the Nicaraguan insurgents.

The President's spokesman, Marlin Fitzwater, said Reagan was gratified by Poindexter's initial testimony before the congressional committees....

As the fallout from the Iran-contra initiative continued to be felt at the White House, Howard Baker, the chief of staff, said in an interview that the President would soon instruct his senior aides to begin consultations with congressional intelligence committee leaders on revising procedures for insuring that Congress will be kept informed of covert operations.

The move is apparently part of a broader White House effort to limit the more damaging aspects of the Iran-contra testimony, and is expected to include a speech by Reagan assuring the nation that he has changed his Administration's procedures to insure that a major policy decision would no longer escape his attention, other senior White House officials said.

(Gerald Boyd, New York Times, A1)



### President Says He Cannot Recall Arms-Sale Finding

President Reagan said he does not remember signing a secret memo that contradicted his public denial about trading arms for hostages with Iran, but acknowledged that he might have approved such a document.

...John Poindexter raised a potentially embarrassing issue for Reagan by saying the President had signed a memo on Dec. 5, 1985, approving the sale of arms to Iran as a straight arms-for-hostages swap.

[Poindexter] said he destroyed the memo last November when the Iran-contra affair leaked out because, "I thought it was a significant political embarrassment to the President and I wanted to protect him from possible disclosure of this."  
(Terence Hunt, AP)

### Word Of Memo Dilutes White House Relief

White House officials said that John Poindexter had vindicated President Reagan by testifying that he never told Reagan about a diversion of Iran arms sales profits to the Nicaraguan contras. But the officials acknowledged that the President was damaged by another Poindexter disclosure of the memo raised "obvious problems...that must be resolved."

Reagan's only public comment was a reply to a shouted question from reporters after a speech on economic issues. Told that Poindexter had absolved him of knowing about the diversion, Reagan said, "What's news about that? I've been saying that for seven months."

What Reagan has never said, however, was that he had signed a finding approving a trade of arms for hostages. [Spokesman Marlin] Fitzwater said he asked Reagan yesterday about the secret memo -- a Dec. 5, 1985, presidential finding approving the trade of arms for hostages -- and that Reagan said he may have signed it but did not remember doing so. The President told Fitzwater and other White House officials that he did not dispute Poindexter's testimony about that memo but had no recollection of it. Poindexter testified that he destroyed the only copy of the signed document last November.

(Lou Cannon & David Hoffman, Washington Post, A1)

### A Bold, Risk-Taking Reagan Depicted

John Poindexter did more than answer a crucial question about President Reagan when he testified that he didn't tell Reagan about the Iran arms sale funds diversion. He drew a portrait of Reagan that bore little resemblance to the disengaged, uniformed President with a lax "management style" presented to the American people in the Tower special review board last February.

The picture that emerges from Poindexter's critical testimony...is of a strong-willed President who knew exactly what he wanted and was willing to take great risks to achieve it -- so great that Poindexter, as Reagan's national security adviser, though he had to take steps to protect Reagan from himself.

And two of Reagan's most important goals, Poindexter said..., were to get back American hostages being held in Lebanon and to support the contras at all costs.  
(Haynes Johnson, Washington Post, A1)

Poindexter: Reagan Saw Arms Deals As Way To Free Hostages

In contradicting one of President Reagan's key assertions about his arms deals with Iran, John Poindexter provided a vivid account of a 1985 meeting in which Reagan approved selling weapons for American hostages despite "vociferous" objection from his secretaries of state and defense.

His statements conflicted with findings of the presidential Tower commission and with testimony from Oliver North that Secretaries Shultz and Weinberger had voiced only "muted" criticism of the arms deals.

(Gregory Gordon, UPI)

NSC Staff Exempt From Contra Aid Restriction, Poindexter Says

John Poindexter testified that he firmly believed the National Security Council staff was exempt from congressional restrictions on U.S. military aid to the Nicaraguan contras and that the NSC staff had become a secret operational unit overseeing private support of the rebels.

Poindexter also said he kept President Reagan informed in "general terms" of the NSC's contra support activities.

Poindexter's testimony contradicted Robert McFarlane...who testified Tuesday that the aid ban, known as the Boland amendment, applied to the NSC staff.

Poindexter also contradicted Reagan's Jan. 26 statement to the Tower review board in which the President said he "did not know the NSC staff was engaged in helping the contras."

(Joe Pichirallo, Washington Post, A14)

John Poindexter's Testimony/Committee Reaction

Iran-contra committee members believe John Poindexter's testimony that President Reagan knew nothing of the diversion of Iran arms sale profits, but they said it raises questions about policy control at the White House.

"I think the 'smoking gun' part is behind us," Sen. Sam Nunn said of the search for decisive evidence that could be used to spark an impeachment action against Reagan.

"There is a tremendous amount of circumstantial evidence that he knew but there is no direct evidence," Nunn said. "People will be split on this."

Sen. Warren Rudman said he is convinced Poindexter told "the absolute truth," reflecting a widespread acceptance by members of his critical testimony.

(E. Michael Myers, UPI)

Didn't Tell Reagan, Poindexter Testifies

John Poindexter testified that he deliberately kept President Reagan in the dark about the plan to divert Iranian arms sales proceeds to the Nicaraguan resistance.

Sen. Warren Rudman said the House and Senate committees have no evidence -- including the President's personal diaries -- that contradicts Poindexter's assertion.

"The examination of the President's diaries in our view confirms Poindexter's testimony," Rudman said.... "There is nothing in the diaries that will conflict with what the admiral said."

Rudman said the diaries are quite complete and that he doubts Reagan could have resisted recording "that juicy tidbit."

(Mary Belcher, Washington Times, A1)

### Reagan Off Hook -- Or Still Dangling?

The admiral fell on his sword, saving the President.

John Poindexter -- by revealing that he'd kept secret the diversion of arms sales profits to the contras -- deflected a dagger heading straight for the heart of Reagan's presidency.

But his good soldier behavior may not recast the luster Reagan has lost: Poindexter also confirmed that Ronald Reagan had done what he'd promised not to do -- trade arms for hostages.

"Nothing is new," said former Reagan campaign press secretary Jim Lake. "The damage to Reagan's presidency, whatever that is, happened when the public found out arms went to the ayatollah."

(Johanna Neuman, USA Today, A1)

### GOP Leaders Say Testimony Clears Reagan Of Scandal

Republican leaders in the House and Senate said that President Reagan has been exonerated by John Poindexter's testimony that he did not tell the President about the diversion of Iranian arms proceeds to the Nicaraguan contras.

They predicted that the Iran-contra hearings would now begin to wind down, with the central issue of Reagan's knowledge and credibility laid to rest.

The testimony marks "the beginning of the end" of the Administration's political paralysis on Capitol Hill, said Senate Minority Whip Alan Simpson. "It reaffirmed what the President has said all along and is an important step in the direction of getting on with other business in Congress."

But Democrats sharply disagreed, saying Poindexter's testimony -- if true -- further reinforced the picture of an Administration with little control over its own foreign policy.

(Josh Getlin, Los Angeles Times, A17)

### Poindexter Didn't Get North Memos On Diversion Prepared For Reagan

John Poindexter agreed with Oliver North that the Iran-contra diversion was a good idea but says he didn't get the five memos North claims to have sent to him for the President.

Poindexter...generally supported North's contention that all his [North's] actions were authorized.

(William Welch, AP)

### POINDEXTER IS CHIEF TARGET OF GRAND JURY INVESTIGATION

John Poindexter's lawyer said that his client had been named the "primary target" of a federal grand jury investigating the Iran-contra affair and that there was an "imminent threat of prosecution."

In testimony before Congress, the lawyer, Richard Beckler, said he had recently been informed that Poindexter was a target of the special prosecutor, Lawrence Walsh.

Beckler's disclosure about his client...was the clearest public statement by any defense lawyer in the case that Walsh would seek additional criminal charges.

(Philip Shenon, New York Times, A10)

EDITOR'S NOTE: "Week Nine Of The Iran-Contra Hearings," appears in The Washington Post, A16.

## **INTERNATIONAL NEWS**

### **REFLAGGING DISCLOSURES SET OFF SHOUTING MATCH**

**Michel Calls Aspin Behavior 'Unforgivable'**

The House minority leader and the chairman of the Armed Services Committee engaged in an angry shouting match on the House floor over disclosure of the date when U.S. warships will begin escorting reflagged Kuwaiti oil tankers through the Persian Gulf.

Minority Leader Robert Michel set off the exchange when he accused Chairman Les Aspin of "unforgivable" behavior in publicly discussing some details of the escort operation after senior Reagan Administration officials briefed congressional leaders on the plan.

A visibly agitated Aspin replied that none of the information he disclosed was classified and that Senate Minority Leader Robert Dole had also quoted Adm. William Crowe, chairman of the Joint Chiefs of Staff, as saying the escort operation would begin next Wednesday.

The clash in the House took place as the Senate abandoned efforts to pass legislation calling for postponement of the operation but voted overwhelmingly to authorize a total trade embargo against any Persian Gulf country that attacks U.S. vessels, property or personnel in the region.

(Edward Walsh & Helen Dewar, Washington Post, A19)

### **Aspin And Republicans In House In War Of Words About The Gulf**

Rep. Les Aspin, chairman of the House Armed Services Committee, vigorously and angrily objected to assertions by the Reagan Administration, and by his colleagues in the House, that he had disclosed classified details of plans to provide military escorts to ships in the Persian Gulf.

He said congressional leaders were never told during the [Administration's] briefing [to congressional leaders] that this and other details of the operation's schedule were classified.

"I would not discuss anything in the open that I was told or led to believe the Administration thought was classified," said Aspin, who was upset about being singled out for criticism after several lawmakers spoke with reporters following the briefing.

"If the Administration wants to change the ground rules about what is classified, they have got to tell people what they are doing," Aspin said.

(John Cushman, New York Times, A8)

### **Three Hill Leaders Criticized For 'Leak'**

The White House and the Pentagon criticized three members of Congress [House Armed Services Committee Chairman Les Aspin, Senate Minority Leader Robert Dole and Sen. James Sasser] for revealing after a classified briefing on Tuesday the date that the first reflagged Kuwaiti oil tanker will sail under U.S. protection.

"Unfortunately, some sensitive and classified details from those briefings were revealed to the press following yesterday's executive session," said Pentagon spokesman Robert Sims. "As a result, some of those details may have to be changed."

(Jeremiah O'Leary & Jennifer Spevacek, Washington Times, A1)



## OFFICIAL SAYS IRAN WILL ATTACK U.S. SHIPS

DUBAI, United Arab Emirates -- Hashemi Rafsanjani, the speaker of the Iranian parliament, has threatened that Iran will attack U.S. shipping in the Persian Gulf and any Arab states in the region that provide assistance to U.S. military forces, Iran's official news agency reported.

The reports of the threats came as Kuwait formally asked Britain to join the reflagging effort. The government of Prime Minister Thatcher responded that registering Kuwaiti ships as British would be a purely commercial matter and would not guarantee protection for the ships from three Royal Navy warships in the gulf. (Los Angeles Times, A7)

## 'WAR OF EMBASSIES' DEADLOCKED

PARIS -- Relations between France and Iran reached a virtual stalemate, with a French diplomat afraid to leave his embassy in Tehran and an Iranian wanted for questioning about terrorist bombings in France holed up in the Iranian mission in Paris.

French newspapers have dubbed the crisis "the war of the embassies."

The Foreign Ministry in Paris said that Iranian officials also prevented two French citizens from leaving Iran during the weekend.

A government spokesman said the latest incidents in the escalating diplomatic row had put the normalization of French-Iranian relations "on the back burner." (Roman Rollnick, UPI)

### 2 French Aides Detained By Iran, Worsening Crisis

PARIS -- Two French diplomats trying to leave for Paris earlier this week were prevented from leaving Tehran airport, worsening an already intense diplomatic crisis between France and Iran, sources here said.

The Iranians allowed two other French diplomats to leave without incident, an official at the French Foreign Ministry said.

The official said the French did not know how to interpret the detention of the two diplomats. The French have asked Iran for an explanation but have not yet received a response.

(Diana Henry, Baltimore Sun, A2)

### New Charge Intensifies France-Iran Clash

NICOSIA, Cyprus -- Franco-Iranian relations neared a breaking point as Iranian Prime Minister Mussein Musavi threatened to retaliate for actions against Iranians in France, which he accused of pursuing "Satanic policies" against his government.

Musavi gave no specifics in remarks quoted by Tehran radio. Iran accuses French customs agents of beating an Iranian diplomat last weekend.

Tehran radio quoted Musavi as saying: "We have repeatedly declared that we are not prepared to put up with any pressure upon our citizens. Any pressure will lead to our retaliatory pressure. France has pursued some Satanic policies against our system and is still continuing these policies." (Washington Times, A6))

## TRADE DEFICIT RISES TO \$14.4 BILLION Report Surprises Financial Markets

The U.S. merchandise trade deficit increased to \$14.4 billion in May, the government reported, ending a brief improvement that had encouraged hopes the big deficits were receding.

The report caught trade specialists and the financial markets by surprise and sent the dollar reeling in foreign exchange trading. The dollar, quoted at 151.25 yen late Tuesday, dropped to 148.35 yen before climbing back to 148.85. The decline in the dollar, in turn, drove down prices of U.S. government securities, but those issues were recovered later. Analysts said the increased deficit indicated the dollar would decline further. (Stuart Auerbach, Washington Post, E1)

## SENATE VOTES TO REPEAL WINDFALL PROFITS TAX

The Senate broke a logjam delaying action on its sweeping trade bill early Thursday and voted 58 to 40 to repeal the windfall profits tax that oil companies have been fighting for seven years.

Repeal of the oil tax came as legislators worked past midnight after a day of negotiations among leaders designed to bring a vote on the long-delayed trade bill by 6 p.m. Tuesday. (Mike Robinson, AP)

### Senate Repeals Windfall Profits Tax

The Senate, led by oil-state senators, voted to repeal the windfall profits tax on domestic oil and agreed to complete action on far-reaching trade legislation early next week.

Working deep into the night, the Senate approved 58 to 40 an amendment to the trade bill that would repeal the windfall profits tax after a threatened filibuster collapsed.

In earlier action, the Senate, still irate over the sale of highly sophisticated U.S. submarine technology to the Soviet Union by Japanese and Norwegian firms, voted to guard against future shipments to the Soviet bloc. The amendment, adopted by voice vote, would direct the Commerce Department to impose re-export licenses on countries which fail to protect against their nations' firms selling sophisticated equipment to the Soviet bloc. (Bud Newman, UPI)

## JAPAN OFFICIAL SEEKS TO SOOTHE ANGRY CONGRESS Tamura Trying To Stop Toshiba Sanction Bills

Japan's trade minister, Hajime Tamura, traveled to Capitol Hill to try to quell congressional anger over the sale of sensitive military technology to the Soviet Union by a subsidiary of Toshiba Corp.

In meetings with Sen. Jake Garn, sponsor of legislation that would ban Toshiba imports for up to five years, and Rep. Don Bonker, chairman of a House subcommittee considering a similar measure, Tamura outlined steps the Japanese government plans to take in response to the incident.

(Clay Chandler, Washington Post, E1)

### Japan Tries To Cool U.S. Anger Over Illegal Toshiba Sales

Japan's trade minister launched a four-day campaign to cool American anger over the illegal sale of technology to the Soviet Union, but U.S. officials were unimpressed.

Hajime Tamura said the Japanese have taken a series of steps to punish those responsible for the illegal export of machine tools by Toshiba Machine Corp...to the Soviet Union, and have developed a program to prevent it from happening again.

"I don't question the sincerity of what you are trying to do," Sen. Jake Garn told the minister. "But I think your efforts are insufficient or inadequate."

Garn said he had no intention of backing down from his punitive legislation. (David Butts, UPI)

### U.S. QUESTIONS PAKISTAN ON ATTEMPT TO BUY STEEL USED TO MAKE ATOM WEAPONS

The Reagan Administration wants Pakistan to explain an attempt to export a type of steel used in uranium enrichment, an effort that seems part of the Islamabad government's drive to build nuclear arms.

The arrest of a Pakistani resident of Canada last week on charges of trying to circumvent U.S. export laws presents a dilemma for the Reagan Administration, which is relying on Pakistan for help in the covert war against the Soviet occupation of Afghanistan.

A 1985 law requires the Administration to end foreign aid to any non-nuclear nation that tries to export from the U.S. materials that "would contribute significantly to manufacture of a nuclear explosive device."

The author of the law, Rep. Stephen Solarz, has scheduled hearings on the case next week before the House Foreign Affairs subcommittee on Asia.

The State Department responded by summoning Pakistani Ambassador K.A. Marker to explain his government's involvement in the attempt to buy the steel, and also will press the case in Islamabad, department spokesman Charles Redman said. (Bryan Brumley, AP)

### Alleged Nuclear Plot Could Jeopardize Aid To Pakistan

An alleged plot to export American materials illegally to help Pakistan build nuclear weapons could jeopardize continued U.S. aid to the key Asian ally, officials say.

According to the State Department, the Administration is "taking seriously our responsibilities" under a law that could require a cutoff of U.S. aid to Pakistan if the charges are proven true.

"We cannot and will not tolerate any clandestine, any illegal efforts to circumvent our export control laws," department spokesman Charles Redman told reporters after the issue was exposed with the arrest of a Pakistan native in Philadelphia last week. (Matthew Quinn, UPI)

#### HOUSE SUBCOMMITTEE VOTES ITS SUPPORT FOR ARIAS PEACE PLAN

A House subcommittee approved a measure supporting a Central American peace plan sponsored by Costa Rican President Oscar Arias Sanchez.

The measure, approved unanimously by voice vote by the House Subcommittee on Western Hemisphere Affairs, also encouraged Central American leaders to attend an August summit in Guatemala to discuss the so-called Arias peace plan. (Valerie Strauss, Reuter)

#### PANEL VOTES TO SUSPEND SALVADORANS' DEPORTATION Nicaraguans Earlier Received Special Status

Legislation to suspend the deportation of up to 700,000 Nicaraguans and Salvadorans who are now illegally in the U.S. was approved by the Senate Judiciary Committee.

The 9 to 2 vote follows a controversial move by the Reagan Administration last week to grant liberalized immigration status only to the estimated 150,000 to 200,000 Nicaraguans living in this country. Critics of the move have complained that economic and social conditions in Nicaragua and El Salvador are equally bad, but that the Administration has singled out Nicaraguans for favorable treatment because it wants to embarrass the Sandinista government, which it opposes.

(Mary Thornton, Washington Post, A3)

#### U.S. EXPELLING TWO CUBAN DIPLOMATS

The U.S. has ordered two Cuban diplomats here to leave the country by July 25 in retaliation for an extensive media campaign alleging that American diplomats serving in Havana have been engaged in espionage activities, the State Department announced.

The hostile Cuban media campaign, which began July 6, has led to "significant harassment" and "intolerable conditions" for U.S. personnel at the U.S. interests section in Havana, a department statement said.

(David Ottaway, Washington Post, A10)

#### SENATORS FORCE MOZAMBIQUE STANDOFF Envoy's Nomination Caught In Battle Over Recognizing Rebel Group

The State Department and a group of conservative senators, at odds over U.S. policy toward the Marxist government of Mozambique, are now deadlocked on the nomination of a new U.S. ambassador to that war-torn southern African state.

Spokesmen for the two sides said that neither side backed off during a meeting Tuesday between Secretary Shultz and the two senators leading the opposition, Minority Leader Robert Dole and Sen. Jesse Helms, the Foreign Relations Committee's ranking Republican member.

(David Ottaway, Washington Post, A23)

## NATIONAL NEWS

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### ADMINISTRATION MOVES TO BLOCK HILL DEFICIT PLAN

The Reagan Administration has moved to knock out a key component of Congress' plan to reduce the federal budget in fiscal 1988, saying it would cost the government more in the long run than it would save next year.

The Treasury Department has determined that it cannot allow early repayment of \$7.2 billion in Rural Electrification Administration loans, which would have counted as federal revenues. The prepayments would have an adverse impact on the Federal Financing Bank, which raises funds for a variety of agencies, the Treasury decided.

(Tom Kenworthy, Washington Post, A9)

### SUPPORT BUILDS AMONG DEMOCRATS FOR RAISING TAXES ON WEALTHY

House Democrats expressed increased support for raising taxes on the wealthy to meet budget targets, but reached no agreement on the specifics of the tax bill they will begin writing as early as next week.

With Republicans likely to oppose tax increases almost unanimously, Democrats must come up with tax-increase legislation that can gain the votes of a large majority of their party.

Specifically, legislators called for postponing tax-rate reductions scheduled for next year, a move that is strongly favored by House Speaker Jim Wright.

Wright said there is "a very strong consensus" for taxes aimed at "those people who benefited most from the Reagan (tax) cuts and those whose reductions contributed the most to the deficit."

(Anne Swardson & Tom Kenworthy, Washington Post, A7)

### HOUSE PANEL APPROVES SWEEPING WELFARE CHANGES

Bill Would Require States To Establish  
Large-Scale Job Training, Placement Programs

The House Education and Labor Committee endorsed a sweeping revision of the nation's welfare program and voted a \$500 million authorization to start the bill's key work-and-training program for welfare recipients in fiscal 1988, a year earlier than previously proposed.

The bill, initially drafted and approved by the House Ways and Means Committee, for the first time requires states to establish large-scale mandatory remedial education, job training and job placement programs designed to shift low-income parents off the Aid to Families with Dependent Children welfare rolls and onto payrolls. About 3.8 million such parents, nearly all women, are now on the AFDC rolls.

(Spencer Rich, Washington Post, A8)



#### BIDEN REJECTS SETTING DATE FOR VOTE ON BORK

Senate Judiciary Chairman Joseph Biden rejected a Republican request that he set a "date certain" for a committee vote on the nomination of U.S. Appeals Court Judge Robert Bork to the Supreme Court.

However, Biden said that he expected the nomination to be ready for debate by the full Senate by Oct. 1.

"We have no intention to hold up this nomination," Biden said.

(Washington Post, A9)

#### JUDGE THREATENS TO HALT DEEVER TRIAL

The judge presiding over the perjury trial of former White House aide Michael Deaver threatened to halt the three-day-old proceeding after a federal appeals court directed him to cease questioning all potential jurors in private.

U.S. District Court Judge Thomas Penfield Jackson said the ruling had so seriously eroded his credibility with the jury panel that he had "very grave doubts" if the case against the longtime confidant to President and Mrs. Reagan could proceed. "I frankly find myself embarrassed to face this panel again," the judge said.

(Bill McAllister, Washington Post, A4)

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## **NETWORK NEWS SUMMARY**

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(Wednesday Evening, July 15, 1987)

### **IRAN-CONTRA HEARINGS/POINDEXTER'S TESTIMONY**

NBC's Tom Brokaw: President Reagan knew a great deal of what his staff was doing to keep the contras going in Nicaragua but his former National Security Advisor John Poindexter says he deliberately did not tell the President about the diversion of Iran arms sales profits to the contra. That was the so-called "smoking gun" question. And while Poindexter did contradict the President on still another key point, and while he did describe a White House foreign policy operation that many found shocking, he backed the President's claim that he didn't know of the diversion.

NBC's John Dancy: For two months the hearings have been pointing toward this man -- this moment -- the time when former National Security Advisor John Poindexter would take the oath and tell what he knew. It was Poindexter who knew about the diversion of money to the contras, who had unrestricted access to President Reagan and who could have told him about it. He said today he did not. He made the decision on his own -- so the President would have deniability.

(Poindexter: "I was convinced that I understood the President's thinking on this and that if I had taken it to him, that he would have approved it."

Liman: "When you say deniability, are you saying that your decision was not to tell the President so that he would be able to deny that he knew of it?"

Poindexter: "That's correct."

Liman: "So the answer is -- you did not tell the President of the U.S.?"

Poindexter: "I did not. The buck stops here -- with me. I made the decision. I felt that I had authority to do it. I thought it was a good idea. I was convinced that the President would, in the end, think it was a good idea. But I did not want him to be associated with the decision."

Liman: "Now, you understood that if this got out it would be very controversial?"

Poindexter: "I did understand that."

Liman: "And that it could, if it got out and the President was associated with it, cause damage to the President."

Poindexter: "I realized that it would do that, yes."

Liman: "And that was indeed the reason for not telling him?"

Poindexter: "That's correct.")

Last week Oliver North testified he assumed all along President Reagan knew of the diversion scheme and that he had asked Poindexter five times to seek the President's approval for the diversion. Poindexter said today he did not recall seeing North's memos and purposely never told North he had not sought presidential approval.

(Liman: "Did you ever tell Col. North that you were not going to tell the President?"

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Dancy continues:

Poindexter: "No I did not. That was a private decision of mine.")  
Everybody kept secrets from everybody else at the NSC. Poindexter said he did not even tell CIA Director Casey about the diversion, even though North testified that Casey, unbeknownst to Poindexter, was deeply involved in it.

(Liman: "Did you ever discuss with the DCI the diversion?"

Poindexter: "I did not."

Liman: "Why not?"

Poindexter: "Because I wanted to keep the issue highly compartmented as I said, and have testified before this morning.")  
And Poindexter said he did not know that North knew that Casey knew.

(Liman: "Did Col. North ever tell you that he had discussed the diversion with Casey?"

Poindexter: "Not to my recollection. I was operating under the assumption that I have stated -- that he and I were the only ones in government [who knew].")

There was another bombshell for the White House in Poindexter's testimony. He said the arms sales to Iran was always seen as a arms for hostages deal. The President knew it and Poindexter knew it. So when news of the sale began to leak out last fall, Poindexter said he destroyed a key document -- a finding signed by President Reagan that clearly described the deal in those terms.

(Poindexter: "The President was being beaten about the head and shoulders that this was -- the whole Iranian project was just an arms for hostage deal. Well, this finding, unfortunately, gave that same impression and I frankly didn't see any need for it at the time. I thought it was politically embarrassing and so I decided to tear it up. And I tore it up, put it in the burn basket behind my desk.")

Former hostage David Jacobsen watched from the audience today as Poindexter described a meeting in which the President clearly recognized the political risk of the arms for hostages deal.

(Poindexter: "If we get all of the hostages out -- we'll be heroes.

If we don't -- we'll have a significant problem.")

Poindexter's first day of testimony seems to have cleared up one of the central questions -- whether President Reagan knew about the diversion. But it has also revealed that major foreign policy decisions were being made by staff members, without the President's knowledge or approval.

Brokaw: Poindexter's testimony that he kept that diversion from the President came as a great relief to White House aides, although they did have a little more trouble explaining Poindexter's description of how the President signed that original finding, or authorization, for the Iran arms sales. Still, all together, the White House thought that this was a very good day.

NBC's Chris Wallace: The President tried to act matter-of-fact about Poindexter's testimony on the diversion, saying, "What's new about that? I've been saying that for seven months." But privately top aides were visibly relieved that now Poindexter was saying it. They suggested Mr. Reagan has now been cleared of knowing about the diversion. And all along they have tried to make the President's knowledge the central issue in the scandal.

Wallace continues:

(The President on file footage: "I didn't know about any diversion of funds to the contras.")

But while grateful for Poindexter's backing, spokesman Marlin Fitzwater criticized his actions saying Mr. Reagan expects advisors to tell him what's going on and to obey the law. And Fitzwater noted the President's statement last March that if told he would never have approved the diversion.

(The President: "You would have heard me without opening the door of the office if I had been told that.")

But while officials said Poindexter helped the President over the big hurdles, they acknowledge he ran Mr. Reagan right into another one -- approving an arms for hostages deal in a 1985 finding. When news of the Iran initiative first broke, the President flatly denied a swap.

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

But after the Tower Commission said it had been a trade, Mr. Reagan reluctantly agreed.

(The President: "What began as a strategic opening to Iran deteriorated in its implementation into trading arms for hostages.")

The President had said he didn't remember signing a 1985 finding. The White House explained that memory lapse today saying thousands of important items come across the President's desk and even if the finding talked of arms to hostages, spokesman Fitzwater said the Iran initiative was always a diplomatic opening to moderates, but the release of hostages just a by-product. Members of the Iran-contra committees disagreed about how much the President was helped today. Democratic Senator Sarbanes was shocked at the White House Poindexter described.

(Sarbanes : "I mean -- the question is how was the President involved in making policy and what kind of decisions were made and that question is still very much with us.")

But Congressman Courter said the scandal is over.

(Courter: "The reason that we're here -- the reason that this panel was established, was to make a decision -- an inquiry as to whether the President of the U.S. knew about and authorized a diversion of money. Now we know the answer to that question.")

Officials here agree, saying Poindexter has now cleared Mr. Reagan on the one issue that threatened his presidency. But they add that Mr. Reagan won't declare victory until the hearings are over. Just in case there are still more damaging revelations.

Brokaw: ...John Tower is with us.... Senator Tower, it seems to me that every time we peel back one layer, we learn something more. Were you surprised to hear Poindexter say today that, in fact, the President had signed that original finding?

(Tower: "I think there is no real surprise. Our board was limited in what it could do. We were limited by time -- we only had 88 days. We did not have the power of subpoena nor the power to swear witnesses. Of course Mr. Poindexter never did appear before us, nor did Col. North.")

But isn't it shocking to you that the President of the U.S. would do something as substantial as signing a finding to authorize the sale of arms to Iran and then say he couldn't remember doing that?

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Brokaw continues:

(Tower: "I think again that [we must] think in terms of the management style of the President. Then I think you also have to consider other matters that were on the President's plate at the time and the extent to which he paid a great deal of attention to it. So I wouldn't necessarily criticize him for failure to recollect.")

And if he knew about so much else of what his staff was doing in Central America...is it not passingly strange that he should not have been told--

(Tower: "I think the President should have been informed. I believe that a matter so sensitive should have been vented through the national security process. That is to say that although it was implementation of policy more than policy making itself, certainly it should have been very, very thoroughly vented in the NSC in my view.")

Poindexter's lawyer also disclosed today that the Admiral has been notified that he is a target of a possible criminal indictment. That notification came from Special Prosecutor Lawrence Walsh. He's running a separate investigation. He's also investigating Oliver North for possible criminal charges. (NBC-Lead)

ABC's Peter Jennings: At the Iran-contra hearings today one of the most important questions appears to have been answered -- some would say it is the key question -- today John Poindexter...said he did not tell the President, he wanted the President to have deniability if the diversion were ever uncovered. It is not the end of this congressional investigation by any means. But when the Admiral testified today, there was a sense that the high point had been reached.

ABC's Brit Hume: Nearly eight months after it first arose, the question that has driven the Iran-contra affair from the start was finally put to the man in the best position to answer it.

(Liman: "Did you at any time prior to the Attorney General's finding this on November 22, tell the President of the U.S. of the fact that proceeds from the Iranian arms sale were being used to support the contras?")

Poindexter: "I did not. I did not talk to anybody else except Col. North about this decision until -- and I don't want to quibble here over times -- in late Nov. 1986. But my recollection is that the first mention that I made to anybody besides Col. North was on Nov. 24 to Ed Meese.")

Poindexter said the idea of channeling the arms proceeds to the contras had been raised to him by Oliver North in February of last year.

(Poindexter: "He was clearly looking for a signal from me whether or not to proceed ahead along this line.... And I gave it to him.")

Poindexter said he knew it would be politically explosive if it ever came to light.

(Poindexter: "Although I was convinced that we could properly do it, and that the President would approved if asked, I made a very deliberate decision not to ask the President so that I could insulate him from the decision and provide some future deniability for the President if it every leaked out.")

Poindexter said he felt it was not only legal, but that it was within his authority to allow the operation to go forward.

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Hume continues:

(Poindexter: "This clearly was an important decision. But it was also an implementation of very clear policy. If the President had asked me, I very likely would have told him about it. But he didn't. I think it's an important point here -- the buck stops here with me....")

Poindexter said he thought the President would have liked the idea if he had told him.... Poindexter insisted, however, that he was not making policy, merely carrying out the President's commitment to the Nicaraguan resistance.

(Poindexter: "I was convinced as to what the President's policy was with regard to support for the contras. I was aware that the President was aware of third country support, that the President was aware of private support.")

Poindexter said he thought the Iran arms money could fit into either category. But Poindexter said he had no recollection of receiving any of the five or more memos Oliver North said he sent him mentioning the contra fund matter and also, said North, recommending the President be briefed. And Poindexter said he did not recall the one North memo -- the famous diversion memo -- that has been found on the subject.

(Poindexter: "What I speculate happened was that Col. North probably prepared this memo at that time in response to my request. It probably came over to me. I realize that I didn't want to discuss the transfer of funds issue with the President for the reasons that I gave this morning and I probably destroyed that memo at the time.") If so it was not the document Poindexter destroyed. He earlier disclosed that the President had signed a December 1985 finding authorizing weapon sales to Iran as a straight arms for hostages deal. Last November, with Attorney General Meese coming on a fact finding mission, an aide dug out that finding and gave it to Poindexter.... Poindexter insisted the dealing with Iran had never been just for hostages, but had always been driven as well by largely strategic questions. And he said Shultz and Weinberger had repeatedly raised strong objections in meetings with the President. There was one important bit of further testimony backing the idea the President was kept in the dark on the contra fund diversion. Poindexter recalled a conversation on Air Force last May about the contras.

(Poindexter: "He says, 'Look, I don't want to pull out our support for the contras for any reason -- this would be an unacceptable option. Isn't there something that I can do unilaterally?' And I was sorely tempted at that point to tell him what we had working. But I thought better of it and did not.")

Poindexter wrote a note to North mentioning what the President had said, which helps to establish that conversation did, in fact, occur. So, the two key witnesses on the key question -- what the President knew about the contras fund diversion -- have now answered it. Some members of the committee may not believe what they said, but in absence of some strong contradictory evidence, they would seem to have little choice but to believe their stories and the President's.

Jennings: ...Lee Hamilton and Orrin Hatch join me. Has the question of whether the President knew of the diversion to the contras or not been answered?

Jennings continues:

(Hamilton: "Adm. Poindexter answered that question very straightforwardly this morning. He said that he had not told the President of the diversion. I think that's the strongest evidence we've had thus far in the hearings with the regard to the President's knowledge.")

Hatch: "I think that Adm. Poindexter made it clear that the President was not briefed and was not told about the diversion of funds. I think it lays that to rest and I think it's got to be a relief to all of the American people, who have had the implication going for a long time, to know that that implication is not true.")

There is a tendency now at least to think that the air goes out of the investigation. Do you think that's the case?

(Hatch: "I don't. I think that this is an important investigation but I also think that what is coming through to the American people is that these are pretty nice people who were well-intentioned, who were trying to carry out a very difficult policy, but did so in a flawed way and now are admitting their mistakes. I don't see any criminal intent and I think in that sense, it's been very much overblown.")

Hamilton: "I think we've got a lot work to do. We still have all of the major witnesses in the Administration to hear from.... I don't think the work is completed by far for the committee.... ")

(ABC-Lead)

ABC's Sam Donaldson: President Reagan was making a speech in the White House complex when Adm. Poindexter delivered his key testimony that he had never told the President about the contra money diversion. Mr. Reagan was informed about it as he walked back to the Oval Office and responded to a reporter, "What's new about that? I've been saying it for seven months." Press Relations Assistant Marlin Fitzwater, reflecting the general air of relief among the President's aides, said Mr. Reagan is gratified by Poindexter's key testimony, but disagrees that he would approved of the diversion if he had been asked to. He would not have, said Fitzwater. But the gratification does not extend to the matter of the 1985 finding which talked only of trading arms for hostages. Fitzwater said the President still has no recollection of ever seeing or signing that document, but will not disagree with the contention that he did. Fitzwater repeated that even if he did, in his own mind, the President was not trading arms for hostages, but pursuing a broader initiative. Whatever gratification there may or may not be, the one thing that is not present here today is real euphoria. One reason is that White House officials understand that the President's problem of credibility has not been instantly solved. Said one official, "We'll have to work our way out of that."

(ABC-2)

CBS's Dan Rather on Capitol Hill: It came down to Admiral John

Poindexter and today he took the blame. Poindexter said he deliberately did not tell President Reagan about the diversion of Iran arms money to the contras.... Poindexter also said the President did sign a document approving a straight out arms for hostages swap with Iran -- a document the Admiral later destroyed.... The President watched the hearings this time and White House reaction focused hard on the good news -- that Poindexter said Mr. Reagan didn't know specifics about the money diversion. The former NSC Advisor was billed as the most important witness in these hearings, and today he lived up to that billing.

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CBS's Phil Jones: The buck appeared to stop at Poindexter today as he became the fall guy for approving the diversion of Iranian arms profits to the Nicaraguan contras. Poindexter never told the President.... Within minutes after his admission, the first puff of smoke came from Poindexter's pipe and you could almost hear the first sighs of relief from many members of the committee. Poindexter said that the original idea of the diversion came from Oliver North.

(Liman: "Did he ask you for your approval?")

Poindexter: "I don't recall how he phrased his request but he was clearly looking for a signal from me whether or not to proceed ahead along this line. And I gave it to him.")

Poindexter claimed he was merely implementing the President's contra support policy.... Poindexter today disputed claims that North had sent five different memos to him requesting that he get presidential approval for the contra diversion operation.... But Poindexter's protection of President Reagan was not limited to the contra diversion. In a dramatic disclosure, the Admiral admitted that he destroyed the first document that President Reagan had signed in December 1985 authorizing the sale of arms to Iran to free the hostages....

(Liman: "The President did not authorize you to destroy the finding, correct?")

Poindexter: "He certainly did not.")

Poindexter also disclosed that Attorney General Meese had been the one who advocated that the U.S. start direct sales to Iran instead of going through Israel. The impression left by Poindexter was that Meese wanted to avoid Congress.

(Poindexter: "And the reason for that is that under the Arms Export Control Act there was a congressional reporting requirement.")

And Poindexter refuted testimony from North that Secretary of State Shultz and Secretary of Defense Weinberger had not fought to stop the Iranian arms deal.

(Liman: "Did the Secretary of State and the Secretary of Defense express objections?")

Poindexter: "They expressed, as opposed to some reports, very strong...objection. And clearly laid out for the President the other side of the issue.")

But according to Poindexter, at the end of the discussion, the President sat back and said --

(Poindexter: "It was something to the effect that, 'I don't feel that we can leave any stone unturned in trying to get the hostages back.'")

Throughout today Poindexter made clear he has aware of all of North's activities in support of the contras, including the building of a secret air strip in Costa Rica.... No one on these committees expected this scandal to turn into an impeachable offense against President Reagan. And today's disclosures appeared to save the President.

CBS's Bill Plante: This was the day for which the White House staff had waited for months. As the President and his staff see it, the only real issue hanging over Mr. Reagan's head was whether he knew about the diversion of funds to the contras. So with today's testimony from Poindexter, the White House would like to believe that the question has been settled.

Plante continues: After being told that Poindexter supported his contention that he knew nothing of the diversion, Mr. Reagan said, "What's new about that? I've been saying that for seven months." The White House staff chooses to see Poindexter's testimony that he acted on his own as a vindication of the President and chooses to ignore its implications for Mr. Reagan's management style.... Also tough for the White House, Poindexter's testimony that President Reagan did sign a document in December 1985 which gave to go-ahead for a straight arms for hostages swap. That contradicts President Reagan's assertion that he intended no such thing at least at the outset of the Iran affair.

(The President: "We did not, repeat -- did not -- trade weapons or anything else for hostages. Nor will we.... What began as a strategic opening to Iran deteriorated in its implementation into trading arms for hostages.")

The White House says the President doesn't recall signing or reading the document and still believes he was making an opening to Iran. But another former National Security Advisor thinks that the fact that Mr. Reagan signed the finding makes that claim hard to support.

(Brent Scowcroft: "That watershed in the finding -- that is that it ended the period of plausible deniability for the President. No longer could you say, 'Well, these guys are doing it and the President doesn't know.' Because the President had to say, 'Yes, I understand it and I authorize it.'")

So members of the President's staff are relieved that all Mr. Reagan has to admit to after this day is that he couldn't remember signing one document. But they also agree that it's a little soon to break out the champagne. This whole affair has raised policy questions which the Administration still has to deal with, because as one senior official put it, "President Reagan's credibility has been damaged."

(CBS-Lead)

CBS's Lesley Stahl reports on the legal problems of John Poindexter.

(CBS-2)

CBS's Bruce Morton: For a lot of committee members the question wasn't what did the President know, but more important, why didn't he?

(Rep. Foley: "The diversion of arms sales profits to the contras was taken without the knowledge or approval of a single responsible elected official in the U.S. government.")

Without the knowledge or approval of anyone who had been elected -- not the President, not the Vice President, nor any member of Congress.

(Henry Kissinger: "I was a much more assertive security advisor than Poindexter. I wouldn't have dreamed of making a significant decision because if you don't have the President's backing, you've got nothing.")

And it raises a serious question -- who's in charge?

(Sen. Cohen: "When the buck is suppose to stop, it's suppose to stop at the top and not at a subordinate level.")

The President, critics say, should be accountable. How does he make sure he knows what's going on?

(Sen. Tower: "The President and his immediate subordinates should be keeping a very, very close eye on what's going on down in the working of the national security process.")

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Morton continues:

(Arthur Schlesinger: "I think when subordinates take it upon themselves...the responsibility of not telling the President of what they're doing, they are subverting the whole concept of accountability and therefore of democracy.")

The President and his staff may be relieved tonight but today's testimony raises serious questions. Oliver North has already testified to the troubles democracy can have when they try to do things in secret. With Poindexter's revelation that secret operations were ordered not by elected leaders, but by staff, those troubles intensified because that's not the way democracies are suppose to work. (CBS-3)

ABC's Dennis Troute reports on how the Congressional hearings may affect Lawrence Walsh's criminal investigation of North and Poindexter. (ABC-3)

Rather: With us are Warren Rudman and Lee Hamilton. The White House is now hitting hard on the theme "that settles it, it's over, let's shut this thing down now and get on to other business." Do you agree?

(Hamilton: "No, I really don't agree. I understand why people focus on the President and his knowledge, but I think the committee is focusing more on the process -- why these mistakes were made, what can we do about them. Clearly mistakes in the process have been revealed. We want to get to the bottom of that and make our recommendations. It's not just the matter of the President's knowledge that is important here. It's the process.")

This is the most important testimony we've had thus far. As far as you're concerned is it over?

(Rudman: "No it doesn't end it at all. I believe that the White House certainly understands that the process is important here. This is a terrible disaster that has befallen this Administration, this country. I hope we can come back strongly from it. But the testimony today was astounding. That is not support to happen in a democracy. I would think the President himself would be probably more upset than anyone else. After all, he should have been allowed to make his own mistakes -- make his own disasters if he will. He wasn't allowed to according to Poindexter's testimony.")

Where do we go from here?

(Hamilton: "We have all of the key cabinet secretaries coming in.... My guess is the most important testimony ahead of us may come from the Attorney General....").... (CBS-9)

NBC's John Chancellor's commentary: There was one magic moment in this long, sad story when the whole mess could have been avoided. On a sunny Saturday in Dec. 1985, Mr. Reagan met with a small group of senior advisors in the residential quarters at the White House. Admiral Poindexter told us today that's when the plan to trade arms for hostages was presented. Secretary of Defense Weinberger argued against it. Secretary of State argued against it. These two men, both of whom had served in President Nixon's cabinet, who know their way away Washington, insisted repeatedly that it was a terrible idea....



Chancellor continued: Remember Weinberger and Shultz are the Hatfields and McCoys of the Reagan Administration -- they have been feuding for years and still are, but both were passionately against trading arms to Iran for hostages. President Reagan thought it over and rejected their arguments. The tragedy began that day. Shultz and Weinberger have been described as team players and in the end, they went along with the plan. Which raises a question -- does the President really need team players who won't try to stop him from making an awful mistake? If Shultz and Weinberger had both threatened to resign on this critical issue, the arms for hostages plan probably would have been scrapped and the President saved from the disaster. We've heard a lot about loyalty to the President in these hearings, a lot about protecting the President. But if loyalty is a virtue, too much loyalty is a vice. The President's team players bear a heavy responsibility for the President's problems. (NBC-7)

#### PERSIAN GULF/REFLAGGING TANKERS

Brokaw: It appears to be smooth sailing tonight for plans to activate President Reagan's policy in the Persian Gulf. Senate Democrats gave up today in their effort to force a vote on a 90 day delay in providing a U.S. Navy escort for Kuwaiti tankers. This operation is scheduled to begin next week and a U.S. Navy diving team was in Gulf today to sweep Iranian mines from the channel leading to Kuwait.... (NBC-6, ABC-4, CBS-7)

#### TRADE DEFICIT

Brokaw: The Administration got bad news today on the trade deficit. The \$14.5 billion deficit in May was \$1 billion more than expected. Just last week the President said the country had turned the corner on the deficit. (NBC-5)

#### DEAVER TRIAL

Rather: A federal appeal court today ordered jury selection in the trial of Michael Deaver open to the public and the press. The judge had been allowing prospective jurors to be questioned in private on grounds that they would be less likely to "squirm." But the appeals court ruled that American justice is an open system and jurors, indeed, may have to "squirm" in public. (CBS-4)

#### U.S. EXPELS CUBANS

Rather: The U.S. tonight expelled two Cuban diplomats. It is in response to what the State Department called "intolerable accusations of espionage" against American diplomats in Havana. (CBS-5)

## **EDITORIALS/COLUMNISTS**

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### **IRAN-CONTRA HEARINGS**

Some Accept North As Credible Witness -- "Oliver North is no national hero. A true patriot, believing in his country, would have destroyed or altered records. But one must ask if the Norths, Poindexters and Secords of Irangate would have emerged if Congress and its 535 secretaries of State had developed a clear policy toward Nicaragua and Soviet encroachment there."  
(Milwaukee Sentinel, 7/10)

North's Testimony -- "Is there a smoking gun? President Reagan has said again, 'There ain't no smoking gun.' But as the hearings wear on, the congressional ferrets still seem insistent on finding one. Intelligent citizens may rightfully ask why. Is it simply to help resolve serious questions about a painful foreign policy mistake? Or is it an attempt to bring down a President in disgrace?"  
(Indianapolis Star, 7/8)

Ollie's Folly? -- "Those who support North may have been tilted by his smooth performance before the congressional panel.... But what else is behind North's surprising support? Perhaps it is this simple fact: Americans think that the U.S. ought to support people fighting for basic human rights.... Sentiment could change, but right now it looks like the colonel is winning the battle for the hearts and minds of the viewing public. And it may be that members of Congress, come election time, will be asked to detail the part they played in producing the Iran-contra affair."  
(Charleston Daily Mail, 7/10)

The Colonel Was Very Good At Telling The Bad And Ugly -- "Opinion surveys show that most Americans were able to separate the man from the policies he carried out. Most believe Col. North's contention that he was obeying his superiors; only a minority believe President Reagan's denials that he knew what was going on. Col. North has come to look less like a loose cannon than an eager officer on a loose deck with a captain, for some reason, out of sight..... In distinguishing between North's persona and his message it is helpful to look at the consequences of extra-legal foreign policy making.... As a consequence of that policy more hostages are held today than were in captivity when the Administration started to deal with Iran. American credibility in the Mideast, shattered by arms sales to Iran, must be recouped by reflagging Kuwaiti oil tankers at substantial risk."  
(Philadelphia Inquirer, 7/15)

Ollie's Contras -- "Oliver North was wrong to try to subvert the will of Congress, and if he was directed to do so, those who directed him were wrong too.... Although Reagan's men supported the contras the wrong way, the cause of the contras should not be held hostage for their mistakes."  
(John Hughes, Christian Science Monitor, 7/14)

North: Off The Hot Seat -- "Mr. Reagan was elected by an overwhelming majority of the voters in this country, who knew full well his attitude toward freedom fighters in general and his support for the contras in particular. For one of his aides to act on those objectives can hardly be viewed as the great betrayal of the American people that some would have us believe."  
(Birmingham News, 7/12)

IRAN-CONTRA HEARINGS (continued)

North Camouflages Basic Issue -- "Ollie North's winning ways must not be allowed to camouflage the basic question, which has to do with government, not Ollie North. That question is whether we are willing to allow national policy to be guided in secret without consultation from elected officials. Put another way, it's whether we want to exchange our government of laws for a national security state run by individuals unaccountable to the American people." (San Diego Tribune, 7/13)

North Wars -- "What Col. North's testimony came down to is this: The Administration did what it did for high motives and good reason. In such sensitive circumstances it's permissible to wink, even sneer, at inconvenient laws. The President should be free to defend democracy with tougher, surer champions than a bunch of vacillating old windbags in Congress. A President free to do that is free to do anything. There are some countries where that is true. The United States is not, so far, one of them." (New York Times, 7/15)

Colonel North -- "Committee members need to ponder the North phenomenon. Conceivably, it is merely an emotional wave that will gradually dissipate as the investigation proceeds. Just as conceivably, it reflects a reaffirmation of the broad, bipartisan consensus that the U.S. must be able to act in its own defense and that the establishment of a Soviet client state on the North American mainland constitutes a breach of that defense. If the American people believed this week that Colonel North alone was talking sense, their elected leaders should be asking themselves why." (Cincinnati Enquirer, 7/11)

North's Testimony Not The Last Word -- "President Reagan may be breathing easier after Oliver North's testimony before the Iran-contra committee.... But it is certain that congressional probers will not -- and should not -- take North's word as the last word on what Reagan knew and when he knew it.... No doubt the committee will seek other witnesses to corroborate North's absolving Reagan of any knowledge of the money transfer to the contras. The President should hope they find some." (Milwaukee Sentinel, 7/8)

North And The Casey Legacy -- "Now the grave confrontation between the executive and legislative branches is shaping up -- leading to a necessary but possibly deep, damaging and divisive testing of the constitutional roles of the President and Congress in foreign policy affairs. Is that the legacy for which Casey will be most remembered? That may be one result of the history and civics lesson now being put into the record." (Sarasota Herald-Tribune, 7/14)

North Spreads The Blame In Compelling Testimony -- "North's testimony... helps President Reagan on the narrow issue of what the President knew. North said he 'assumed' Reagan knew of the illegal diversion of funds but never discussed it with him.... That, however, fails to relieve Reagan of the responsibility for the blunder of selling arms to Iran, attempting to trade arms for hostages while preaching otherwise, and failing to know what was happening just outside the Oval Office. From the court of public opinion, we suspect, Reagan will get the legendary Scotch verdict of 'not proven -- but pay the court costs.' That's better than 'guilty', less desirable than 'innocent' -- and the costs are likely to diminish the credibility." (Rocky Mountain News, 7/10)



# News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, JULY 16, 1987 -- 6 a.m. EDT EDITION

## TODAY'S HEADLINES

### IRAN-NICARAGUA

Poindexter Says He Never Told Reagan Of Arms-Money Diversion -- John Poindexter testified he never told President Reagan about using Iranian arms sales money for the contras because "I wanted the President to be protected" from political embarrassment if the plan leaked out.

(Los Angeles Times, New York Times, USA Today, Washington Post, Washington Times, AP, Newhouse, UPI)

### INTERNATIONAL NEWS

Three Hill Leaders Criticized For 'Leak' -- The White House and the Pentagon criticized three members of Congress for revealing after a classified briefing on Tuesday the date that the first reflagged Kuwaiti oil tanker will sail under U.S. protection.

(New York Times, Washington Post, Washington Times)

### NATIONAL NEWS

Administration Moves To Block Hill Deficit Plan -- The Reagan Administration has moved to knock out a key component of Congress' plan to reduce the federal budget in fiscal 1988, saying it would cost the government more in the long run than it would save next year.

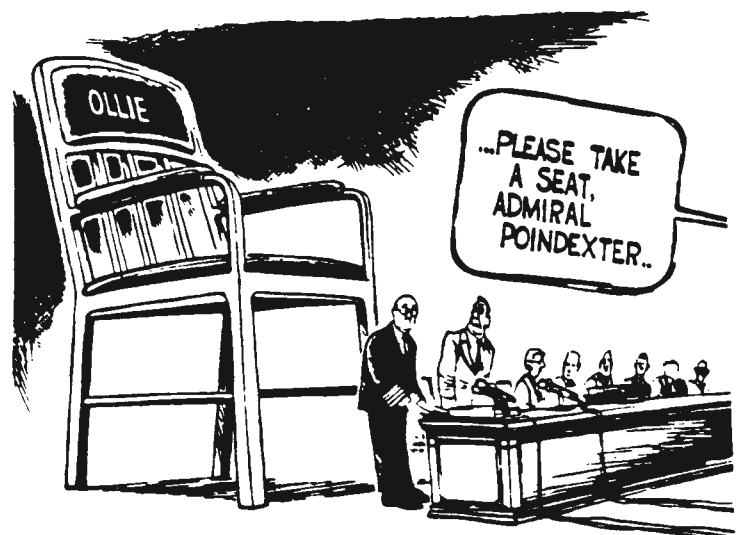
(Washington Post)

### NETWORK NEWS (Wednesday Evening)

**IRAN-CONTRA** -- John Poindexter said he deliberately did not tell the President about the diversion of Iran arms sales profits to the contras.

**PERSIAN GULF** -- Senate Democrats gave up their effort for a 90-day delay in the reflagging plan.

**TRADE DEFICIT** -- The \$14.5 billion deficit in May was \$1 billion more than expected.



## **IRAN — NICARAGUA**

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### **POINDEXTER SAYS REAGAN NOT TOLD OF DIVERSION President 'Would Have Approved' If Asked**

Former National Security Adviser John Poindexter, addressing a central mystery in the Iran-contra affair, told Congress he never informed President Reagan that proceeds from U.S.-Iran arms sales were used to support the Nicaraguan rebels, but added he believed that the President "would have approved the decision at the time if I had asked him."

Poindexter, a 50-year-old Navy rear admiral who met almost daily with Reagan from December 1985 to November 1986, told a hushed hearing room in the Rayburn House Office Building: "I made the decision. I felt that I had the authority to do it. I thought it was a good idea. I was convinced that the President would, in the end, think it was a good idea. But I did not want him to be associated with the decision."

Under questioning from Arthur Liman, chief counsel for the Senate panel investigating the affair, Poindexter admitted that his motive in keeping the President ignorant was to provide Reagan "some future deniability" that would protect him from "political damage."

(Walter Pincus & David Hoffman, Washington Post, A1)

### **Didn't Tell Reagan Of Funds Diversion, Poindexter Says**

John Poindexter told Congress that he deliberately chose never to tell President Reagan about the diversion of profits from the Iran arms sales to the Nicaraguan contras in order to protect Reagan from political damage if the secret program ever became public.

Poindexter's long-awaited testimony...was widely viewed as the final word on whether Reagan knew about the diversion. It ended months of anxious speculation that began Nov. 25, when the scheme was disclosed by Attorney General Meese.

"The buck stops here with me," declared Poindexter, confidently puffing on his pipe.

(Sara Fritz & Karen Tumulty, Los Angeles Times, A1)

### **John Poindexter's Testimony/Funds Diversion**

John Poindexter said he alone approved the diversion of arms sales profits to the contras and that he "made a deliberate decision" not to tell President Reagan. He also said, contrary to Reagan's denials, the President approved the swap of arms to Iran for hostages.

"I made a very deliberate decision not to ask the President so I could insulate the President and provide him with deniability if it leaked out," Poindexter said.

"I was convinced I understood the President's thinking on this and if I would have taken it to the President he would approve," Poindexter said...

But, Poindexter said, the diversion of the arms sales proceeds "was a politically volatile issue" and he wanted to protect Reagan.

(Robert Lewis & Robert Gettlin, Newhouse)



### Poindexter Says He Never Told Reagan Of Arms-Money Diversion

John Poindexter testified he never told President Reagan about using Iranian arms sales money for the contras because "I wanted the President to be protected" from political embarrassment if the plan leaked out.

But, while supporting the President on that point, [Poindexter] contradicted Reagan on a second important issue....: He said the President initially approved selling weapons to Iran in late 1985 as a straight arms-for-hostages deal. (Harry Rosenthal, AP)

### 'What's New,' Is The Reaction From President

John Poindexter's testimony that he did not tell President Reagan about the diversion of Iran arms sale profits to Nicaragua's contras prompted a terse reaction from the President:

"What's new about that? I've been saying it for seven months"

What is new is that it was Poindexter, the former presidential national security adviser who had been silent on the Iran-contra affair since last November, who said it. (James Gerstenzang, Los Angeles Times, A1)

### Reagan 'Gratified' By Hill Testimony

President Reagan was "gratified" by John Poindexter's testimony that he never told the President about the Iran-contra diversion, but the Chief Executive stuck by his story that he doesn't recall signing a document the admiral says he did.

In spite of the favorable outcome of Poindexter's long-awaited testimony, senior Administration officials said the White House mood is far from euphoric.

"We still have credibility problems and some major rebuilding to do," said one official who asked not to be named. "We can't turn public opinion around until the end of August, when the hearings end, and we'll be living with the independent counsel investigation for the next 18 months." (Jeremiah O'Leary, Washington Times, A8)

### Testimony Gratifies President

White House officials described a mood of wary relief that John Poindexter had supported President Reagan's assertion that he had no knowledge of the plan to divert the profits of the Iran arms sales to the Nicaraguan insurgents.

The President's spokesman, Marlin Fitzwater, said Reagan was gratified by Poindexter's initial testimony before the congressional committees....

As the fallout from the Iran-contra initiative continued to be felt at the White House, Howard Baker, the chief of staff, said in an interview that the President would soon instruct his senior aides to begin consultations with congressional intelligence committee leaders on revising procedures for insuring that Congress will be kept informed of covert operations.

The move is apparently part of a broader White House effort to limit the more damaging aspects of the Iran-contra testimony, and is expected to include a speech by Reagan assuring the nation that he has changed his Administration's procedures to insure that a major policy decision would no longer escape his attention, other senior White House officials said.

(Gerald Boyd, New York Times, A1)

### President Says He Cannot Recall Arms-Sale Finding

President Reagan said he does not remember signing a secret memo that contradicted his public denial about trading arms for hostages with Iran, but acknowledged that he might have approved such a document.

...John Poindexter raised a potentially embarrassing issue for Reagan by saying the President had signed a memo on Dec. 5, 1985, approving the sale of arms to Iran as a straight arms-for-hostages swap.

[Poindexter] said he destroyed the memo last November when the Iran-contra affair leaked out because, "I thought it was a significant political embarrassment to the President and I wanted to protect him from possible disclosure of this."  
(Terence Hunt, AP)

### Word Of Memo Dilutes White House Relief

White House officials said that John Poindexter had vindicated President Reagan by testifying that he never told Reagan about a diversion of Iran arms sales profits to the Nicaraguan contras. But the officials acknowledged that the President was damaged by another Poindexter disclosure of the memo raised "obvious problems...that must be resolved."

Reagan's only public comment was a reply to a shouted question from reporters after a speech on economic issues. Told that Poindexter had absolved him of knowing about the diversion, Reagan said, "What's news about that? I've been saying that for seven months."

What Reagan has never said, however, was that he had signed a finding approving a trade of arms for hostages. [Spokesman Marlin] Fitzwater said he asked Reagan yesterday about the secret memo -- a Dec. 5, 1985, presidential finding approving the trade of arms for hostages -- and that Reagan said he may have signed it but did not remember doing so. The President told Fitzwater and other White House officials that he did not dispute Poindexter's testimony about that memo but had no recollection of it. Poindexter testified that he destroyed the only copy of the signed document last November.

(Lou Cannon & David Hoffman, Washington Post, A1)

### A Bold, Risk-Taking Reagan Depicted

John Poindexter did more than answer a crucial question about President Reagan when he testified that he didn't tell Reagan about the Iran arms sale funds diversion. He drew a portrait of Reagan that bore little resemblance to the disengaged, uniformed President with a lax "management style" presented to the American people in the Tower special review board last February.

The picture that emerges from Poindexter's critical testimony...is of a strong-willed President who knew exactly what he wanted and was willing to take great risks to achieve it -- so great that Poindexter, as Reagan's national security adviser, though he had to take steps to protect Reagan from himself.

And two of Reagan's most important goals, Poindexter said..., were to get back American hostages being held in Lebanon and to support the contras at all costs.  
(Haynes Johnson, Washington Post, A1)

Poindexter: Reagan Saw Arms Deals As Way To Free Hostages

In contradicting one of President Reagan's key assertions about his arms deals with Iran, John Poindexter provided a vivid account of a 1985 meeting in which Reagan approved selling weapons for American hostages despite "vociferous" objection from his secretaries of state and defense.

His statements conflicted with findings of the presidential Tower commission and with testimony from Oliver North that Secretaries Shultz and Weinberger had voiced only "muted" criticism of the arms deals.

(Gregory Gordon, UPI)

NSC Staff Exempt From Contra Aid Restriction, Poindexter Says

John Poindexter testified that he firmly believed the National Security Council staff was exempt from congressional restrictions on U.S. military aid to the Nicaragua contras and that the NSC staff had become a secret operational unit overseeing private support of the rebels.

Poindexter also said he kept President Reagan informed in "general terms" of the NSC's contra support activities.

Poindexter's testimony contradicted Robert McFarlane...who testified Tuesday that the aid ban, known as the Boland amendment, applied to the NSC staff.

Poindexter also contradicted Reagan's Jan. 26 statement to the Tower review board in which the President said he "did not know the NSC staff was engaged in helping the contras."

(Joe Pichirallo, Washington Post, A14)

John Poindexter's Testimony/Committee Reaction

Iran-contras committee members believe John Poindexter's testimony that President Reagan knew nothing of the diversion of Iran arms sale profits, but they said it raises questions about policy control at the White House.

"I think the 'smoking gun' part is behind us," Sen. Sam Nunn said of the search for decisive evidence that could be used to spark an impeachment action against Reagan.

"There is a tremendous amount of circumstantial evidence that he knew but there is no direct evidence," Nunn said. "People will be split on this."

Sen. Warren Rudman said he is convinced Poindexter told "the absolute truth," reflecting a widespread acceptance by members of his critical testimony.

(E. Michael Myers, UPI)

Didn't Tell Reagan, Poindexter Testifies

John Poindexter testified that he deliberately kept President Reagan in the dark about the plan to divert Iranian arms sales proceeds to the Nicaraguan resistance.

Sen. Warren Rudman said the House and Senate committees have no evidence -- including the President's personal diaries -- that contradicts Poindexter's assertion.

"The examination of the President's diaries in our view confirms Poindexter's testimony," Rudman said.... "There is nothing in the diaries that will conflict with what the admiral said."

Rudman said the diaries are quite complete and that he doubts Reagan could have resisted recording "that juicy tidbit."

(Mary Belcher, Washington Times, A1)

### Reagan Off Hook -- Or Still Dangling?

The admiral fell on his sword, saving the President.

John Poindexter -- by revealing that he'd kept secret the diversion of arms sales profits to the contras -- deflected a dagger heading straight for the heart of Reagan's presidency.

But his good soldier behavior may not recast the luster Reagan has lost: Poindexter also confirmed that Ronald Reagan had done what he'd promised not to do -- trade arms for hostages.

"Nothing is new," said former Reagan campaign press secretary Jim Lake. "The damage to Reagan's presidency, whatever that is, happened when the public found out arms went to the ayatollah."

(Johanna Neuman, USA Today, A1)

### GOP Leaders Say Testimony Clears Reagan Of Scandal

Republican leaders in the House and Senate said that President Reagan has been exonerated by John Poindexter's testimony that he did not tell the President about the diversion of Iranian arms proceeds to the Nicaraguan contras.

They predicted that the Iran-contra hearings would now begin to wind down, with the central issue of Reagan's knowledge and credibility laid to rest.

The testimony marks "the beginning of the end" of the Administration's political paralysis on Capitol Hill, said Senate Minority Whip Alan Simpson. "It reaffirmed what the President has said all along and is an important step in the direction of getting on with other business in Congress."

But Democrats sharply disagreed, saying Poindexter's testimony -- if true -- further reinforced the picture of an Administration with little control over its own foreign policy.

(Josh Getlin, Los Angeles Times, A17)

### Poindexter Didn't Get North Memos On Diversion Prepared For Reagan

John Poindexter agreed with Oliver North that the Iran-contra diversion was a good idea but says he didn't get the five memos North claims to have sent to him for the President.

Poindexter...generally supported North's contention that all his [North's] actions were authorized.

(William Welch, AP)

### POINDEXTER IS CHIEF TARGET OF GRAND JURY INVESTIGATION

John Poindexter's lawyer said that his client had been named the "primary target" of a federal grand jury investigating the Iran-contra affair and that there was an "imminent threat of prosecution."

In testimony before Congress, the lawyer, Richard Beckler, said he had recently been informed that Poindexter was a target of the special prosecutor, Lawrence Walsh.

Beckler's disclosure about his client...was the clearest public statement by any defense lawyer in the case that Walsh would seek additional criminal charges.

(Philip Shenon, New York Times, A10)

EDITOR'S NOTE: "Week Nine Of The Iran-Contra Hearings," appears in The Washington Post, A16.

## **INTERNATIONAL NEWS**

### **REFLAGGING DISCLOSURES SET OFF SHOUTING MATCH**

**Michel Calls Aspin Behavior 'Unforgivable'**

The House minority leader and the chairman of the Armed Services Committee engaged in an angry shouting match on the House floor over disclosure of the date when U.S. warships will begin escorting reflagged Kuwaiti oil tankers through the Persian Gulf.

Minority Leader Robert Michel set off the exchange when he accused Chairman Les Aspin of "unforgivable" behavior in publicly discussing some details of the escort operation after senior Reagan Administration officials briefed congressional leaders on the plan.

A visibly agitated Aspin replied that none of the information he disclosed was classified and that Senate Minority Leader Robert Dole had also quoted Adm. William Crowe, chairman of the Joint Chiefs of Staff, as saying the escort operation would begin next Wednesday.

The clash in the House took place as the Senate abandoned efforts to pass legislation calling for postponement of the operation but voted overwhelmingly to authorize a total trade embargo against any Persian Gulf country that attacks U.S. vessels, property or personnel in the region.

(Edward Walsh & Helen Dewar, Washington Post, A19)

### **Aspin And Republicans In House In War Of Words About The Gulf**

Rep. Les Aspin, chairman of the House Armed Services Committee, vigorously and angrily objected to assertions by the Reagan Administration, and by his colleagues in the House, that he had disclosed classified details of plans to provide military escorts to ships in the Persian Gulf.

He said congressional leaders were never told during the [Administration's] briefing [to congressional leaders] that this and other details of the operation's schedule were classified.

"I would not discuss anything in the open that I was told or led to believe the Administration thought was classified," said Aspin, who was upset about being singled out for criticism after several lawmakers spoke with reporters following the briefing.

"If the Administration wants to change the ground rules about what is classified, they have got to tell people what they are doing," Aspin said.

(John Cushman, New York Times, A8)

### **Three Hill Leaders Criticized For 'Leak'**

The White House and the Pentagon criticized three members of Congress [House Armed Services Committee Chairman Les Aspin, Senate Minority Leader Robert Dole and Sen. James Sasser] for revealing after a classified briefing on Tuesday the date that the first reflagged Kuwaiti oil tanker will sail under U.S. protection.

"Unfortunately, some sensitive and classified details from those briefings were revealed to the press following yesterday's executive session," said Pentagon spokesman Robert Sims. "As a result, some of those details may have to be changed."

(Jeremiah O'Leary & Jennifer Spevacek, Washington Times, A1)

## OFFICIAL SAYS IRAN WILL ATTACK U.S. SHIPS

DUBAI, United Arab Emirates -- Hashemi Rafsanjani, the speaker of the Iranian parliament, has threatened that Iran will attack U.S. shipping in the Persian Gulf and any Arab states in the region that provide assistance to U.S. military forces, Iran's official news agency reported.

The reports of the threats came as Kuwait formally asked Britain to join the reflagging effort. The government of Prime Minister Thatcher responded that registering Kuwaiti ships as British would be a purely commercial matter and would not guarantee protection for the ships from three Royal Navy warships in the gulf. (Los Angeles Times, A7)

## 'WAR OF EMBASSIES' DEADLOCKED

PARIS -- Relations between France and Iran reached a virtual stalemate, with a French diplomat afraid to leave his embassy in Tehran and an Iranian wanted for questioning about terrorist bombings in France holed up in the Iranian mission in Paris.

French newspapers have dubbed the crisis "the war of the embassies."

The Foreign Ministry in Paris said that Iranian officials also prevented two French citizens from leaving Iran during the weekend.

A government spokesman said the latest incidents in the escalating diplomatic row had put the normalization of French-Iranian relations "on the back burner." (Roman Rollnick, UPI)

## 2 French Aides Detained By Iran, Worsening Crisis

PARIS -- Two French diplomats trying to leave for Paris earlier this week were prevented from leaving Tehran airport, worsening an already intense diplomatic crisis between France and Iran, sources here said.

The Iranians allowed two other French diplomats to leave without incident, an official at the French Foreign Ministry said.

The official said the French did not know how to interpret the detention of the two diplomats. The French have asked Iran for an explanation but have not yet received a response.

(Diana Henry, Baltimore Sun, A2)

## New Charge Intensifies France-Iran Clash

NICOSIA, Cyprus -- Franco-Iranian relations neared a breaking point as Iranian Prime Minister Mussein Musavi threatened to retaliate for actions against Iranians in France, which he accused of pursuing "Satanic policies" against his government.

Musavi gave no specifics in remarks quoted by Tehran radio. Iran accuses French customs agents of beating an Iranian diplomat last weekend.

Tehran radio quoted Musavi as saying: "We have repeatedly declared that we are not prepared to put up with any pressure upon our citizens. Any pressure will lead to our retaliatory pressure. France has pursued some Satanic policies against our system and is still continuing these policies." (Washington Times, A6)



## TRADE DEFICIT RISES TO \$14.4 BILLION Report Surprises Financial Markets

The U.S. merchandise trade deficit increased to \$14.4 billion in May, the government reported, ending a brief improvement that had encouraged hopes the big deficits were receding.

The report caught trade specialists and the financial markets by surprise and sent the dollar reeling in foreign exchange trading. The dollar, quoted at 151.25 yen late Tuesday, dropped to 148.35 yen before climbing back to 148.85. The decline in the dollar, in turn, drove down prices of U.S. government securities, but those issues were recovered later. Analysts said the increased deficit indicated the dollar would decline further. (Stuart Auerbach, Washington Post , E1)

## SENATE VOTES TO REPEAL WINDFALL PROFITS TAX

The Senate broke a logjam delaying action on its sweeping trade bill early Thursday and voted 58 to 40 to repeal the windfall profits tax that oil companies have been fighting for seven years.

Repeal of the oil tax came as legislators worked past midnight after a day of negotiations among leaders designed to bring a vote on the long-delayed trade bill by 6 p.m. Tuesday. (Mike Robinson, AP)

### Senate Repeals Windfall Profits Tax

The Senate, led by oil-state senators, voted to repeal the windfall profits tax on domestic oil and agreed to complete action on far-reaching trade legislation early next week.

Working deep into the night, the Senate approved 58 to 40 an amendment to the trade bill that would repeal the windfall profits tax after a threatened filibuster collapsed.

In earlier action, the Senate, still irate over the sale of highly sophisticated U.S. submarine technology to the Soviet Union by Japanese and Norwegian firms, voted to guard against future shipments to the Soviet bloc. The amendment, adopted by voice vote, would direct the Commerce Department to impose re-export licenses on countries which fail to protect against their nations' firms selling sophisticated equipment to the Soviet bloc. (Bud Newman, UPI)

## JAPAN OFFICIAL SEEKS TO SOOTHE ANGRY CONGRESS Tamura Trying To Stop Toshiba Sanction Bills

Japan's trade minister, Hajime Tamura, traveled to Capitol Hill to try to quell congressional anger over the sale of sensitive military technology to the Soviet Union by a subsidiary of Toshiba Corp.

In meetings with Sen. Jake Garn, sponsor of legislation that would ban Toshiba imports for up to five years, and Rep. Don Bonker, chairman of a House subcommittee considering a similar measure, Tamura outlined steps the Japanese government plans to take in response to the incident.

(Clay Chandler, Washington Post, E1)

### Japan Tries To Cool U.S. Anger Over Illegal Toshiba Sales

Japan's trade minister launched a four-day campaign to cool American anger over the illegal sale of technology to the Soviet Union, but U.S. officials were unimpressed.

Hajime Tamura said the Japanese have taken a series of steps to punish those responsible for the illegal export of machine tools by Toshiba Machine Corp...to the Soviet Union, and have developed a program to prevent it from happening again.

"I don't question the sincerity of what you are trying to do," Sen. Jake Garn told the minister. "But I think your efforts are insufficient or inadequate."

Garn said he had no intention of backing down from his punitive legislation. (David Butts, UPI)

### U.S. QUESTIONS PAKISTAN ON ATTEMPT TO BUY STEEL USED TO MAKE ATOM WEAPONS

The Reagan Administration wants Pakistan to explain an attempt to export a type of steel used in uranium enrichment, an effort that seems part of the Islamabad government's drive to build nuclear arms.

The arrest of a Pakistani resident of Canada last week on charges of trying to circumvent U.S. export laws presents a dilemma for the Reagan Administration, which is relying on Pakistan for help in the covert war against the Soviet occupation of Afghanistan.

A 1985 law requires the Administration to end foreign aid to any non-nuclear nation that tries to export from the U.S. materials that "would contribute significantly to manufacture of a nuclear explosive device."

The author of the law, Rep. Stephen Solarz, has scheduled hearings on the case next week before the House Foreign Affairs subcommittee on Asia.

The State Department repoded by summoning Pakistani Ambassador K.A. Marker to explain his government's involvement in the attempt to buy the steel, and also will press the case in Islamabad, department spokesman Charles Redman said. (Bryan Brumley, AP)

### Alleged Nuclear Plot Could Jeopardize Aid To Pakistan

An alleged plot to export American materials illegally to help Pakistan build nuclear weapons could jeopardize continued U.S. aid to the key Asian ally, officials say.

According to the State Department, the Administration is "taking seriously our responsibilities" under a law that could require a cutoff of U.S. aid to Pakistan if the charges are proven true.

"We cannot and will not tolerate any clandestine, any illegal efforts to circumvent our export control laws," department spokesman Charles Redman told reporters after the issue was exposed with the arrest of a Pakistan native in Philadelphia last week. (Matthew Quinn, UPI)

#### HOUSE SUBCOMMITTEE VOTES ITS SUPPORT FOR ARIAS PEACE PLAN

A House subcommittee approved a measure supporting a Central American peace plan sponsored by Costa Rican President Oscar Arias Sanchez.

The measure, approved unanimously by voice vote by the House Subcommittee on Western Hemisphere Affairs, also encouraged Central American leaders to attend an August summit in Guatemala to discuss the so-called Arias peace plan. (Valerie Strauss, Reuter)

#### PANEL VOTES TO SUSPEND SALVADORANS' DEPORTATION Nicaraguans Earlier Received Special Status

Legislation to suspend the deportation of up to 700,000 Nicaraguans and Salvadorans who are now illegally in the U.S. was approved by the Senate Judiciary Committee.

The 9 to 2 vote follows a controversial move by the Reagan Administration last week to grant liberalized immigration status only to the estimated 150,000 to 200,000 Nicaraguans living in this country. Critics of the move have complained that economic and social conditions in Nicaragua and El Salvador are equally bad, but that the Administration has singled out Nicaraguans for favorable treatment because it wants to embarrass the Sandinista government, which it opposes.

(Mary Thornton, Washington Post, A3)

#### U.S. EXPELLING TWO CUBAN DIPLOMATS

The U.S. has ordered two Cuban diplomats here to leave the country by July 25 in retaliation for an extensive media campaign alleging that American diplomats serving in Havana have been engaged in espionage activities, the State Department announced.

The hostile Cuban media campaign, which began July 6, has led to "significant harassment" and "intolerable conditions" for U.S. personnel at the U.S. interests section in Havana, a department statement said.

(David Ottaway, Washington Post, A10)

#### SENATORS FORCE MOZAMBIQUE STANDOFF Envoy's Nomination Caught In Battle Over Recognizing Rebel Group

The State Department and a group of conservative senators, at odds over U.S. policy toward the Marxist government of Mozambique, are now deadlocked on the nomination of a new U.S. ambassador to that war-torn southern African state.

Spokesmen for the two sides said that neither side backed off during a meeting Tuesday between Secretary Shultz and the two senators leading the opposition, Minority Leader Robert Dole and Sen. Jesse Helms, the Foreign Relations Committee's ranking Republican member.

(David Ottaway, Washington Post, A23)

## NATIONAL NEWS

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### ADMINISTRATION MOVES TO BLOCK HILL DEFICIT PLAN

The Reagan Administration has moved to knock out a key component of Congress' plan to reduce the federal budget in fiscal 1988, saying it would cost the government more in the long run than it would save next year.

The Treasury Department has determined that it cannot allow early repayment of \$7.2 billion in Rural Electrification Administration loans, which would have counted as federal revenues. The prepayments would have an adverse impact on the Federal Financing Bank, which raises funds for a variety of agencies, the Treasury decided.

(Tom Kenworthy, Washington Post, A9)

### SUPPORT BUILDS AMONG DEMOCRATS FOR RAISING TAXES ON WEALTHY

House Democrats expressed increased support for raising taxes on the wealthy to meet budget targets, but reached no agreement on the specifics of the tax bill they will begin writing as early as next week.

With Republicans likely to oppose tax increases almost unanimously, Democrats must come up with tax-increase legislation that can gain the votes of a large majority of their party.

Specifically, legislators called for postponing tax-rate reductions scheduled for next year, a move that is strongly favored by House Speaker Jim Wright.

Wright said there is "a very strong consensus" for taxes aimed at "those people who benefited most from the Reagan (tax) cuts and those whose reductions contributed the most to the deficit."

(Anne Swardson & Tom Kenworthy, Washington Post, A7)

### HOUSE PANEL APPROVES SWEEPING WELFARE CHANGES

Bill Would Require States To Establish  
Large-Scale Job Training, Placement Programs

The House Education and Labor Committee endorsed a sweeping revision of the nation's welfare program and voted a \$500 million authorization to start the bill's key work-and-training program for welfare recipients in fiscal 1988, a year earlier than previously proposed.

The bill, initially drafted and approved by the House Ways and Means Committee, for the first time requires states to establish large-scale mandatory remedial education, job training and job placement programs designed to shift low-income parents off the Aid to Families with Dependent Children welfare rolls and onto payrolls. About 3.8 million such parents, nearly all women, are now on the AFDC rolls.

(Spencer Rich, Washington Post, A8)

#### BIDEN REJECTS SETTING DATE FOR VOTE ON BORK

Senate Judiciary Chairman Joseph Biden rejected a Republican request that he set a "date certain" for a committee vote on the nomination of U.S. Appeals Court Judge Robert Bork to the Supreme Court.

However, Biden said that he expected the nomination to be ready for debate by the full Senate by Oct. 1.

"We have no intention to hold up this nomination," Biden said.

(Washington Post, A9)

#### JUDGE THREATENS TO HALT DEAVER TRIAL

The judge presiding over the perjury trial of former White House aide Michael Deaver threatened to halt the three-day-old proceeding after a federal appeals court directed him to cease questioning all potential jurors in private.

U.S. District Court Judge Thomas Penfield Jackson said the ruling had so seriously eroded his credibility with the jury panel that he had "very grave doubts" if the case against the longtime confidant to President and Mrs. Reagan could proceed. "I frankly find myself embarrassed to face this panel again," the judge said.

(Bill McAllister, Washington Post, A4)

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## **NETWORK NEWS SUMMARY**

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(Wednesday Evening, July 15, 1987)

### **IRAN-CONTRA HEARINGS/POINDEXTER'S TESTIMONY**

NBC's Tom Brokaw: President Reagan knew a great deal of what his staff was doing to keep the contras going in Nicaragua but his former National Security Advisor John Poindexter says he deliberately did not tell the President about the diversion of Iran arms sales profits to the contra. That was the so-called "smoking gun" question. And while Poindexter did contradict the President on still another key point, and while he did describe a White House foreign policy operation that many found shocking, he backed the President's claim that he didn't know of the diversion.

NBC's John Dancy: For two months the hearings have been pointing toward this man -- this moment -- the time when former National Security Advisor John Poindexter would take the oath and tell what he knew. It was Poindexter who knew about the diversion of money to the contras, who had unrestricted access to President Reagan and who could have told him about it. He said today he did not. He made the decision on his own -- so the President would have deniability.

(Poindexter: "I was convinced that I understood the President's thinking on this and that if I had taken it to him, that he would have approved it."

Liman: "When you say deniability, are you saying that your decision was not to tell the President so that he would be able to deny that he knew of it?"

Poindexter: "That's correct."

Liman: "So the answer is -- you did not tell the President of the U.S.?"

Poindexter: "I did not. The buck stops here -- with me. I made the decision. I felt that I had authority to do it. I thought it was a good idea. I was convinced that the President would, in the end, think it was a good idea. But I did not want him to be associated with the decision."

Liman: "Now, you understood that if this got out it would be very controversial?"

Poindexter: "I did understand that."

Liman: "And that it could, if it got out and the President was associated with it, cause damage to the President."

Poindexter: "I realized that it would do that, yes."

Liman: "And that was indeed the reason for not telling him?"

Poindexter: "That's correct.")

Last week Oliver North testified he assumed all along President Reagan knew of the diversion scheme and that he had asked Poindexter five times to seek the President's approval for the diversion. Poindexter said today he did not recall seeing North's memos and purposely never told North he had not sought presidential approval.

(Liman: "Did you ever tell Col. North that you were not going to tell the President?"

-more-



Dancy continues:

Poindexter: "No I did not. That was a private decision of mine.")  
Everybody kept secrets from everybody else at the NSC. Poindexter said he did not even tell CIA Director Casey about the diversion, even though North testified that Casey, unbeknownst to Poindexter, was deeply involved in it.

(Liman: "Did you ever discuss with the DCI the diversion?"

Poindexter: "I did not."

(Liman: "Why not?"

Poindexter: "Because I wanted to keep the issue highly compartmented as I said, and have testified before this morning.")  
And Poindexter said he did not know that North knew that Casey knew.

(Liman: "Did Col. North ever tell you that he had discussed the diversion with Casey?"

Poindexter: "Not to my recollection. I was operating under the assumption that I have stated -- that he and I were the only ones in government [who knew].")

There was another bombshell for the White House in Poindexter's testimony. He said the arms sales to Iran was always seen as a arms for hostages deal. The President knew it and Poindexter knew it. So when news of the sale began to leak out last fall, Poindexter said he destroyed a key document -- a finding signed by President Reagan that clearly described the deal in those terms.

(Poindexter: "The President was being beaten about the head and shoulders that this was -- the whole Iranian project was just an arms for hostage deal. Well, this finding, unfortunately, gave that same impression and I frankly didn't see any need for it at the time. I thought it was politically embarrassing and so I decided to tear it up. And I tore it up, put it in the burn basket behind my desk.")

Former hostage David Jacobsen watched from the audience today as Poindexter described a meeting in which the President clearly recognized the political risk of the arms for hostages deal.

(Poindexter: "If we get all of the hostages out -- we'll be heroes.

If we don't -- we'll have a significant problem.")

Poindexter's first day of testimony seems to have cleared up one of the central questions -- whether President Reagan knew about the diversion. But it has also revealed that major foreign policy decisions were being made by staff members, without the President's knowledge or approval.

Brokaw: Poindexter's testimony that he kept that diversion from the President came as a great relief to White House aides, although they did have a little more trouble explaining Poindexter's description of how the President signed that original finding, or authorization, for the Iran arms sales. Still, all together, the White House thought that this was a very good day.

NBC's Chris Wallace: The President tried to act matter-of-fact about Poindexter's testimony on the diversion, saying, "What's new about that? I've been saying that for seven months." But privately top aides were visibly relieved that now Poindexter was saying it. They suggested Mr. Reagan has now been cleared of knowing about the diversion. And all along they have tried to make the President's knowledge the central issue in the scandal.

Wallace continues:

(The President on file footage: "I didn't know about any diversion of funds to the contras.")

But while grateful for Poindexter's backing, spokesman Marlin Fitzwater criticized his actions saying Mr. Reagan expects advisors to tell him what's going on and to obey the law. And Fitzwater noted the President's statement last March that if told he would never have approved the diversion.

(The President: "You would have heard me without opening the door of the office if I had been told that.")

But while officials said Poindexter helped the President over the big hurdles, they acknowledge he ran Mr. Reagan right into another one -- approving an arms for hostages deal in a 1985 finding. When news of the Iran initiative first broke, the President flatly denied a swap.

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

But after the Tower Commission said it had been a trade, Mr. Reagan reluctantly agreed.

(The President: "What began as a strategic opening to Iran deteriorated in its implementation into trading arms for hostages.")

The President had said he didn't remember signing a 1985 finding. The White House explained that memory lapse today saying thousands of important items come across the President's desk and even if the finding talked of arms to hostages, spokesman Fitzwater said the Iran initiative was always a diplomatic opening to moderates, but the release of hostages just a by-product. Members of the Iran-contra committees disagreed about how much the President was helped today. Democratic Senator Sarbanes was shocked at the White House Poindexter described.

(Sarbanes : "I mean -- the question is how was the President involved in making policy and what kind of decisions were made and that question is still very much with us.")

But Congressman Courter said the scandal is over.

(Courter: "The reason that we're here -- the reason that this panel was established, was to make a decision -- an inquiry as to whether the President of the U.S. knew about and authorized a diversion of money. Now we know the answer to that question.")

Officials here agree, saying Poindexter has now cleared Mr. Reagan on the one issue that threatened his presidency. But they add that Mr. Reagan won't declare victory until the hearings are over. Just in case there are still more damaging revelations.

Brokaw: ...John Tower is with us.... Senator Tower, it seems to me that every time we peel back one layer, we learn something more. Were you surprised to hear Poindexter say today that, in fact, the President had signed that original finding?

(Tower: "I think there is no real surprise. Our board was limited in what it could do. We were limited by time -- we only had 88 days. We did not have the power of subpoena nor the power to swear witnesses. Of course Mr. Poindexter never did appear before us, nor did Col. North.")

But isn't it shocking to you that the President of the U.S. would do something as substantial as signing a finding to authorize the sale of arms to Iran and then say he couldn't remember doing that?

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Brokaw continues:

(Tower: "I think again that [we must] think in terms of the management style of the President. Then I think you also have to consider other matters that were on the President's plate at the time and the extent to which he paid a great deal of attention to it. So I wouldn't necessarily criticize him for failure to recollect.")

And if he knew about so much else of what his staff was doing in Central America...is it not passingly strange that he should not have been told--

(Tower: "I think the President should have been informed. I believe that a matter so sensitive should have been vented through the national security process. That is to say that although it was implementation of policy more than policy making itself, certainly it should have been very, very thoroughly vented in the NSC in my view.")

Poindexter's lawyer also disclosed today that the Admiral has been notified that he is a target of a possible criminal indictment. That notification came from Special Prosecutor Lawrence Walsh. He's running a separate investigation. He's also investigating Oliver North for possible criminal charges. (NBC-Lead)

ABC's Peter Jennings: At the Iran-contra hearings today one of the most important questions appears to have been answered -- some would say it is the key question -- today John Poindexter...said he did not tell the President, he wanted the President to have deniability if the diversion were ever uncovered. It is not the end of this congressional investigation by any means. But when the Admiral testified today, there was a sense that the high point had been reached.

ABC's Brit Hume: Nearly eight months after it first arose, the question that has driven the Iran-contra affair from the start was finally put to the man in the best position to answer it.

(Liman: "Did you at any time prior to the Attorney General's finding this on November 22, tell the President of the U.S. of the fact that proceeds from the Iranian arms sale were being used to support the contras?")

Poindexter: "I did not. I did not talk to anybody else except Col. North about this decision until -- and I don't want to quibble here over times -- in late Nov. 1986. But my recollection is that the first mention that I made to anybody besides Col. North was on Nov. 24 to Ed Meese.")

Poindexter said the idea of channeling the arms proceeds to the contras had been raised to him by Oliver North in February of last year.

(Poindexter: "He was clearly looking for a signal from me whether or not to proceed ahead along this line.... And I gave it to him.")

Poindexter said he knew it would be politically explosive if it ever came to light.

(Poindexter: "Although I was convinced that we could properly do it, and that the President would approved if asked, I made a very deliberate decision not to ask the President so that I could insulate him from the decision and provide some future deniability for the President if it every leaked out.")

Poindexter said he felt it was not only legal, but that it was within his authority to allow the operation to go forward.

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Hume continues:

(Poindexter: "This clearly was an important decision. But it was also an implementation of very clear policy. If the President had asked me, I very likely would have told him about it. But he didn't. I think it's an important point here -- the buck stops here with me....")

Poindexter said he thought the President would have liked the idea if he had told him.... Poindexter insisted, however, that he was not making policy, merely carrying out the President's commitment to the Nicaraguan resistance.

(Poindexter: "I was convinced as to what the President's policy was with regard to support for the contras. I was aware that the President was aware of third country support, that the President was aware of private support.")

Poindexter said he thought the Iran arms money could fit into either category. But Poindexter said he had no recollection of receiving any of the five or more memos Oliver North said he sent him mentioning the contra fund matter and also, said North, recommending the President be briefed. And Poindexter said he did not recall the one North memo -- the famous diversion memo -- that has been found on the subject.

(Poindexter: "What I speculate happened was that Col. North probably prepared this memo at that time in response to my request. It probably came over to me. I realize that I didn't want to discuss the transfer of funds issue with the President for the reasons that I gave this morning and I probably destroyed that memo at the time.") If so it was not the document Poindexter destroyed. He earlier disclosed that the President had signed a December 1985 finding authorizing weapon sales to Iran as a straight arms for hostages deal. Last November, with Attorney General Meese coming on a fact finding mission, an aide dug out that finding and gave it to Poindexter.... Poindexter insisted the dealing with Iran had never been just for hostages, but had always been driven as well by largely strategic questions. And he said Shultz and Weinberger had repeatedly raised strong objections in meetings with the President. There was one important bit of further testimony backing the idea the President was kept in the dark on the contra fund diversion. Poindexter recalled a conversation on Air Force last May about the contras.

(Poindexter: "He says, 'Look, I don't want to pull out our support for the contras for any reason -- this would be an unacceptable option. Isn't there something that I can do unilaterally?' And I was sorely tempted at that point to tell him what we had working. But I thought better of it and did not.")

Poindexter wrote a note to North mentioning what the President had said, which helps to establish that conversation did, in fact, occur. So, the two key witnesses on the key question -- what the President knew about the contras fund diversion -- have now answered it. Some members of the committee may not believe what they said, but in absence of some strong contradictory evidence, they would seem to have little choice but to believe their stories and the President's.

Jennings: ...Lee Hamilton and Orrin Hatch join me. Has the question of whether the President knew of the diversion to the contras or not been answered?

Jennings continues:

(Hamilton: "Adm. Poindexter answered that question very straightforwardly this morning. He said that he had not told the President of the diversion. I think that's the strongest evidence we've had thus far in the hearings with the regard to the President's knowledge.")

Hatch: "I think that Adm. Poindexter made it clear that the President was not briefed and was not told about the diversion of funds. I think it lays that to rest and I think it's got to be a relief to all of the American people, who have had the implication going for a long time, to know that that implication is not true.")

There is a tendency now at least to think that the air goes out of the investigation. Do you think that's the case?

(Hatch: "I don't. I think that this is an important investigation but I also think that what is coming through to the American people is that these are pretty nice people who were well-intentioned, who were trying to carry out a very difficult policy, but did so in a flawed way and now are admitting their mistakes. I don't see any criminal intent and I think in that sense, it's been very much overblown.")

Hamilton: "I think we've got a lot work to do. We still have all of the major witnesses in the Administration to hear from.... I don't think the work is completed by far for the committee....")

(ABC-Lead)

ABC's Sam Donaldson: President Reagan was making a speech in the White House complex when Adm. Poindexter delivered his key testimony that he had never told the President about the contra money diversion. Mr. Reagan was informed about it as he walked back to the Oval Office and responded to a reporter, "What's new about that? I've been saying it for seven months." Press Relations Assistant Marlin Fitzwater, reflecting the general air of relief among the President's aides, said Mr. Reagan is gratified by Poindexter's key testimony, but disagrees that he would approved of the diversion if he had been asked to. He would not have, said Fitzwater. But the gratification does not extend to the matter of the 1985 finding which talked only of trading arms for hostages. Fitzwater said the President still has no recollection of ever seeing or signing that document, but will not disagree with the contention that he did. Fitzwater repeated that even if he did, in his own mind, the President was not trading arms for hostages, but pursuing a broader initiative. Whatever gratification there may or may not be, the one thing that is not present here today is real euphoria. One reason is that White House officials understand that the President's problem of credibility has not been instantly solved. Said one official, "We'll have to work our way out of that."

(ABC-2)

CBS's Dan Rather on Capitol Hill: It came down to Admiral John

Poindexter and today he took the blame. Poindexter said he deliberately did not tell President Reagan about the diversion of Iran arms money to the contras.... Poindexter also said the President did sign a document approving a straight out arms for hostages swap with Iran -- a document the Admiral later destroyed.... The President watched the hearings this time and White House reaction focused hard on the good news -- that Poindexter said Mr. Reagan didn't know specifics about the money diversion. The former NSC Advisor was billed as the most important witness in these hearings, and today he lived up to that billing.

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CBS's Phil Jones: The buck appeared to stop at Poindexter today as he became the fall guy for approving the diversion of Iranian arms profits to the Nicaraguan contras. Poindexter never told the President.... Within minutes after his admission, the first puff of smoke came from Poindexter's pipe and you could almost hear the first sighs of relief from many members of the committee. Poindexter said that the original idea of the diversion came from Oliver North.

(Liman: "Did he ask you for your approval?")

Poindexter: "I don't recall how he phrased his request but he was clearly looking for a signal from me whether or not to proceed ahead along this line. And I gave it to him.")

Poindexter claimed he was merely implementing the President's contra support policy.... Poindexter today disputed claims that North had sent five different memos to him requesting that he get presidential approval for the contra diversion operation.... But Poindexter's protection of President Reagan was not limited to the contra diversion. In a dramatic disclosure, the Admiral admitted that he destroyed the first document that President Reagan had signed in December 1985 authorizing the sale of arms to Iran to free the hostages....

(Liman: "The President did not authorize you to destroy the finding, correct?")

Poindexter: "He certainly did not.")

Poindexter also disclosed that Attorney General Meese had been the one who advocated that the U.S. start direct sales to Iran instead of going through Israel. The impression left by Poindexter was that Meese wanted to avoid Congress.

(Poindexter: "And the reason for that is that under the Arms Export Control Act there was a congressional reporting requirement.")

And Poindexter refuted testimony from North that Secretary of State Shultz and Secretary of Defense Weinberger had not fought to stop the Iranian arms deal.

(Liman: "Did the Secretary of State and the Secretary of Defense express objections?")

Poindexter: "They expressed, as opposed to some reports, very strong...objection. And clearly laid out for the President the other side of the issue.")

But according to Poindexter, at the end of the discussion, the President sat back and said --

(Poindexter: "It was something to the effect that, 'I don't feel that we can leave any stone unturned in trying to get the hostages back.'")

Throughout today Poindexter made clear he has aware of all of North's activities in support of the contras, including the building of a secret air strip in Costa Rica.... No one on these committees expected this scandal to turn into an impeachable offense against President Reagan. And today's disclosures appeared to save the President.

CBS's Bill Plante: This was the day for which the White House staff had waited for months. As the President and his staff see it, the only real issue hanging over Mr. Reagan's head was whether he knew about the diversion of funds to the contras. So with today's testimony from Poindexter, the White House would like to believe that the question has been settled.



Plante continues: After being told that Poindexter supported his contention that he knew nothing of the diversion, Mr. Reagan said, "What's new about that? I've been saying that for seven months." The White House staff chooses to see Poindexter's testimony that he acted on his own as a vindication of the President and chooses to ignore its implications for Mr. Reagan's management style.... Also tough for the White House, Poindexter's testimony that President Reagan did sign a document in December 1985 which gave to go-ahead for a straight arms for hostages swap. That contradicts President Reagan's assertion that he intended no such thing at least at the outset of the Iran affair.

(The President: "We did not, repeat -- did not -- trade weapons or anything else for hostages. Nor will we.... What began as a strategic opening to Iran deteriorated in its implementation into trading arms for hostages.")

The White House says the President doesn't recall signing or reading the document and still believes he was making an opening to Iran. But another former National Security Advisor thinks that the fact that Mr. Reagan signed the finding makes that claim hard to support.

(Brent Scowcroft: "That watershed in the finding -- that is that it ended the period of plausible deniability for the President. No longer could you say, 'Well, these guys are doing it and the President doesn't know.' Because the President had to say, 'Yes, I understand it and I authorize it.'")

So members of the President's staff are relieved that all Mr. Reagan has to admit to after this day is that he couldn't remember signing one document. But they also agree that it's a little soon to break out the champagne. This whole affair has raised policy questions which the Administration still has to deal with, because as one senior official put it, "President Reagan's credibility has been damaged."

(CBS-Lead)

CBS's Lesley Stahl reports on the legal problems of John Poindexter.

(CBS-2)

CBS's Bruce Morton: For a lot of committee members the question wasn't what did the President know, but more important, why didn't he?

(Rep. Foley: "The diversion of arms sales profits to the contras was taken without the knowledge or approval of a single responsible elected official in the U.S. government.")

Without the knowledge or approval of anyone who had been elected -- not the President, not the Vice President, nor any member of Congress.

(Henry Kissinger: "I was a much more assertive security advisor than Poindexter. I wouldn't have dreamed of making a significant decision because if you don't have the President's backing, you've got nothing.")

And it raises a serious question -- who's in charge?

(Sen. Cohen: "When the buck is suppose to stop, it's suppose to stop at the top and not at a subordinate level.")

The President, critics say, should be accountable. How does he make sure he knows what's going on?

(Sen. Tower: "The President and his immediate subordinates should be keeping a very, very close eye on what's going on down in the working of the national security process.")

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Morton continues:

(Arthur Schlesinger: "I think when subordinates take it upon themselves...the responsibility of not telling the President of what they're doing, they are subverting the whole concept of accountability and therefore of democracy.")

The President and his staff may be relieved tonight but today's testimony raises serious questions. Oliver North has already testified to the troubles democracy can have when they try to do things in secret. With Poindexter's revelation that secret operations were ordered not by elected leaders, but by staff, those troubles intensified because that's not the way democracies are suppose to work. (CBS-3)

ABC's Dennis Troute reports on how the Congressional hearings may affect Lawrence Walsh's criminal investigation of North and Poindexter. (ABC-3)

Rather: With us are Warren Rudman and Lee Hamilton. The White House is now hitting hard on the theme "that settles it, it's over, let's shut this thing down now and get on to other business." Do you agree?

(Hamilton: "No, I really don't agree. I understand why people focus on the President and his knowledge, but I think the committee is focusing more on the process -- why these mistakes were made, what can we do about them. Clearly mistakes in the process have been revealed. We want to get to the bottom of that and make our recommendations. It's not just the matter of the President's knowledge that is important here. It's the process.")

This is the most important testimony we're had thus far. As far as you're concerned is it over?

(Rudman: "No it doesn't end it at all. I believe that the White House certainly understands that the process is important here. This is a terrible disaster that has befallen this Administration, this country. I hope we can come back strongly from it. But the testimony today was astounding. That is not support to happen in a democracy. I would think the President himself would be probably more upset than anyone else. After all, he should have been allowed to make his own mistakes -- make his own disasters if he will. He wasn't allowed to according to Poindexter's testimony.")

Where do we go from here?

(Hamilton: "We have all of the key cabinet secretaries coming in.... My guess is the most important testimony ahead of us may come from the Attorney General....").... (CBS-9)

NBC's John Chancellor's commentary: There was one magic moment in this long, sad story when the whole mess could have been avoided. On a sunny Saturday in Dec. 1985, Mr. Reagan met with a small group of senior advisors in the residential quarters at the White House. Admiral Poindexter told us today that's when the plan to trade arms for hostages was presented. Secretary of Defense Weinberger argued against it. Secretary of State argued against it. These two men, both of whom had served in President Nixon's cabinet, who know their way away Washington, insisted repeatedly that it was a terrible idea....

Chancellor continued: Remember Weinberger and Shultz are the Hatfields and McCoys of the Reagan Administration -- they have been feuding for years and still are, but both were passionately against trading arms to Iran for hostages. President Reagan thought it over and rejected their arguments. The tragedy began that day. Shultz and Weinberger have been described as team players and in the end, they went along with the plan. Which raises a question -- does the President really need team players who won't try to stop him from making an awful mistake? If Shultz and Weinberger had both threatened to resign on this critical issue, the arms for hostages plan probably would have been scrapped and the President saved from the disaster. We've heard a lot about loyalty to the President in these hearings, a lot about protecting the President. But if loyalty is a virtue, too much loyalty is a vice. The President's team players bear a heavy responsibility for the President's problems. (NBC-7)

#### PERSIAN GULF/REFLAGGING TANKERS

Brokaw: It appears to be smooth sailing tonight for plans to activate President Reagan's policy in the Persian Gulf. Senate Democrats gave up today in their effort to force a vote on a 90 day delay in providing a U.S. Navy escort for Kuwaiti tankers. This operation is scheduled to begin next week and a U.S. Navy diving team was in Gulf today to sweep Iranian mines from the channel leading to Kuwait.... (NBC-6, ABC-4, CBS-7)

#### TRADE DEFICIT

Brokaw: The Administration got bad news today on the trade deficit. The \$14.5 billion deficit in May was \$1 billion more than expected. Just last week the President said the country had turned the corner on the deficit. (NBC-5)

#### DEAVER TRIAL

Rather: A federal appeal court today ordered jury selection in the trial of Michael Deaver open to the public and the press. The judge had been allowing prospective jurors to be questioned in private on grounds that they would be less likely to "squirm." But the appeals court ruled that American justice is an open system and jurors, indeed, may have to "squirm" in public. (CBS-4)

#### U.S. EXPELS CUBANS

Rather: The U.S. tonight expelled two Cuban diplomats. It is in response to what the State Department called "intolerable accusations of espionage" against American diplomats in Havana. (CBS-5)

-End of B-Section-

## **EDITORIALS/COLUMNISTS**

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### **IRAN-CONTRA HEARINGS**

Some Accept North As Credible Witness -- "Oliver North is no national hero. A true patriot, believing in his country, would have destroyed or altered records. But one must ask if the Norths, Poindexters and Secords of Irangate would have emerged if Congress and its 535 secretaries of State had developed a clear policy toward Nicaragua and Soviet encroachment there."  
(Milwaukee Sentinel, 7/10)

North's Testimony -- "Is there a smoking gun? President Reagan has said again, 'There ain't no smoking gun.' But as the hearings wear on, the congressional ferrets still seem insistent on finding one. Intelligent citizens may rightfully ask why. Is it simply to help resolve serious questions about a painful foreign policy mistake? Or is it an attempt to bring down a President in disgrace?"  
(Indianapolis Star, 7/8)

Ollie's Folly? -- "Those who support North may have been tilted by his smooth performance before the congressional panel.... But what else is behind North's surprising support? Perhaps it is this simple fact: Americans think that the U.S. ought to support people fighting for basic human rights.... Sentiment could change, but right now it looks like the colonel is winning the battle for the hearts and minds of the viewing public. And it may be that members of Congress, come election time, will be asked to detail the part they played in producing the Iran-contra affair."  
(Charleston Daily Mail, 7/10)

The Colonel Was Very Good At Telling The Bad And Ugly -- "Opinion surveys show that most Americans were able to separate the man from the policies he carried out. Most believe Col. North's contention that he was obeying his superiors; only a minority believe President Reagan's denials that he knew what was going on. Col. North has come to look less like a loose cannon than an eager officer on a loose deck with a captain, for some reason, out of sight..... In distinguishing between North's persona and his message it is helpful to look at the consequences of extra-legal foreign policy making.... As a consequence of that policy more hostages are held today than were in captivity when the Administration started to deal with Iran. American credibility in the Mideast, shattered by arms sales to Iran, must be recouped by reflagging Kuwaiti oil tankers at substantial risk."  
(Philadelphia Inquirer, 7/15)

Ollie's Contras -- "Oliver North was wrong to try to subvert the will of Congress, and if he was directed to do so, those who directed him were wrong too.... Although Reagan's men supported the contras the wrong way, the cause of the contras should not be held hostage for their mistakes."  
(John Hughes, Christian Science Monitor, 7/14)

North: Off The Hot Seat -- "Mr. Reagan was elected by an overwhelming majority of the voters in this country, who knew full well his attitude toward freedom fighters in general and his support for the contras in particular. For one of his aides to act on those objectives can hardly be viewed as the great betrayal of the American people that some would have us believe."  
(Birmingham News, 7/12)

IRAN-CONTRA HEARINGS (continued)

North Camouflages Basic Issue -- "Ollie North's winning ways must not be allowed to camouflage the basic question, which has to do with government, not Ollie North. That question is whether we are willing to allow national policy to be guided in secret without consultation from elected officials. Put another way, it's whether we want to exchange our government of laws for a national security state run by individuals unaccountable to the American people." (San Diego Tribune, 7/13)

North Wars -- "What Col. North's testimony came down to is this: The Administration did what it did for high motives and good reason. In such sensitive circumstances it's permissible to wink, even sneer, at inconvenient laws. The President should be free to defend democracy with tougher, surer champions than a bunch of vacillating old windbags in Congress. A President free to do that is free to do anything. There are some countries where that is true. The United States is not, so far, one of them." (New York Times, 7/15)

Colonel North -- "Committee members need to ponder the North phenomenon. Conceivably, it is merely an emotional wave that will gradually dissipate as the investigation proceeds. Just as conceivably, it reflects a reaffirmation of the broad, bipartisan consensus that the U.S. must be able to act in its own defense and that the establishment of a Soviet client state on the North American mainland constitutes a breach of that defense. If the American people believed this week that Colonel North alone was talking sense, their elected leaders should be asking themselves why." (Cincinnati Enquirer, 7/11)

North's Testimony Not The Last Word -- "President Reagan may be breathing easier after Oliver North's testimony before the Iran-contra committee.... But it is certain that congressional probers will not -- and should not -- take North's word as the last word on what Reagan knew and when he knew it.... No doubt the committee will seek other witnesses to corroborate North's absolving Reagan of any knowledge of the money transfer to the contras. The President should hope they find some." (Milwaukee Sentinel, 7/8)

North And The Casey Legacy -- "Now the grave confrontation between the executive and legislative branches is shaping up -- leading to a necessary but possibly deep, damaging and divisive testing of the constitutional roles of the President and Congress in foreign policy affairs. Is that the legacy for which Casey will be most remembered? That may be one result of the history and civics lesson now being put into the record." (Sarasota Herald-Tribune, 7/14)

North Spreads The Blame In Compelling Testimony -- "North's testimony... helps President Reagan on the narrow issue of what the President knew. North said he 'assumed' Reagan knew of the illegal diversion of funds but never discussed it with him.... That, however, fails to relieve Reagan of the responsibility for the blunder of selling arms to Iran, attempting to trade arms for hostages while preaching otherwise, and failing to know what was happening just outside the Oval Office. From the court of public opinion, we suspect, Reagan will get the legendary Scotch verdict of 'not proven -- but pay the court costs.' That's better than 'guilty', less desirable than 'innocent' -- and the costs are likely to diminish the credibility." (Rocky Mountain News, 7/10)

-End of News Summary-



# News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, JULY 16, 1987 -- 6 a.m. EDT EDITION

## TODAY'S HEADLINES

### IRAN-NICARAGUA

Poindexter Says He Never Told Reagan Of Arms-Money Diversion -- John Poindexter testified he never told President Reagan about using Iranian arms sales money for the contras because "I wanted the President to be protected" from political embarrassment if the plan leaked out.

(Los Angeles Times, New York Times, USA Today, Washington Post, Washington Times, AP, Newhouse, UPI)

### INTERNATIONAL NEWS

Three Hill Leaders Criticized For 'Leak' -- The White House and the Pentagon criticized three members of Congress for revealing after a classified briefing on Tuesday the date that the first reflagged Kuwaiti oil tanker will sail under U.S. protection.

(New York Times, Washington Post, Washington Times)

### NATIONAL NEWS

Administration Moves To Block Hill Deficit Plan -- The Reagan Administration has moved to knock out a key component of Congress' plan to reduce the federal budget in fiscal 1988, saying it would cost the government more in the long run than it would save next year.

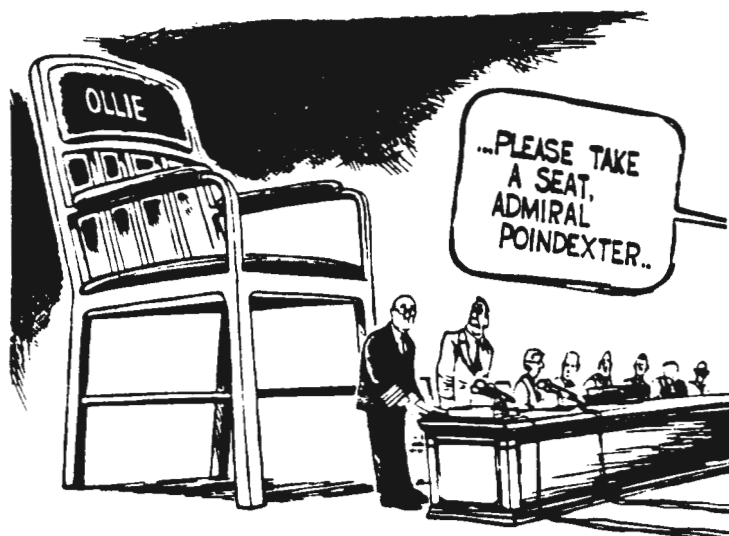
(Washington Post)

### NETWORK NEWS (Wednesday Evening)

**IRAN-CONTRA** -- John Poindexter said he deliberately did not tell the President about the diversion of Iran arms sales profits to the contras.

**PERSIAN GULF** -- Senate Democrats gave up their effort for a 90-day delay in the reflagging plan.

**TRADE DEFICIT** -- The \$14.5 billion deficit in May was \$1 billion more than expected.





## **IRAN — NICARAGUA**

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### **POINDEXTER SAYS REAGAN NOT TOLD OF DIVERSION President 'Would Have Approved' If Asked**

Former National Security Adviser John Poindexter, addressing a central mystery in the Iran-contra affair, told Congress he never informed President Reagan that proceeds from U.S.-Iran arms sales were used to support the Nicaraguan rebels, but added he believed that the President "would have approved the decision at the time if I had asked him."

Poindexter, a 50-year-old Navy rear admiral who met almost daily with Reagan from December 1985 to November 1986, told a hushed hearing room in the Rayburn House Office Building: "I made the decision. I felt that I had the authority to do it. I thought it was a good idea. I was convinced that the President would, in the end, think it was a good idea. But I did not want him to be associated with the decision."

Under questioning from Arthur Liman, chief counsel for the Senate panel investigating the affair, Poindexter admitted that his motive in keeping the President ignorant was to provide Reagan "some future deniability" that would protect him from "political damage."

(Walter Pincus & David Hoffman, Washington Post, A1)

### **Didn't Tell Reagan Of Funds Diversion, Poindexter Says**

John Poindexter told Congress that he deliberately chose never to tell President Reagan about the diversion of profits from the Iran arms sales to the Nicaraguan contras in order to protect Reagan from political damage if the secret program ever became public.

Poindexter's long-awaited testimony...was widely viewed as the final word on whether Reagan knew about the diversion. It ended months of anxious speculation that began Nov. 25, when the scheme was disclosed by Attorney General Meese.

"The buck stops here with me," declared Poindexter, confidently puffing on his pipe.

(Sara Fritz & Karen Tumulty, Los Angeles Times, A1)

### **John Poindexter's Testimony/Funds Diversion**

John Poindexter said he alone approved the diversion of arms sales profits to the contras and that he "made a deliberate decision" not to tell President Reagan. He also said, contrary to Reagan's denials, the President approved the swap of arms to Iran for hostages.

"I made a very deliberate decision not to ask the President so I could insulate the President and provide him with deniability if it leaked out," Poindexter said.

"I was convinced I understood the President's thinking on this and if I would have taken it to the President he would approve," Poindexter said...

But, Poindexter said, the diversion of the arms sales proceeds "was a politically volatile issue" and he wanted to protect Reagan.

(Robert Lewis & Robert Gettlin, Newhouse)

### Poindexter Says He Never Told Reagan Of Arms-Money Diversion

John Poindexter testified he never told President Reagan about using Iranian arms sales money for the contras because "I wanted the President to be protected" from political embarrassment if the plan leaked out.

But, while supporting the President on that point, [Poindexter] contradicted Reagan on a second important issue...: He said the President initially approved selling weapons to Iran in late 1985 as a straight arms-for-hostages deal. (Harry Rosenthal, AP)

### 'What's New,' Is The Reaction From President

John Poindexter's testimony that he did not tell President Reagan about the diversion of Iran arms sale profits to Nicaragua's contras prompted a terse reaction from the President:

"What's new about that? I've been saying it for seven months!"

What is new is that it was Poindexter, the former presidential national security adviser who had been silent on the Iran-contra affair since last November, who said it. (James Gerstenzang, Los Angeles Times, A1)

### Reagan 'Gratified' By Hill Testimony

President Reagan was "gratified" by John Poindexter's testimony that he never told the President about the Iran-contra diversion, but the Chief Executive stuck by his story that he doesn't recall signing a document the admiral says he did.

In spite of the favorable outcome of Poindexter's long-awaited testimony, senior Administration officials said the White House mood is far from euphoric.

"We still have credibility problems and some major rebuilding to do," said one official who asked not to be named. "We can't turn public opinion around until the end of August, when the hearings end, and we'll be living with the independent counsel investigation for the next 18 months."

(Jeremiah O'Leary, Washington Times, A8)

### Testimony Gratifies President

White House officials described a mood of wary relief that John Poindexter had supported President Reagan's assertion that he had no knowledge of the plan to divert the profits of the Iran arms sales to the Nicaraguan insurgents.

The President's spokesman, Marlin Fitzwater, said Reagan was gratified by Poindexter's initial testimony before the congressional committees....

As the fallout from the Iran-contra initiative continued to be felt at the White House, Howard Baker, the chief of staff, said in an interview that the President would soon instruct his senior aides to begin consultations with congressional intelligence committee leaders on revising procedures for insuring that Congress will be kept informed of covert operations.

The move is apparently part of a broader White House effort to limit the more damaging aspects of the Iran-contra testimony, and is expected to include a speech by Reagan assuring the nation that he has changed his Administration's procedures to insure that a major policy decision would no longer escape his attention, other senior White House officials said.

(Gerald Boyd, New York Times, A1)

### President Says He Cannot Recall Arms-Sale Finding

President Reagan said he does not remember signing a secret memo that contradicted his public denial about trading arms for hostages with Iran, but acknowledged that he might have approved such a document.

...John Poindexter raised a potentially embarrassing issue for Reagan by saying the President had signed a memo on Dec. 5, 1985, approving the sale of arms to Iran as a straight arms-for-hostages swap.

[Poindexter] said he destroyed the memo last November when the Iran-contra affair leaked out because, "I thought it was a significant political embarrassment to the President and I wanted to protect him from possible disclosure of this."  
(Terence Hunt, AP)

### Word Of Memo Dilutes White House Relief

White House officials said that John Poindexter had vindicated President Reagan by testifying that he never told Reagan about a diversion of Iran arms sales profits to the Nicaraguan contras. But the officials acknowledged that the President was damaged by another Poindexter disclosure of the memo raised "obvious problems...that must be resolved."

Reagan's only public comment was a reply to a shouted question from reporters after a speech on economic issues. Told that Poindexter had absolved him of knowing about the diversion, Reagan said, "What's news about that? I've been saying that for seven months."

What Reagan has never said, however, was that he had signed a finding approving a trade of arms for hostages. [Spokesman Marlin] Fitzwater said he asked Reagan yesterday about the secret memo -- a Dec. 5, 1985, presidential finding approving the trade of arms for hostages -- and that Reagan said he may have signed it but did not remember doing so. The President told Fitzwater and other White House officials that he did not dispute Poindexter's testimony about that memo but had no recollection of it. Poindexter testified that he destroyed the only copy of the signed document last November.

(Lou Cannon & David Hoffman, Washington Post, A1)

### A Bold, Risk-Taking Reagan Depicted

John Poindexter did more than answer a crucial question about President Reagan when he testified that he didn't tell Reagan about the Iran arms sale funds diversion. He drew a portrait of Reagan that bore little resemblance to the disengaged, uniformed President with a lax "management style" presented to the American people in the Tower special review board last February.

The picture that emerges from Poindexter's critical testimony...is of a strong-willed President who knew exactly what he wanted and was willing to take great risks to achieve it -- so great that Poindexter, as Reagan's national security adviser, thought he had to take steps to protect Reagan from himself.

And two of Reagan's most important goals, Poindexter said..., were to get back American hostages being held in Lebanon and to support the contras at all costs.  
(Haynes Johnson, Washington Post, A1)



Poindexter: Reagan Saw Arms Deals As Way To Free Hostages

In contradicting one of President Reagan's key assertions about his arms deals with Iran, John Poindexter provided a vivid account of a 1985 meeting in which Reagan approved selling weapons for American hostages despite "vociferous" objection from his secretaries of state and defense.

His statements conflicted with findings of the presidential Tower commission and with testimony from Oliver North that Secretaries Shultz and Weinberger had voiced only "muted" criticism of the arms deals.

(Gregory Gordon, UPI)

NSC Staff Exempt From Contra Aid Restriction, Poindexter Says

John Poindexter testified that he firmly believed the National Security Council staff was exempt from congressional restrictions on U.S. military aid to the Nicaraguan contras and that the NSC staff had become a secret operational unit overseeing private support of the rebels.

Poindexter also said he kept President Reagan informed in "general terms" of the NSC's contra support activities.

Poindexter's testimony contradicted Robert McFarlane...who testified Tuesday that the aid ban, known as the Boland amendment, applied to the NSC staff.

Poindexter also contradicted Reagan's Jan. 26 statement to the Tower review board in which the President said he "did not know the NSC staff was engaged in helping the contras."

(Joe Pichirallo, Washington Post, A14)

John Poindexter's Testimony/Committee Reaction

Iran-contra committee members believe John Poindexter's testimony that President Reagan knew nothing of the diversion of Iran arms sale profits, but they said it raises questions about policy control at the White House.

"I think the 'smoking gun' part is behind us," Sen. Sam Nunn said of the search for decisive evidence that could be used to spark an impeachment action against Reagan.

"There is a tremendous amount of circumstantial evidence that he knew but there is no direct evidence," Nunn said. "People will be split on this."

Sen. Warren Rudman said he is convinced Poindexter told "the absolute truth," reflecting a widespread acceptance by members of his critical testimony.

(E. Michael Myers, UPI)

Didn't Tell Reagan, Poindexter Testifies

John Poindexter testified that he deliberately kept President Reagan in the dark about the plan to divert Iranian arms sales proceeds to the Nicaraguan resistance.

Sen. Warren Rudman said the House and Senate committees have no evidence -- including the President's personal diaries -- that contradicts Poindexter's assertion.

"The examination of the President's diaries in our view confirms Poindexter's testimony," Rudman said.... "There is nothing in the diaries that will conflict with what the admiral said."

Rudman said the diaries are quite complete and that he doubts Reagan could have resisted recording "that juicy tidbit."

(Mary Belcher, Washington Times, A1)

### Reagan Off Hook -- Or Still Dangling?

The admiral fell on his sword, saving the President.

John Poindexter -- by revealing that he'd kept secret the diversion of arms sales profits to the contras -- deflected a dagger heading straight for the heart of Reagan's presidency.

But his good soldier behavior may not recast the luster Reagan has lost: Poindexter also confirmed that Ronald Reagan had done what he'd promised not to do -- trade arms for hostages.

"Nothing is new," said former Reagan campaign press secretary Jim Lake. "The damage to Reagan's presidency, whatever that is, happened when the public found out arms went to the ayatollah."

(Johanna Neuman, USA Today, A1)

### GOP Leaders Say Testimony Clears Reagan Of Scandal

Republican leaders in the House and Senate said that President Reagan has been exonerated by John Poindexter's testimony that he did not tell the President about the diversion of Iranian arms proceeds to the Nicaraguan contras.

They predicted that the Iran-contra hearings would now begin to wind down, with the central issue of Reagan's knowledge and credibility laid to rest.

The testimony marks "the beginning of the end" of the Administration's political paralysis on Capitol Hill, said Senate Minority Whip Alan Simpson. "It reaffirmed what the President has said all along and is an important step in the direction of getting on with other business in Congress."

But Democrats sharply disagreed, saying Poindexter's testimony -- if true -- further reinforced the picture of an Administration with little control over its own foreign policy.

(Josh Getlin, Los Angeles Times, A17)

### Poindexter Didn't Get North Memos On Diversion Prepared For Reagan

John Poindexter agreed with Oliver North that the Iran-contra diversion was a good idea but says he didn't get the five memos North claims to have sent to him for the President.

Poindexter...generally supported North's contention that all his [North's] actions were authorized.

(William Welch, AP)

### POINDEXTER IS CHIEF TARGET OF GRAND JURY INVESTIGATION

John Poindexter's lawyer said that his client had been named the "primary target" of a federal grand jury investigating the Iran-contra affair and that there was an "imminent threat of prosecution."

In testimony before Congress, the lawyer, Richard Beckler, said he had recently been informed that Poindexter was a target of the special prosecutor, Lawrence Walsh.

Beckler's disclosure about his client...was the clearest public statement by any defense lawyer in the case that Walsh would seek additional criminal charges.

(Philip Shenon, New York Times, A10)

EDITOR'S NOTE: "Week Nine Of The Iran-Contra Hearings," appears in The Washington Post, A16.

## **INTERNATIONAL NEWS**

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### **REFLAGGING DISCLOSURES SET OFF SHOUTING MATCH**

**Michel Calls Aspin Behavior 'Unforgivable'**

The House minority leader and the chairman of the Armed Services Committee engaged in an angry shouting match on the House floor over disclosure of the date when U.S. warships will begin escorting reflagged Kuwaiti oil tankers through the Persian Gulf.

Minority Leader Robert Michel set off the exchange when he accused Chairman Les Aspin of "unforgivable" behavior in publicly discussing some details of the escort operation after senior Reagan Administration officials briefed congressional leaders on the plan.

A visibly agitated Aspin replied that none of the information he disclosed was classified and that Senate Minority Leader Robert Dole had also quoted Adm. William Crowe, chairman of the Joint Chiefs of Staff, as saying the escort operation would begin next Wednesday.

The clash in the House took place as the Senate abandoned efforts to pass legislation calling for postponement of the operation but voted overwhelmingly to authorize a total trade embargo against any Persian Gulf country that attacks U.S. vessels, property or personnel in the region.

(Edward Walsh & Helen Dewar, Washington Post, A19)

### **Aspin And Republicans In House In War Of Words About The Gulf**

Rep. Les Aspin, chairman of the House Armed Services Committee, vigorously and angrily objected to assertions by the Reagan Administration, and by his colleagues in the House, that he had disclosed classified details of plans to provide military escorts to ships in the Persian Gulf.

He said congressional leaders were never told during the [Administration's] briefing [to congressional leaders] that this and other details of the operation's schedule were classified.

"I would not discuss anything in the open that I was told or led to believe the Administration thought was classified," said Aspin, who was upset about being singled out for criticism after several lawmakers spoke with reporters following the briefing.

"If the Administration wants to change the ground rules about what is classified, they have got to tell people what they are doing," Aspin said.

(John Cushman, New York Times, A8)

### **Three Hill Leaders Criticized For 'Leak'**

The White House and the Pentagon criticized three members of Congress [House Armed Services Committee Chairman Les Aspin, Senate Minority Leader Robert Dole and Sen. James Sasser] for revealing after a classified briefing on Tuesday the date that the first reflagged Kuwaiti oil tanker will sail under U.S. protection.

"Unfortunately, some sensitive and classified details from those briefings were revealed to the press following yesterday's executive session," said Pentagon spokesman Robert Sims. "As a result, some of those details may have to be changed."

(Jeremiah O'Leary & Jennifer Spevacek, Washington Times, A1)



## OFFICIAL SAYS IRAN WILL ATTACK U.S. SHIPS

DUBAI, United Arab Emirates -- Hashemi Rafsanjani, the speaker of the Iranian parliament, has threatened that Iran will attack U.S. shipping in the Persian Gulf and any Arab states in the region that provide assistance to U.S. military forces, Iran's official news agency reported.

The reports of the threats came as Kuwait formally asked Britain to join the reflagging effort. The government of Prime Minister Thatcher responded that registering Kuwaiti ships as British would be a purely commercial matter and would not guarantee protection for the ships from three Royal Navy warships in the gulf. (Los Angeles Times, A7)

## 'WAR OF EMBASSIES' DEADLOCKED

PARIS -- Relations between France and Iran reached a virtual stalemate, with a French diplomat afraid to leave his embassy in Tehran and an Iranian wanted for questioning about terrorist bombings in France holed up in the Iranian mission in Paris.

French newspapers have dubbed the crisis "the war of the embassies."

The Foreign Ministry in Paris said that Iranian officials also prevented two French citizens from leaving Iran during the weekend.

A government spokesman said the latest incidents in the escalating diplomatic row had put the normalization of French-Iranian relations "on the back burner." (Roman Rollnick, UPI)

## 2 French Aides Detained By Iran, Worsening Crisis

PARIS -- Two French diplomats trying to leave for Paris earlier this week were prevented from leaving Tehran airport, worsening an already intense diplomatic crisis between France and Iran, sources here said.

The Iranians allowed two other French diplomats to leave without incident, an official at the French Foreign Ministry said.

The official said the French did not know how to interpret the detention of the two diplomats. The French have asked Iran for an explanation but have not yet received a response.

(Diana Henry, Baltimore Sun, A2)

## New Charge Intensifies France-Iran Clash

NICOSIA, Cyprus -- Franco-Iranian relations neared a breaking point as Iranian Prime Minister Mussein Musavi threatened to retaliate for actions against Iranians in France, which he accused of pursuing "Satanic policies" against his government.

Musavi gave no specifics in remarks quoted by Tehran radio. Iran accuses French customs agents of beating an Iranian diplomat last weekend.

Tehran radio quoted Musavi as saying: "We have repeatedly declared that we are not prepared to put up with any pressure upon our citizens. Any pressure will lead to our retaliatory pressure. France has pursued some Satanic policies against our system and is still continuing these policies." (Washington Times, A6)

## TRADE DEFICIT RISES TO \$14.4 BILLION Report Surprises Financial Markets

The U.S. merchandise trade deficit increased to \$14.4 billion in May, the government reported, ending a brief improvement that had encouraged hopes the big deficits were receding.

The report caught trade specialists and the financial markets by surprise and sent the dollar reeling in foreign exchange trading. The dollar, quoted at 151.25 yen late Tuesday, dropped to 148.35 yen before climbing back to 148.85. The decline in the dollar, in turn, drove down prices of U.S. government securities, but those issues were recovered later. Analysts said the increased deficit indicated the dollar would decline further. (Stuart Auerbach, Washington Post, E1)

## SENATE VOTES TO REPEAL WINDFALL PROFITS TAX

The Senate broke a logjam delaying action on its sweeping trade bill early Thursday and voted 58 to 40 to repeal the windfall profits tax that oil companies have been fighting for seven years.

Repeal of the oil tax came as legislators worked past midnight after a day of negotiations among leaders designed to bring a vote on the long-delayed trade bill by 6 p.m. Tuesday. (Mike Robinson, AP)

### Senate Repeals Windfall Profits Tax

The Senate, led by oil-state senators, voted to repeal the windfall profits tax on domestic oil and agreed to complete action on far-reaching trade legislation early next week.

Working deep into the night, the Senate approved 58 to 40 an amendment to the trade bill that would repeal the windfall profits tax after a threatened filibuster collapsed.

In earlier action, the Senate, still irate over the sale of highly sophisticated U.S. submarine technology to the Soviet Union by Japanese and Norwegian firms, voted to guard against future shipments to the Soviet bloc. The amendment, adopted by voice vote, would direct the Commerce Department to impose re-export licenses on countries which fail to protect against their nations' firms selling sophisticated equipment to the Soviet bloc. (Bud Newman, UPI)

## JAPAN OFFICIAL SEEKS TO SOOTHE ANGRY CONGRESS Tamura Trying To Stop Toshiba Sanction Bills

Japan's trade minister, Hajime Tamura, traveled to Capitol Hill to try to quell congressional anger over the sale of sensitive military technology to the Soviet Union by a subsidiary of Toshiba Corp.

In meetings with Sen. Jake Garn, sponsor of legislation that would ban Toshiba imports for up to five years, and Rep. Don Bonker, chairman of a House subcommittee considering a similar measure, Tamura outlined steps the Japanese government plans to take in response to the incident.

(Clay Chandler, Washington Post, E1)

### Japan Tries To Cool U.S. Anger Over Illegal Toshiba Sales

Japan's trade minister launched a four-day campaign to cool American anger over the illegal sale of technology to the Soviet Union, but U.S. officials were unimpressed.

Hajime Tamura said the Japanese have taken a series of steps to punish those responsible for the illegal export of machine tools by Toshiba Machine Corp...to the Soviet Union, and have developed a program to prevent it from happening again.

"I don't question the sincerity of what you are trying to do," Sen. Jake Garn told the minister. "But I think your efforts are insufficient or inadequate."

Garn said he had no intention of backing down from his punitive legislation. (David Butts, UPI)

### U.S. QUESTIONS PAKISTAN ON ATTEMPT TO BUY STEEL USED TO MAKE ATOM WEAPONS

The Reagan Administration wants Pakistan to explain an attempt to export a type of steel used in uranium enrichment, an effort that seems part of the Islamabad government's drive to build nuclear arms.

The arrest of a Pakistani resident of Canada last week on charges of trying to circumvent U.S. export laws presents a dilemma for the Reagan Administration, which is relying on Pakistan for help in the covert war against the Soviet occupation of Afghanistan.

A 1985 law requires the Administration to end foreign aid to any non-nuclear nation that tries to export from the U.S. materials that "would contribute significantly to manufacture of a nuclear explosive device."

The author of the law, Rep. Stephen Solarz, has scheduled hearings on the case next week before the House Foreign Affairs subcommittee on Asia.

The State Department repoded by summoning Pakistani Ambassador K.A. Marker to explain his government's involvement in the attempt to buy the steel, and also will press the case in Islamabad, department spokesman Charles Redman said. (Bryan Brumley, AP)

### Alleged Nuclear Plot Could Jeopardize Aid To Pakistan

An alleged plot to export American materials illegally to help Pakistan build nuclear weapons could jeopardize continued U.S. aid to the key Asian ally, officials say.

According to the State Department, the Administration is "taking seriously our responsibilities" under a law that could require a cutoff of U.S. aid to Pakistan if the charges are proven true.

"We cannot and will not tolerate any clandestine, any illegal efforts to circumvent our export control laws," department spokesman Charles Redman told reporters after the issue was exposed with the arrest of a Pakistan native in Philadelphia last week. (Matthew Quinn, UPI)

#### HOUSE SUBCOMMITTEE VOTES ITS SUPPORT FOR ARIAS PEACE PLAN

A House subcommittee approved a measure supporting a Central American peace plan sponsored by Costa Rican President Oscar Arias Sanchez.

The measure, approved unanimously by voice vote by the House Subcommittee on Western Hemisphere Affairs, also encouraged Central American leaders to attend an August summit in Guatemala to discuss the so-called Arias peace plan. (Valerie Strauss, Reuter)

#### PANEL VOTES TO SUSPEND SALVADORANS' DEPORTATION Nicaraguans Earlier Received Special Status

Legislation to suspend the deportation of up to 700,000 Nicaraguans and Salvadorans who are now illegally in the U.S. was approved by the Senate Judiciary Committee.

The 9 to 2 vote follows a controversial move by the Reagan Administration last week to grant liberalized immigration status only to the estimated 150,000 to 200,000 Nicaraguans living in this country. Critics of the move have complained that economic and social conditions in Nicaragua and El Salvador are equally bad, but that the Administration has singled out Nicaraguans for favorable treatment because it wants to embarrass the Sandinista government, which it opposes.

(Mary Thornton, Washington Post, A3)

#### U.S. EXPELLING TWO CUBAN DIPLOMATS

The U.S. has ordered two Cuban diplomats here to leave the country by July 25 in retaliation for an extensive media campaign alleging that American diplomats serving in Havana have been engaged in espionage activities, the State Department announced.

The hostile Cuban media campaign, which began July 6, has led to "significant harassment" and "intolerable conditions" for U.S. personnel at the U.S. interests section in Havana, a department statement said.

(David Ottaway, Washington Post, A10)

#### SENATORS FORCE MOZAMBIQUE STANDOFF Envoy's Nomination Caught In Battle Over Recognizing Rebel Group

The State Department and a group of conservative senators, at odds over U.S. policy toward the Marxist government of Mozambique, are now deadlocked on the nomination of a new U.S. ambassador to that war-torn southern African state.

Spokesmen for the two sides said that neither side backed off during a meeting Tuesday between Secretary Shultz and the two senators leading the opposition, Minority Leader Robert Dole and Sen. Jesse Helms, the Foreign Relations Committee's ranking Republican member.

(David Ottaway, Washington Post, A23)

## NATIONAL NEWS

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### ADMINISTRATION MOVES TO BLOCK HILL DEFICIT PLAN

The Reagan Administration has moved to knock out a key component of Congress' plan to reduce the federal budget in fiscal 1988, saying it would cost the government more in the long run than it would save next year.

The Treasury Department has determined that it cannot allow early repayment of \$7.2 billion in Rural Electrification Administration loans, which would have counted as federal revenues. The prepayments would have an adverse impact on the Federal Financing Bank, which raises funds for a variety of agencies, the Treasury decided.

(Tom Kenworthy, Washington Post, A9)

### SUPPORT BUILDS AMONG DEMOCRATS FOR RAISING TAXES ON WEALTHY

House Democrats expressed increased support for raising taxes on the wealthy to meet budget targets, but reached no agreement on the specifics of the tax bill they will begin writing as early as next week.

With Republicans likely to oppose tax increases almost unanimously, Democrats must come up with tax-increase legislation that can gain the votes of a large majority of their party.

Specifically, legislators called for postponing tax-rate reductions scheduled for next year, a move that is strongly favored by House Speaker Jim Wright.

Wright said there is "a very strong consensus" for taxes aimed at "those people who benefited most from the Reagan (tax) cuts and those whose reductions contributed the most to the deficit."

(Anne Swardson & Tom Kenworthy, Washington Post, A7)

### HOUSE PANEL APPROVES SWEEPING WELFARE CHANGES

Bill Would Require States To Establish  
Large-Scale Job Training, Placement Programs

The House Education and Labor Committee endorsed a sweeping revision of the nation's welfare program and voted a \$500 million authorization to start the bill's key work-and-training program for welfare recipients in fiscal 1988, a year earlier than previously proposed.

The bill, initially drafted and approved by the House Ways and Means Committee, for the first time requires states to establish large-scale mandatory remedial education, job training and job placement programs designed to shift low-income parents off the Aid to Families with Dependent Children welfare rolls and onto payrolls. About 3.8 million such parents, nearly all women, are now on the AFDC rolls.

(Spencer Rich, Washington Post, A8)

#### BIDEN REJECTS SETTING DATE FOR VOTE ON BORK

Senate Judiciary Chairman Joseph Biden rejected a Republican request that he set a "date certain" for a committee vote on the nomination of U.S. Appeals Court Judge Robert Bork to the Supreme Court.

However, Biden said that he expected the nomination to be ready for debate by the full Senate by Oct. 1.

"We have no intention to hold up this nomination," Biden said.

(Washington Post, A9)

#### JUDGE THREATENS TO HALT DEEVER TRIAL

The judge presiding over the perjury trial of former White House aide Michael Deaver threatened to halt the three-day-old proceeding after a federal appeals court directed him to cease questioning all potential jurors in private.

U.S. District Court Judge Thomas Penfield Jackson said the ruling had so seriously eroded his credibility with the jury panel that he had "very grave doubts" if the case against the longtime confidant to President and Mrs. Reagan could proceed. "I frankly find myself embarrassed to face this panel again," the judge said.

(Bill McAllister, Washington Post, A4)

-End of A-Section-



## **NETWORK NEWS SUMMARY**

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(Wednesday Evening, July 15, 1987)

### **IRAN-CONTRA HEARINGS/POINDEXTER'S TESTIMONY**

NBC's Tom Brokaw: President Reagan knew a great deal of what his staff was doing to keep the contras going in Nicaragua but his former National Security Advisor John Poindexter says he deliberately did not tell the President about the diversion of Iran arms sales profits to the contra. That was the so-called "smoking gun" question. And while Poindexter did contradict the President on still another key point, and while he did describe a White House foreign policy operation that many found shocking, he backed the President's claim that he didn't know of the diversion.

NBC's John Dancy: For two months the hearings have been pointing toward this man -- this moment -- the time when former National Security Advisor John Poindexter would take the oath and tell what he knew. It was Poindexter who knew about the diversion of money to the contras, who had unrestricted access to President Reagan and who could have told him about it. He said today he did not. He made the decision on his own -- so the President would have deniability.

(Poindexter: "I was convinced that I understood the President's thinking on this and that if I had taken it to him, that he would have approved it."

Liman: "When you say deniability, are you saying that your decision was not to tell the President so that he would be able to deny that he knew of it?"

Poindexter: "That's correct."

Liman: "So the answer is -- you did not tell the President of the U.S.?"

Poindexter: "I did not. The buck stops here -- with me. I made the decision. I felt that I had authority to do it. I thought it was a good idea. I was convinced that the President would, in the end, think it was a good idea. But I did not want him to be associated with the decision."

Liman: "Now, you understood that if this got out it would be very controversial?"

Poindexter: "I did understand that."

Liman: "And that it could, if it got out and the President was associated with it, cause damage to the President."

Poindexter: "I realized that it would do that, yes."

Liman: "And that was indeed the reason for not telling him?"

Poindexter: "That's correct.")

Last week Oliver North testified he assumed all along President Reagan knew of the diversion scheme and that he had asked Poindexter five times to seek the President's approval for the diversion. Poindexter said today he did not recall seeing North's memos and purposely never told North he had not sought presidential approval.

(Liman: "Did you ever tell Col. North that you were not going to tell the President?"

-more-

Dancy continues:

Poindexter: "No I did not. That was a private decision of mine.")  
Everybody kept secrets from everybody else at the NSC. Poindexter said he did not even tell CIA Director Casey about the diversion, even though North testified that Casey, unbeknownst to Poindexter, was deeply involved in it.

(Liman: "Did you ever discuss with the DCI the diversion?"

Poindexter: "I did not."

Liman: "Why not?"

Poindexter: "Because I wanted to keep the issue highly compartmented as I said, and have testified before this morning.")  
And Poindexter said he did not know that North knew that Casey knew.

(Liman: "Did Col. North ever tell you that he had discussed the diversion with Casey?"

Poindexter: "Not to my recollection. I was operating under the assumption that I have stated -- that he and I were the only ones in government [who knew].")

There was another bombshell for the White House in Poindexter's testimony. He said the arms sales to Iran was always seen as a arms for hostages deal. The President knew it and Poindexter knew it. So when news of the sale began to leak out last fall, Poindexter said he destroyed a key document -- a finding signed by President Reagan that clearly described the deal in those terms.

(Poindexter: "The President was being beaten about the head and shoulders that this was -- the whole Iranian project was just an arms for hostage deal. Well, this finding, unfortunately, gave that same impression and I frankly didn't see any need for it at the time. I thought it was politically embarrassing and so I decided to tear it up. And I tore it up, put it in the burn basket behind my desk.")

Former hostage David Jacobsen watched from the audience today as Poindexter described a meeting in which the President clearly recognized the political risk of the arms for hostages deal.

(Poindexter: "If we get all of the hostages out -- we'll be heroes.

If we don't -- we'll have a significant problem.")

Poindexter's first day of testimony seems to have cleared up one of the central questions -- whether President Reagan knew about the diversion. But it has also revealed that major foreign policy decisions were being made by staff members, without the President's knowledge or approval.

Brokaw: Poindexter's testimony that he kept that diversion from the President came as a great relief to White House aides, although they did have a little more trouble explaining Poindexter's description of how the President signed that original finding, or authorization, for the Iran arms sales. Still, all together, the White House thought that this was a very good day.

NBC's Chris Wallace: The President tried to act matter-of-fact about Poindexter's testimony on the diversion, saying, "What's new about that? I've been saying that for seven months." But privately top aides were visibly relieved that now Poindexter was saying it. They suggested Mr. Reagan has now been cleared of knowing about the diversion. And all along they have tried to make the President's knowledge the central issue in the scandal.

Wallace continues:

(The President on file footage: "I didn't know about any diversion of funds to the contras.")

But while grateful for Poindexter's backing, spokesman Marlin Fitzwater criticized his actions saying Mr. Reagan expects advisors to tell him what's going on and to obey the law. And Fitzwater noted the President's statement last March that if told he would never have approved the diversion.

(The President: "You would have heard me without opening the door of the office if I had been told that.")

But while officials said Poindexter helped the President over the big hurdles, they acknowledge he ran Mr. Reagan right into another one -- approving an arms for hostages deal in a 1985 finding. When news of the Iran initiative first broke, the President flatly denied a swap.

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

But after the Tower Commission said it had been a trade, Mr. Reagan reluctantly agreed.

(The President: "What began as a strategic opening to Iran deteriorated in its implementation into trading arms for hostages.")

The President had said he didn't remember signing a 1985 finding. The White House explained that memory lapse today saying thousands of important items come across the President's desk and even if the finding talked of arms to hostages, spokesman Fitzwater said the Iran initiative was always a diplomatic opening to moderates, but the release of hostages just a by-product. Members of the Iran-contra committees disagreed about how much the President was helped today. Democratic Senator Sarbanes was shocked at the White House Poindexter described.

(Sarbanes : "I mean -- the question is how was the President involved in making policy and what kind of decisions were made and that question is still very much with us.")

But Congressman Courter said the scandal is over.

(Courter: "The reason that we're here -- the reason that this panel was established, was to make a decision -- an inquiry as to whether the President of the U.S. knew about and authorized a diversion of money. Now we know the answer to that question.")

Officials here agree, saying Poindexter has now cleared Mr. Reagan on the one issue that threatened his presidency. But they add that Mr. Reagan won't declare victory until the hearings are over. Just in case there are still more damaging revelations.

Brokaw: ...John Tower is with us.... Senator Tower, it seems to me that every time we peel back one layer, we learn something more. Were you surprised to hear Poindexter say today that, in fact, the President had signed that original finding?

(Tower: "I think there is no real surprise. Our board was limited in what it could do. We were limited by time -- we only had 88 days. We did not have the power of subpoena nor the power to swear witnesses. Of course Mr. Poindexter never did appear before us, nor did Col. North.")

But isn't it shocking to you that the President of the U.S. would do something as substantial as signing a finding to authorize the sale of arms to Iran and then say he couldn't remember doing that?

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Brokaw continues:

(Tower: "I think again that [we must] think in terms of the management style of the President. Then I think you also have to consider other matters that were on the President's plate at the time and the extent to which he paid a great deal of attention to it. So I wouldn't necessarily criticize him for failure to recollect.")

And if he knew about so much else of what his staff was doing in Central America...is it not passingly strange that he should not have been told--

(Tower: "I think the President should have been informed. I believe that a matter so sensitive should have been vented through the national security process. That is to say that although it was implementation of policy more than policy making itself, certainly it should have been very, very thoroughly vented in the NSC in my view.")

Poindexter's lawyer also disclosed today that the Admiral has been notified that he is a target of a possible criminal indictment. That notification came from Special Prosecutor Lawrence Walsh. He's running a separate investigation. He's also investigating Oliver North for possible criminal charges. (NBC-Lead)

ABC's Peter Jennings: At the Iran-contra hearings today one of the most important questions appears to have been answered -- some would say it is the key question -- today John Poindexter...said he did not tell the President, he wanted the President to have deniability if the diversion were ever uncovered. It is not the end of this congressional investigation by any means. But when the Admiral testified today, there was a sense that the high point had been reached.

ABC's Brit Hume: Nearly eight months after it first arose, the question that has driven the Iran-contra affair from the start was finally put to the man in the best position to answer it.

(Liman: "Did you at any time prior to the Attorney General's finding this on November 22, tell the President of the U.S. of the fact that proceeds from the Iranian arms sale were being used to support the contras?")

Poindexter: "I did not. I did not talk to anybody else except Col. North about this decision until -- and I don't want to quibble here over times -- in late Nov. 1986. But my recollection is that the first mention that I made to anybody besides Col. North was on Nov. 24 to Ed Meese.")

Poindexter said the idea of channeling the arms proceeds to the contras had been raised to him by Oliver North in February of last year.

(Poindexter: "He was clearly looking for a signal from me whether or not to proceed ahead along this line.... And I gave it to him.")

Poindexter said he knew it would be politically explosive if it ever came to light.

(Poindexter: "Although I was convinced that we could properly do it, and that the President would approved if asked, I made a very deliberate decision not to ask the President so that I could insulate him from the decision and provide some future deniability for the President if it every leaked out.")

Poindexter said he felt it was not only legal, but that it was within his authority to allow the operation to go forward.

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Hume continues:

(Poindexter: "This clearly was an important decision. But it was also an implementation of very clear policy. If the President had asked me, I very likely would have told him about it. But he didn't. I think it's an important point here -- the buck stops here with me....")

Poindexter said he thought the President would have liked the idea if he had told him.... Poindexter insisted, however, that he was not making policy, merely carrying out the President's commitment to the Nicaraguan resistance.

(Poindexter: "I was convinced as to what the President's policy was with regard to support for the contras. I was aware that the President was aware of third country support, that the President was aware of private support.")

Poindexter said he thought the Iran arms money could fit into either category. But Poindexter said he had no recollection of receiving any of the five or more memos Oliver North said he sent him mentioning the contra fund matter and also, said North, recommending the President be briefed. And Poindexter said he did not recall the one North memo -- the famous diversion memo -- that has been found on the subject.

(Poindexter: "What I speculate happened was that Col. North probably prepared this memo at that time in response to my request. It probably came over to me. I realize that I didn't want to discuss the transfer of funds issue with the President for the reasons that I gave this morning and I probably destroyed that memo at the time.") If so it was not the document Poindexter destroyed. He earlier disclosed that the President had signed a December 1985 finding authorizing weapon sales to Iran as a straight arms for hostages deal. Last November, with Attorney General Meese coming on a fact finding mission, an aide dug out that finding and gave it to Poindexter.... Poindexter insisted the dealing with Iran had never been just for hostages, but had always been driven as well by largely strategic questions. And he said Shultz and Weinberger had repeatedly raised strong objections in meetings with the President. There was one important bit of further testimony backing the idea the President was kept in the dark on the contra fund diversion. Poindexter recalled a conversation on Air Force last May about the contras.

(Poindexter: "He says, 'Look, I don't want to pull out our support for the contras for any reason -- this would be an unacceptable option. Isn't there something that I can do unilaterally?' And I was sorely tempted at that point to tell him what we had working. But I thought better of it and did not.")

Poindexter wrote a note to North mentioning what the President had said, which helps to establish that conversation did, in fact, occur. So, the two key witnesses on the key question -- what the President knew about the contras fund diversion -- have now answered it. Some members of the committee may not believe what they said, but in absence of some strong contradictory evidence, they would seem to have little choice but to believe their stories and the President's.

Jennings: ...Lee Hamilton and Orrin Hatch join me. Has the question of whether the President knew of the diversion to the contras or not been answered?

Jennings continues:

(Hamilton: "Adm. Poindexter answered that question very straightforwardly this morning. He said that he had not told the President of the diversion. I think that's the strongest evidence we've had thus far in the hearings with the regard to the President's knowledge.")

(Hatch: "I think that Adm. Poindexter made it clear that the President was not briefed and was not told about the diversion of funds. I think it lays that to rest and I think it's got to be a relief to all of the American people, who have had the implication going for a long time, to know that that implication is not true.")

There is a tendency now at least to think that the air goes out of the investigation. Do you think that's the case?

(Hatch: "I don't. I think that this is an important investigation but I also think that what is coming through to the American people is that these are pretty nice people who were well-intentioned, who were trying to carry out a very difficult policy, but did so in a flawed way and now are admitting their mistakes. I don't see any criminal intent and I think in that sense, it's been very much overblown.")

(Hamilton: "I think we've got a lot work to do. We still have all of the major witnesses in the Administration to hear from.... I don't think the work is completed by far for the committee.... ")

(ABC-Lead)

ABC's Sam Donaldson: President Reagan was making a speech in the White House complex when Adm. Poindexter delivered his key testimony that he had never told the President about the contra money diversion. Mr. Reagan was informed about it as he walked back to the Oval Office and responded to a reporter, "What's new about that? I've been saying it for seven months." Press Relations Assistant Marlin Fitzwater, reflecting the general air of relief among the President's aides, said Mr. Reagan is gratified by Poindexter's key testimony, but disagrees that he would approved of the diversion if he had been asked to. He would not have, said Fitzwater. But the gratification does not extend to the matter of the 1985 finding which talked only of trading arms for hostages. Fitzwater said the President still has no recollection of ever seeing or signing that document, but will not disagree with the contention that he did. Fitzwater repeated that even if he did, in his own mind, the President was not trading arms for hostages, but pursuing a broader initiative. Whatever gratification there may or may not be, the one thing that is not present here today is real euphoria. One reason is that White House officials understand that the President's problem of credibility has not been instantly solved. Said one official, "We'll have to work our way out of that."

(ABC-2)

CBS's Dan Rather on Capitol Hill: It came down to Admiral John

Poindexter and today he took the blame. Poindexter said he deliberately did not tell President Reagan about the diversion of Iran arms money to the contras.... Poindexter also said the President did sign a document approving a straight out arms for hostages swap with Iran -- a document the Admiral later destroyed.... The President watched the hearings this time and White House reaction focused hard on the good news -- that Poindexter said Mr. Reagan didn't know specifics about the money diversion. The former NSC Advisor was billed as the most important witness in these hearings, and today he lived up to that billing.

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CBS's Phil Jones: The buck appeared to stop at Poindexter today as he became the fall guy for approving the diversion of Iranian arms profits to the Nicaraguan contras. Poindexter never told the President.... Within minutes after his admission, the first puff of smoke came from Poindexter's pipe and you could almost hear the first sighs of relief from many members of the committee. Poindexter said that the original idea of the diversion came from Oliver North.

(Liman: "Did he ask you for your approval?")

Poindexter: "I don't recall how he phrased his request but he was clearly looking for a signal from me whether or not to proceed ahead along this line. And I gave it to him.")

Poindexter claimed he was merely implementing the President's contra support policy.... Poindexter today disputed claims that North had sent five different memos to him requesting that he get presidential approval for the contra diversion operation.... But Poindexter's protection of President Reagan was not limited to the contra diversion. In a dramatic disclosure, the Admiral admitted that he destroyed the first document that President Reagan had signed in December 1985 authorizing the sale of arms to Iran to free the hostages....

(Liman: "The President did not authorize you to destroy the finding, correct?")

Poindexter: "He certainly did not.")

Poindexter also disclosed that Attorney General Meese had been the one who advocated that the U.S. start direct sales to Iran instead of going through Israel. The impression left by Poindexter was that Meese wanted to avoid Congress.

(Poindexter: "And the reason for that is that under the Arms Export Control Act there was a congressional reporting requirement.")

And Poindexter refuted testimony from North that Secretary of State Shultz and Secretary of Defense Weinberger had not fought to stop the Iranian arms deal.

(Liman: "Did the Secretary of State and the Secretary of Defense express objections?")

Poindexter: "They expressed, as opposed to some reports, very strong...objection. And clearly laid out for the President the other side of the issue.")

But according to Poindexter, at the end of the discussion, the President sat back and said --

(Poindexter: "It was something to the effect that, 'I don't feel that we can leave any stone unturned in trying to get the hostages back.'")

Throughout today Poindexter made clear he has aware of all of North's activities in support of the contras, including the building of a secret air strip in Costa Rica.... No one on these committees expected this scandal to turn into an impeachable offense against President Reagan. And today's disclosures appeared to save the President.

CBS's Bill Plante: This was the day for which the White House staff had waited for months. As the President and his staff see it, the only real issue hanging over Mr. Reagan's head was whether he knew about the diversion of funds to the contras. So with today's testimony from Poindexter, the White House would like to believe that the question has been settled.

Plante continues: After being told that Poindexter supported his contention that he knew nothing of the diversion, Mr. Reagan said, "What's new about that? I've been saying that for seven months." The White House staff chooses to see Poindexter's testimony that he acted on his own as a vindication of the President and chooses to ignore its implications for Mr. Reagan's management style.... Also tough for the White House, Poindexter's testimony that President Reagan did sign a document in December 1985 which gave to go-ahead for a straight arms for hostages swap. That contradicts President Reagan's assertion that he intended no such thing at least at the outset of the Iran affair.

(The President: "We did not, repeat -- did not -- trade weapons or anything else for hostages. Nor will we.... What began as a strategic opening to Iran deteriorated in its implementation into trading arms for hostages.")

The White House says the President doesn't recall signing or reading the document and still believes he was making an opening to Iran. But another former National Security Advisor thinks that the fact that Mr. Reagan signed the finding makes that claim hard to support.

(Brent Scowcroft: "That watershed in the finding -- that is that it ended the period of plausible deniability for the President. No longer could you say, 'Well, these guys are doing it and the President doesn't know.' Because the President had to say, 'Yes, I understand it and I authorize it.'")

So members of the President's staff are relieved that all Mr. Reagan has to admit to after this day is that he couldn't remember signing one document. But they also agree that it's a little soon to break out the champagne. This whole affair has raised policy questions which the Administration still has to deal with, because as one senior official put it, "President Reagan's credibility has been damaged."

(CBS-Lead)

CBS's Lesley Stahl reports on the legal problems of John Poindexter.

(CBS-2)

CBS's Bruce Morton: For a lot of committee members the question wasn't what did the President know, but more important, why didn't he?

(Rep. Foley: "The diversion of arms sales profits to the contras was taken without the knowledge or approval of a single responsible elected official in the U.S. government.")

Without the knowledge or approval of anyone who had been elected -- not the President, not the Vice President, nor any member of Congress.

(Henry Kissinger: "I was a much more assertive security advisor than Poindexter. I wouldn't have dreamed of making a significant decision because if you don't have the President's backing, you've got nothing.")

And it raises a serious question -- who's in charge?

(Sen. Cohen: "When the buck is suppose to stop, it's suppose to stop at the top and not at a subordinate level.")

The President, critics say, should be accountable. How does he make sure he knows what's going on?

(Sen. Tower: "The President and his immediate subordinates should be keeping a very, very close eye on what's going on down in the working of the national security process.")

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Morton continues:

(Arthur Schlesinger: "I think when subordinates take it upon themselves...the responsibility of not telling the President of what they're doing, they are subverting the whole concept of accountability and therefore of democracy.")

The President and his staff may be relieved tonight but today's testimony raises serious questions. Oliver North has already testified to the troubles democracy can have when they try to do things in secret. With Poindexter's revelation that secret operations were ordered not by elected leaders, but by staff, those troubles intensified because that's not the way democracies are suppose to work. (CBS-3)

ABC's Dennis Troute reports on how the Congressional hearings may affect Lawrence Walsh's criminal investigation of North and Poindexter. (ABC-3)

Rather: With us are Warren Rudman and Lee Hamilton. The White House is now hitting hard on the theme "that settles it, it's over, let's shut this thing down now and get on to other business." Do you agree?

(Hamilton: "No, I really don't agree. I understand why people focus on the President and his knowledge, but I think the committee is focusing more on the process -- why these mistakes were made, what can we do about them. Clearly mistakes in the process have been revealed. We want to get to the bottom of that and make our recommendations. It's not just the matter of the President's knowledge that is important here. It's the process.")

This is the most important testimony we're had thus far. As far as you're concerned is it over?

(Rudman: "No it doesn't end it at all. I believe that the White House certainly understands that the process is important here. This is a terrible disaster that has befallen this Administration, this country. I hope we can come back strongly from it. But the testimony today was astounding. That is not support to happen in a democracy. I would think the President himself would be probably more upset than anyone else. After all, he should have been allowed to make his own mistakes -- make his own disasters if he will. He wasn't allowed to according to Poindexter's testimony.")

Where do we go from here?

(Hamilton: "We have all of the key cabinet secretaries coming in.... My guess is the most important testimony ahead of us may come from the Attorney General....").... (CBS-9)

NBC's John Chancellor's commentary: There was one magic moment in this long, sad story when the whole mess could have been avoided. On a sunny Saturday in Dec. 1985, Mr. Reagan met with a small group of senior advisors in the residential quarters at the White House. Admiral Poindexter told us today that's when the plan to trade arms for hostages was presented. Secretary of Defense Weinberger argued against it. Secretary of State argued against it. These two men, both of whom had served in President Nixon's cabinet, who know their way away Washington, insisted repeatedly that it was a terrible idea....

Chancellor continued: Remember Weinberger and Shultz are the Hatfields and McCoys of the Reagan Administration -- they have been feuding for years and still are, but both were passionately against trading arms to Iran for hostages. President Reagan thought it over and rejected their arguments. The tragedy began that day. Shultz and Weinberger have been described as team players and in the end, they went along with the plan. Which raises a question -- does the President really need team players who won't try to stop him from making an awful mistake? If Shultz and Weinberger had both threatened to resign on this critical issue, the arms for hostages plan probably would have been scrapped and the President saved from the disaster. We've heard a lot about loyalty to the President in these hearings, a lot about protecting the President. But if loyalty is a virtue, too much loyalty is a vice. The President's team players bear a heavy responsibility for the President's problems. (NBC-7)

#### PERSIAN GULF/REFLAGGING TANKERS

Brokaw: It appears to be smooth sailing tonight for plans to activate President Reagan's policy in the Persian Gulf. Senate Democrats gave up today in their effort to force a vote on a 90 day delay in providing a U.S. Navy escort for Kuwaiti tankers. This operation is scheduled to begin next week and a U.S. Navy diving team was in Gulf today to sweep Iranian mines from the channel leading to Kuwait.... (NBC-6, ABC-4, CBS-7)

#### TRADE DEFICIT

Brokaw: The Administration got bad news today on the trade deficit. The \$14.5 billion deficit in May was \$1 billion more than expected. Just last week the President said the country had turned the corner on the deficit. (NBC-5)

#### DEAVER TRIAL

Rather: A federal appeal court today ordered jury selection in the trial of Michael Deaver open to the public and the press. The judge had been allowing prospective jurors to be questioned in private on grounds that they would be less likely to "squirm." But the appeals court ruled that American justice is an open system and jurors, indeed, may have to "squirm" in public. (CBS-4)

#### U.S. EXPELS CUBANS

Rather: The U.S. tonight expelled two Cuban diplomats. It is in response to what the State Department called "intolerable accusations of espionage" against American diplomats in Havana. (CBS-5)

## **EDITORIALS/COLUMNISTS**

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### **IRAN-CONTRA HEARINGS**

Some Accept North As Credible Witness -- "Oliver North is no national hero. A true patriot, believing in his country, would have destroyed or altered records. But one must ask if the Norths, Poindexters and Secords of Irangate would have emerged if Congress and its 535 secretaries of State had developed a clear policy toward Nicaragua and Soviet encroachment there."  
(Milwaukee Sentinel, 7/10)

North's Testimony -- "Is there a smoking gun? President Reagan has said again, 'There ain't no smoking gun.' But as the hearings wear on, the congressional ferrets still seem insistent on finding one. Intelligent citizens may rightfully ask why. Is it simply to help resolve serious questions about a painful foreign policy mistake? Or is it an attempt to bring down a President in disgrace?"  
(Indianapolis Star, 7/8)

Ollie's Folly? -- "Those who support North may have been tilted by his smooth performance before the congressional panel.... But what else is behind North's surprising support? Perhaps it is this simple fact: Americans think that the U.S. ought to support people fighting for basic human rights.... Sentiment could change, but right now it looks like the colonel is winning the battle for the hearts and minds of the viewing public. And it may be that members of Congress, come election time, will be asked to detail the part they played in producing the Iran-contra affair."  
(Charleston Daily Mail, 7/10)

The Colonel Was Very Good At Telling The Bad And Ugly -- "Opinion surveys show that most Americans were able to separate the man from the policies he carried out. Most believe Col. North's contention that he was obeying his superiors; only a minority believe President Reagan's denials that he knew what was going on. Col. North has come to look less like a loose cannon than an eager officer on a loose deck with a captain, for some reason, out of sight..... In distinguishing between North's persona and his message it is helpful to look at the consequences of extra-legal foreign policy making.... As a consequence of that policy more hostages are held today than were in captivity when the Administration started to deal with Iran. American credibility in the Mideast, shattered by arms sales to Iran, must be recouped by reflagging Kuwaiti oil tankers at substantial risk."  
(Philadelphia Inquirer, 7/15)

Ollie's Contras -- "Oliver North was wrong to try to subvert the will of Congress, and if he was directed to do so, those who directed him were wrong too.... Although Reagan's men supported the contras the wrong way, the cause of the contras should not be held hostage for their mistakes."  
(John Hughes, Christian Science Monitor, 7/14)

North: Off The Hot Seat -- "Mr. Reagan was elected by an overwhelming majority of the voters in this country, who knew full well his attitude toward freedom fighters in general and his support for the contras in particular. For one of his aides to act on those objectives can hardly be viewed as the great betrayal of the American people that some would have us believe."  
(Birmingham News, 7/12)

IRAN-CONTRA HEARINGS (continued)

North Camouflages Basic Issue -- "Ollie North's winning ways must not be allowed to camouflage the basic question, which has to do with government, not Ollie North. That question is whether we are willing to allow national policy to be guided in secret without consultation from elected officials. Put another way, it's whether we want to exchange our government of laws for a national security state run by individuals unaccountable to the American people." (San Diego Tribune, 7/13)

North Wars -- "What Col. North's testimony came down to is this: The Administration did what it did for high motives and good reason. In such sensitive circumstances it's permissible to wink, even sneer, at inconvenient laws. The President should be free to defend democracy with tougher, surer champions than a bunch of vacillating old windbags in Congress. A President free to do that is free to do anything. There are some countries where that is true. The United States is not, so far, one of them." (New York Times, 7/15)

Colonel North -- "Committee members need to ponder the North phenomenon. Conceivably, it is merely an emotional wave that will gradually dissipate as the investigation proceeds. Just as conceivably, it reflects a reaffirmation of the broad, bipartisan consensus that the U.S. must be able to act in its own defense and that the establishment of a Soviet client state on the North American mainland constitutes a breach of that defense. If the American people believed this week that Colonel North alone was talking sense, their elected leaders should be asking themselves why." (Cincinnati Enquirer, 7/11)

North's Testimony Not The Last Word -- "President Reagan may be breathing easier after Oliver North's testimony before the Iran-contra committee.... But it is certain that congressional probers will not -- and should not -- take North's word as the last word on what Reagan knew and when he knew it.... No doubt the committee will seek other witnesses to corroborate North's absolving Reagan of any knowledge of the money transfer to the contras. The President should hope they find some." (Milwaukee Sentinel, 7/8)

North And The Casey Legacy -- "Now the grave confrontation between the executive and legislative branches is shaping up -- leading to a necessary but possibly deep, damaging and divisive testing of the constitutional roles of the President and Congress in foreign policy affairs. Is that the legacy for which Casey will be most remembered? That may be one result of the history and civics lesson now being put into the record." (Sarasota Herald-Tribune, 7/14)

North Spreads The Blame In Compelling Testimony -- "North's testimony... helps President Reagan on the narrow issue of what the President knew. North said he 'assumed' Reagan knew of the illegal diversion of funds but never discussed it with him.... That, however, fails to relieve Reagan of the responsibility for the blunder of selling arms to Iran, attempting to trade arms for hostages while preaching otherwise, and failing to know what was happening just outside the Oval Office. From the court of public opinion, we suspect, Reagan will get the legendary Scotch verdict of 'not proven -- but pay the court costs.' That's better than 'guilty', less desirable than 'innocent' -- and the costs are likely to diminish the credibility." (Rocky Mountain News, 7/10)