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News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, JULY 22, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

Tankers Hoist Stars And Stripes -- The world watched intently last night as the U.S. Navy took on the task of escorting two reflagged Kuwaiti tankers through harm's way in the Persian Gulf. (Baltimore Sun, USA Today, Washington Post, Washington Times, AP, Reuter, UPI)

NATIONAL NEWS

Greenspan Signals That Tighter Fed Policy Will Continue -- Alan Greenspan said he will continue the tough anti-inflation policies of outgoing Chairman Paul Volcker, resist any political pressure from the White House and sees little benefit in a federal tax increase. (Washington Post, AP, Reuter, Scripps Howard)

IRAN-NICARAGUA

Hamilton Blames Reagan, Poindexter -- Rep. Lee Hamilton directly blamed President Reagan and John Poindexter for the Iran-contra scandal, saying the President created the atmosphere that allowed his national security adviser to craft foreign policy on his own and in secret. (Los Angeles Times, New York Times, Washington Post, Copley, Scripps Howard, UPI)

NETWORK NEWS (Tuesday Evening)

PERSIAN GULF -- American warships and fighter planes are at the ready, prepared for a dangerous assignment in the Persian Gulf.

IRAN/France -- France decided that under certain circumstances they would give naval protection to their ships in the Persian Gulf.

IRAN-CONTRA -- After five days with John Poindexter, the committee had all but despaired of getting to the bottom of the Iran-contra muddle.

WATCHWORDS...

"We don't give [the contras] enough bullets. We give them unlimited quantities of the Boland amendment, so they can roll up copies of it and throw them at the Sandinistas."

-- Rep. Henry Hyde
(Richmond Times-Dispatch, 7/12)

INTERNATIONAL NEWS

U.S. FLAGS RAISED ON TWO TANKERS French, British Navies Send More Ships To Persian Gulf

KUWAIT -- American flags were unfurled on the sterns of two Kuwaiti-owned tankers as they prepared to weigh anchor tonight and begin their inaugural passage under heavy U.S. navy escort through the Strait of Hormuz and into the Persian Gulf.

Meanwhile, both the French and British navies have dispatched an increased number of warships to the gulf. France, which has a large Indian Ocean fleet based at Djibouti, said it will give military escort to two oil tankers sailing into the Persian Gulf this week.

(Patrick Tyler, Washington Post, A1)

Tankers Hoist Stars And Stripes

The world watched intently last night as the U.S. Navy took on the task of escorting two reflagged Kuwaiti tankers through harm's way in the Persian Gulf.

As if to accentuate the drama, a calm settled over the war that had prompted the need to protect shipping. No major military action in the gulf was reported yesterday, after a month of attacks on shipping by both Iran and Iraq and sustained Iraqi bombing of Iranian oil installations.

Although attention was focused on the U.S. Navy, Britain and France also have warships in the Persian Gulf area to protect commercial shipping. But the two medium-sized Western powers are operating more quietly than the U.S. (AP)

Head Of U.S. Convoy Says He Does Not Expect Iranian Attack

ABOARD THE USS KIDD IN THE GULF OF OMAN -- The head of a U.S. Navy convoy said he does not expect Iran to mount a missile attack against two Kuwaiti tankers when the Navy ships escort the tankers through the Persian Gulf.

"I personally believe they will not be used," Capt. David Yonkers told reporters, referring to Chinese-made Silkworm missiles purchased by Iran and stored near the Strait of Hormuz leading into the gulf. (Reuter)

U.S. Moving Impressive Array Of Military Force Into Gulf

The U.S. is moving into the war-torn Persian Gulf with an array of deadly warships and jets carrying enough sophisticated electronic surveillance and jamming equipment to spot and baffle almost any foe.

Analysts say the U.S. Navy, which has assumed responsibility for protecting 11 reflagged Kuwaiti tankers, should have no trouble repelling a conventional attack in the gulf.

But an unconventional attack -- such as a nighttime suicide raid by ultra-radical Iranian Revolutionary Guards in a dinghy loaded with explosives -- has some observers concerned. (Robert MacKay, UPI)

U.S. Has Warned Iran, Iraq To Halt Attacks In Gulf

The U.S. has passed strong warnings to Iran against attacking U.S. naval convoys in the Persian Gulf and has pressed Iraq to call off strikes on Iranian shipping, senior Administration officials disclosed.

They said the escort mission was proceeding with no certainty that the warnings would deter Iran from attacking the tankers or their escorts....

The officials also said the U.S. had no ironclad assurances that the Iraqis would stop their air strikes against ships carrying cargo for Iran. However, U.S. policy-makers did expect Iraq to suspend them in the immediate aftermath of Monday's U.N. Security Council resolution demanding an immediate overall cease-fire in the Iran-Iraq war.

(Stephen Broening, Baltimore Sun, A1)

Iranian U.N. Ambassador Says U.S. Reflagging Violates U.N. Resolution

UNITED NATIONS -- Iran's ambassador to the U.N. said the deployment of U.S. warships and jets to escort reflagged Kuwaiti tankers violates a U.N. resolution calling for a cease-fire in the Iran-Iraq war.

Iranian Ambassador Said Rajaie Khorassani told a news conference his government "neither rejects nor accepts" the Security Council resolution adopted Monday and said the reflagging of Kuwaiti oil tankers under U.S. colors had escalated the nearly 7-year-old Persian Gulf conflict.

"This act constitutes a blatant violation of operative paragraph 5 of the resolution," Khorassani said.... "The United States is therefore the first party to violate the terms of its own resolution, hence rendering it invalid."

Article 5 in the resolution called on all nations to "exercise utmost restraint to refrain from any act which may lead to further escalation and widening of the conflict." (UPI)

Iraq Backs Call For Cease-Fire

Iraq and other Arab states lined up behind a U.N. call for a cease-fire in the Persian Gulf war as Western powers began deploying warships in those waters.

Iran denounced Monday's U.N. resolution as "null and void" -- prompting pro-Iranians in Lebanon to burn U.S. and French flags and stone effigies of President Reagan and French President Mitterand.

Iraq called the demand for a truce "positive," and its friends and neighbors agreed:

-- Jordan, Iraq's closest ally, called it "a landmark."

-- "The sooner this resolution is implemented the better," said Abu Dhabi's Al-Ittihad daily newspaper.

-- But Qatar's Al-Ahd weekly newspaper cautioned "the real test" will be the U.N.'s "ability to impose international will and guarantee security."

(USA Today, A4)

Gorbachev Letter Says U.S. Adding To Tensions In Gulf

MOSCOW -- The Soviet Union is prepared to meet the U.S. "in any format" for talks to resolve the rising tensions in the Persian Gulf, Mikhail Gorbachev has told President Reagan.

In a letter to Reagan, however, the Kremlin leader charged that the U.S. naval build-up in the gulf is one of two causes of those tensions in the region, an official Soviet spokesman said here.

Gorbachev identified the Iran-Iraq war as the other cause but indicated that the Soviet Union is not ready to support sanctions against the two warring parties.

Instead, Moscow stresses the importance of the new U.N. secretary general's responsibility to enforce it, Foreign Ministry spokesman Boris Pyadyshev said at a press briefing.

Gorbachev was responding to a letter Reagan sent him early this month in which the U.S. President asked for Moscow's cooperation to bring an end to the gulf crisis, Pyadyshev said.

(Gary Lee, Washington Post, A14)

White House Rejects Soviets On Bid For Talks On Gulf War

The White House has rejected a Soviet proposal for talks on President Reagan's invitation for joint action to end the Iran-Iraq war, presidential spokesman Marlin Fitzwater said.

At the White House, Fitzwater refused to discuss details, citing policy on such communications, but said the Soviet message was a response to letters the President sent last week to the four other permanent members of the 15-member U.N. Security Council.

"When the President sent his letters to the U.N. countries, we thought that was the appropriate forum in which to consider this issue at this time, and we still think that is the proper forum," Fitzwater said.

(Gene Grabowski, Washington Times, A7)

Senate Belatedly Suggests 'Alternatives' to Reflagging

The Senate wound up two months of fretting over the Reagan Administration's plan to put Kuwaiti oil tankers under protection of the U.S. flag in the Persian Gulf and finally passed a resolution urging "alternatives to the reflagging" -- just after Old Glory was hoisted over two Kuwaiti ships.

Having stalled for weeks over sterner expressions of opposition, the Senate approved the resolution by voice vote after its chief sponsor, Frank Murkowski made the proposal sound like a jobs program, noting that alternatives such as Kuwaiti chartering of U.S. vessels would provide work for unemployed American sailors.

(Helen Dewar, Washington Post, A5)

TRADE BILL SWEEPS BY SENATE

The Senate approved the most sweeping trade legislation in more than a decade last night by an overwhelming 71 to 27 vote, as 19 Republicans defied a last-minute White House appeal that they oppose the measure.

The measure drew the solid support of Senate Democrats as the 27 negative votes were all cast by Republicans. The majority was large enough to override any veto, as was the House vote in April on a different version of a trade bill. Some Senate Republicans, though, said they voted in favor of the trade bill in hopes it would be changed in conference.

The White House objections, delivered personally to the GOP members of the Senate at lunch yesterday by Treasury Secretary Baker and U.S. Trade Representative Clayton Yeutter, were aimed at giving the Administration more leverage in getting an acceptable bill from the House-Senate conference that will carve the final measure from the bills passed by the two houses of Congress, Administration officials and Senate Republicans said.

(Stuart Auerbach, Washington Post, A1)

Senate Defies Veto Threat, OKs Retaliatory Trade Bill

The Senate, defying a presidential veto threat, passed massive omnibus legislation that requires retaliation for unfair foreign trade practices and aid to U.S. industries harmed by imports.

"This is a vote for a better economic future for the American people," Senate Majority Leader Robert Byrd said. "This Senate is standing up for American products. This Senate is standing up for the American people."

(Oswald Johnston, Los Angeles Times, A1)

Trade Bill Passed

Ignoring a last-minute lobbying blitz from the White House, the Senate took a major step toward one of the chief goals of the 100th Congress by passing a trade bill that seeks to halt unfair foreign trade practices while bolstering the competitiveness of American industries and workers.

The 71 votes [for the measure, including 19 Republican] in the Senate also is more than two-thirds, and one GOP supporter of the measure predicted additional Republicans would eventually back the bill.

"A lot of people who voted against this bill will vote yes on the conference report," said Sen. John Danforth. (Tom Baden, Newhouse)

Senate Approves Trade Legislation, Defying President

The Senate approved sweeping trade legislation that threatened to set off a confrontation with President Reagan. If a compromise is not reached, the bill could become an important campaign issue next year.

"When all is said and done, it will be up to the Democratic leadership as to whether or not Congress sends me a bill that I must veto or puts together something we can accept," President Reagan told Republican leaders [before the vote]. (Jonathan Fuerbringer, New York Times, A1)

Senate Passes Trade Bill

The Senate, ignoring a presidential veto threat, passed a trade bill aimed at ending unfair trade practices, opening foreign markets and helping workers who lose their jobs due to imports.

The vote, which concluded a month-long debate on the 1,000-page bill, was a surprisingly strong 71 to 27, with Democrats unanimous in their support and Republicans casting all 27 negative votes. Sponsors said they expected fewer GOP votes, especially after the White House urged Republicans to vote against the measure.

"If either bill came to me in present form, I would have no choice but to veto it," Reagan said [after the vote]. "Any bill that raises the cost of living for American families and reduces the ability of American business to compete in the world economy goes in exactly the wrong direction."

(Bud Newman, UPI)

JAPAN CLEARED TO PARTICIPATE IN SDI RESEARCH

Secretary Weinberger signed an agreement enabling Japanese firms to participate in the SDI program, after gaining new security safeguards because of a Japanese transfer of sensitive submarine technology to the Soviet Union.

The agreement suggested that the Reagan Administration was willing to set aside its anger over the Toshiba Corp.'s recent transfer of machinery for milling submarine propellers, even as a subcommittee of the House Armed Services Committee voted unanimously to take punitive action against the company.

(Jeffrey Smith, Washington Post, A12)

PAKISTAN DENIES CONNECTION TO ANY NUCLEAR-EXPORT PLOT

ISLAMABAD, Pakistan -- Senior government officials acknowledged that Pakistani citizens may have been involved in attempts in the U.S. to smuggle illegal materials used in making nuclear weapons, but denied that such efforts had the support or approval of President Mohammed Zia ul-Haq's government.

A highly placed government source said that an arrest warrant has been issued for a Pakistani national in connection with charges brought two weeks ago in federal court in Philadelphia, implicitly acknowledging Pakistani involvement in the case for the first time.

The official portrayed the action, however, as a rogue operation that ran counter to Pakistani government orders forbidding the violation of U.S. laws against the export of goods used in the manufacture of nuclear weapons.

(Richard Weintraub, Washington Post, A1)

Pell Calls For Cut-off Of Pakistani Aid

The chairman of the Senate Foreign Relations Committee joined the growing congressional call to cut off aid to Pakistan over a Pakistani native's attempt to buy exotic steel for Pakistan's nuclear program.

Sen. Claiborne Pell, in a statement before his panel heard a top secret briefing on the case, said the Administration should, as called for in a 1985 law, cut off aid to the Pakistani government for trying to export nuclear technology.

(Eliot Brenner, UPI)

NATIONAL NEWS

GREENSPAN VOWS TO BE INDEPENDENT Fed Candidate Says He'd Resist Outside Pressures

Economist Alan Greenspan...assured the Senate Banking Committee that he would firmly reject any pressure from the Chief Executive or Congress intended to influence his monetary policy decisions.

"It's conceivable that my advice may turn out to be wrong, my actions may turn out to be wrong, but that certainly would not be on the basis of politics rather than economics."

...After 3½ hours of testimony that probed Greenspan's views on fiscal, monetary, budget, tax and debt issues, he seemed to satisfy the committee with his assurances that he could -- as Chairman William Proxmire put -- say "nix" to both the President and Congress.

(Hobart Rowen, Washington Post, F1)

Greenspan: Won't Respond To Political Pressure For Low Interest Rates

Conservative economist Alan Greenspan promised to resist political pressure for lower interest rates when he replaces Paul Volcker next month as chairman of the Federal Reserve Board.

Greenspan...said his primary job at the Fed will be to restrain inflation, even if it means tightening the money supply and raising interest rates in an election year.

Sen. William Proxmire...called Greenspan "a very good man" and said he should be "swiftly" confirmed by the Senate.

(Kenneth Eskey, Scripps Howard)

Greenspan Signals That Tighter Fed Policy Will Continue

Alan Greenspan...said he will continue the tough anti-inflation policies of outgoing Chairman Paul Volcker, resist any political pressure from the White House and sees little benefit in a federal tax increase.

"I would say that the type of policies that Chairman Volcker has initiated I think are essentially on target, and I would hope, should the Senate approve me, to follow in the footsteps of those individuals who held very much that same view," Greenspan said.

Greenspan said he doubted a tax increase would effectively reduce budget deficits. His remarks mirror those of Administration officials and were in contrast to Volcker's view that a tax increase may be necessary.

(Peter Torday, Reuter)

Greenspan Echoes Volcker, But Differs On Bank Deregulation

Alan Greenspan...sounded very much like his predecessor, Paul Volcker, on issues ranging from Third World debt to the need for vigilance against inflation.

But he parted company with Volcker on banking deregulation, signaling a willingness to be much bolder than Volcker in granting banks expanded powers.

(Martin Crutsinger, AP)

VOLCKER REITERATES STAND AGAINST RISE IN INFLATION

Paul Volcker, making one of his last appearances before Congress as Federal Reserve chairman, warned as he has for the last eight years of the dangers of allowing inflation to accelerate.

Volcker...coupled his caution with a plea to Congress to keep the Fed independent from executive or congressional interference. "I don't know anything more important than that" as a way to control inflation, he said. The escalating price increases of the last few months -- which he principally attributed to the spring surge in oil prices and the decline in the value of the dollar -- could cause "serious problems" if embedded in the economy in higher wages and costs, Volcker said in his midyear economic report to a House Banking subcommittee.

(Anne Swardson, Washington Post, F1)

REAGAN THREATENS WIDE USE OF VETO

Banking, Trade, Insurance Bills Cited In Session With GOP Leaders

President Reagan, trying to demonstrate that he is still a political force, threatened to use his veto power repeatedly to block major domestic legislation expected to win approval from the Democratic-controlled Congress.

White House spokesman Marlin Fitzwater said Reagan would veto a banking bill that included a savings and loan bailout, an omnibus trade bill and a catastrophic-illness insurance measure if they reached him in their present forms.

White House officials expressed confidence that Congress would sustain vetoes of most of these measures despite stinging overrides earlier this year on water-cleanup and highway-construction measures....

(Lou Cannon, Washington Post, A4)

Reagan, In Bid To Rekindle Presidency, Signals He Will Veto Three Major Bills

President Reagan, itching for a fight with the Democrats to revive his presidency, signaled that he will veto three major bills pending in Congress on banking, trade and catastrophic health insurance.

White House strategists hope that the veto fights, the first showdowns with the Democratic-run Congress since the Iran-contra hearings began, will counter talk that Reagan is a lame-duck President. White House officials say Reagan is in a combative mood and wants to retaliate for what he feels have been partisan Democratic attacks on him for the Iran-contra scandal.

(Ellen Hume & Jeffrey Birnbaum, Wall Street Journal, A3)

Reagan Reported Ready To Veto Banking Bill

The White House said President Reagan is ready to veto banking legislation about to emerge from Congress, while the outgoing chairman of the Federal Reserve Board urged that the bill be signed.

"I think the bill has some parts I would prefer not to see, but overall, it is a constructive piece of legislation," Paul Volcker said in questioning before the House Banking subcommittee.

(Cindy Skrzycki, Washington Post, F1)
-more-

CATASTROPHIC HEALTH PLAN SEEN PASSING HOUSE

The House is on the eve of passing the most sweeping federal health program since the Medicare health insurance program for the elderly was approved 22 years ago -- a plan to prevent millions of older people from going broke with catastrophic medical expenses.

Long in the talking stages, House leaders expect the legislation to pass tomorrow and be sent to the Senate where a version of the plan also is likely to win approval this year. (Michael Posner, Reuter)

BORK: DON'T PREJUDGE ME; LOOK AT RECORD

Don't pigeonhole U.S. Supreme Court nominee Robert Bork as a rigid conservative, he said Tuesday.

In an interview with USA Today, Bork, 60, sought to soften his conservative image, under attack by liberals.

"My record will show the decisions don't line up on any political axis," he said.

Also: It's premature to say he'll reverse major court precedents: "Precedent is always important in any court."

(Tony Mauro, USA Today, A1 [Text On A9])

DOT REQUESTS TENFOLD RISE IN AIR SAFETY FINES

The Reagan Administration asked Congress to increase fines tenfold against airlines violating safety rules and to make it a federal crime for unauthorized persons to enter restricted airport areas.

Transportation Secretary Dole said she wants to maximum fine for airlines and other operators of commercial aircraft to be increased to \$10,000 from \$1,000 for each safety violation.

Dole said the higher penalties "should serve as a greater deterrent to safety violations." (UPI)

HOW WHITE HOUSE BEEFED UP STAFF

Over Five Years, 349 Departmental Workers Were 'Borrowed'

In its first five years, the Reagan Administration augmented the White House staff with 349 employees on "detail" from Cabinet departments, and in many cases it did not reimburse the parent department as required by law, according to a General Accounting Office report.

"They have been stripping all these agencies" of employees to staff the White House," said Rep. Patricia Schroeder "and nobody dares raise a peep about it."

A White House spokesman said the Administration would have no comment until it had read the report, which will be released Thursday.

(Judith Havemann, Washington Post, A17)

IRAN — NICARAGUA

PROBER CRITICIZES POINDEXTER, REAGAN Ex-Security Aide Leaves, 'Head Held High'

The chairman of the House Iran-contra committee, in a firm lecture to former National Security Adviser John Poindexter, charged that Poindexter had "locked the President" out of the White House decision-making process, but added that President Reagan had "created the environment" that let it happen.

"If the President did not know what you did, he should have known," Rep. Lee Hamilton said at the conclusion of [Poindexter's] five days of testimony....

It was a day in which Republicans and Democrats...criticized the former national security adviser. Many expressed surprise at Poindexter's assertions of "bad faith" efforts by Congress to undermine the President's foreign policy, "deliberate distortions" of the media, and a bureaucracy that is unwilling to take "high risks."

(Dan Morgan & Walter Pincus, Washington Post, A1)

Hamilton Blames Reagan, Poindexter

Rep. Lee Hamilton directly blamed President Reagan and John Poindexter for the Iran-contra scandal, saying the President created the atmosphere that allowed his national security adviser to craft foreign policy on his own and in secret.

"You believe that it was left to you and Lt. Col. North to make key decisions. But the President cannot delegate such authority," said Hamilton.... "No one can ask you or expect you to take responsibility for the President's decisions. Those are his, and his alone."

"Secrecy contributed to disarray in the Oval Office," Hamilton said. "The President apparently did not know that you were making some of the most important foreign policy decisions of his presidency.... Excessive secrecy placed the President in an untenable position."

(Michael Myers & Anne Saker, UPI)

Poindexter Completes Testimony Unbowed

John Poindexter completed his congressional testimony with the chairman of the Senate Iran-contra committee questioning his truthfulness and the House committee chairman saying he had placed President Reagan in "an untenable political position."

Senate committee Chairman Daniel Inouye said Poindexter's testimony revealed such a pattern of secrecy that he wondered if Poindexter had been honest during his appearance before the House and Senate select committees.

Rep. Lee Hamilton, chairman of the House committee, said Poindexter had locked Reagan out of "probably the most fateful decision of his presidency" by deciding not to tell him of the diversion of profits from the Iranian arms sales to help the contras.

Nonetheless, Poindexter closed his fifth and final day of public testimony saying, "I leave this hearing with my head held high that I have done my very best to promote the long-term national security interests of the United States."

(Marcus Stern, Copley)

Panel Members Scold Poindexter

As he concluded five arduous days of testimony, John Poindexter was forced to listen to a succession of Iran-contra committee members portray him as a man obsessed by secrecy, contemptuous of the normal processes of government and insensitive to the special prerogatives of the presidency.

Undaunted by the scolding, Poindexter insisted that a majority of Americans support the efforts he made to provide secret assistance to the contras. Moreover, he asserted that the hearings, although widely viewed as a serious political setback for the President, had actually increased public acceptance of Reagan's policy in Central America.

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

Congress Leaky, Press Sneaky, CIA Creaky, Poindexter Says

John Poindexter said he didn't trust a duplicitous Congress to keep secrets, felt the press deliberately distorted the facts and couldn't rely on cautious bureaucrats to carry out risky operations.

"We were completely justified --and it was entirely appropriate -- that we keep the details of implementation of these policies highly compartmentalized and secret," Poindexter said in his fifth day of testimony.

Poindexter also said he distrusted [Secretary] Shultz, who opposed the Iran arms sales, because he felt Shultz was trying "to protect his own position."

(Lance Gay & Walter Friedenberg, Scripps Howard)

Poindexter: Reagan Keen On Iran Channels As Scandal Unraveled

President Reagan wanted to pursue secret talks with Iran in the hopes of freeing U.S. hostages in Lebanon even as the Iran-contra scandal was unraveling last November, John Poindexter said.

...Poindexter said he had shared Reagan's concern when the scandal was unraveling last November that contacts with a senior Iranian official, the so-called "second channel," be preserved and pursued.

"One of our concerns, both mine and the President's, was to preserve a possibility of getting out more hostages and to preserve the contact through the second channel," [Poindexter] said.

(Sue Baker, Reuter)

They Are Not Convinced

From interviews with most of the senators, representatives and top staff members on the congressional committees investigating the Iran-contra affair, it is clear that few believe John Poindexter's account is the whole truth.

But the lawmakers acknowledge that they do not know what the truth is.... And lacking evidence to the contrary, they say they cannot now and probably never will be able to rebut the admiral's testimony.

(News Analysis, David Rosenbaum, New York Times, A1)

A Witness At Odds With His Reputation

The self-portrait of John Poindexter, drawn in many hours of testimony, portrays a national security adviser given to numerous lapses of memory about vital matters in which he was involved, all of which bear directly on the believability of his testimony. From the first day to the fifth of his appearance before the Iran-contra committees, when pressed for specifics about a significant meeting or conversation, Poindexter most often replied, "I don't recall" and "I don't recollect."

This picture of a remote, forgetful Poindexter is sharply at variance with the meticulous, painstaking, efficient, "incomparable" naval officer cited by his superiors in fitness reports as possessing "spectacular mental capacity" and a "photographic memory" and as someone who "retains fully, recalls accurately and evaluates with a keen sense of what is important -- and what isn't."

(News Analysis, Haynes Johnson, Washington Post, A1)

JUSTICE OFFICIAL BRIEFED POINDEXTER ON CONTRA GUNRUNNING

The No. 2 official in the Justice Department [Deputy Attorney General Lowell Jensen] briefed John Poindexter in the spring of 1986 about a politically sensitive criminal investigation into alleged gunrunning to the Nicaraguan contras, according to congressional testimony.

The disclosure was made at the Iran-contra hearings by Rep. Peter Rodino who revealed the existence of Justice Department documents showing the department agreed to keep Poindexter abreast of the investigation conducted by the U.S. attorney's office in Miami.

The Iran-contra committees, as well as independent counsel Lawrence Walsh, are trying to determine whether Attorney General Meese or other Justice officials in Washington delayed the Miami investigation.

(Pete Yost, AP)

WALSH SEEKING ALL IRAN RECORDS OF JUSTICE DEPT.

The special prosecutor in the Iran-contra affair has asked Attorney General Meese to turn over thousands of documents related to the Justice Department's inquiry last fall into the sale of American arms to Iran, federal law-enforcement officials said.

They said the special prosecutor, Lawrence Walsh, had greatly expanded his investigation of the Justice Department and was seeking a broad range of department records, from investigative files to private notebooks and telephone-message slips.

(Philip Shenon, New York Times, A1)

SENATORS DENY REPORT THEY THREATENED
TO GO PUBLIC WITH INFORMATION

Sens. Dave Durenberger and Patrick Leahy, former chairman and vice chairman of the Senate Intelligence Committee, denied a published report that they threatened to scuttle a 1985 covert action against Libya by making public highly classified information.

"Baloney. It's just not true," Durenberger said of the story on the front page of The Washington Times.

"I thought it was probably the most ridiculous thing I have seen and also the most irresponsible," Leahy said. (Cliff Hass, Scripps Howard)

HILL PANEL FINDS NO EVIDENCE LINKING
CONTRAS TO DRUG SMUGGLING

A House committee that has been investigating allegations that leaders of the Nicaraguan resistance were involved in drug smuggling reported it has discovered no evidence to support the allegations.

"None of the witnesses gave any evidence that would show the contra leadership was involved in drug smuggling," said Rep. Charles Rangel, chairman of the Select Committee on Narcotics Abuse and Control.

(David Hilzenrath, Washington Post, A7)

CONTRA AID IS RETURNED TO BRUNEI

KUALA LUMPUR, Malaysia -- Ten million dollars of contra aid that was discovered as mislaid last spring has been returned -- plus interest -- to its donor, Hassanal Bolkiah, the sultan of Brunei, the Malaysian national news agency said.

A Brunei spokesman said the money was meant for aid to Central America's poor rather than for arms for the Nicaraguan rebels, according to Bernama, the news agency. (AP)

EDITOR'S NOTES: "Excerpts Of John Poindexter's Testimony," appears in The Washington Post, A8.

"Excerpts Of Rep. Lee Hamilton's Concluding Statement," appears in The Washington Post, A6.

NETWORK NEWS SUMMARY

(Tuesday Evening, July 21, 1987)

PERSIAN GULF

NBC's Tom Brokaw: American warships and fighter planes are at the ready tonight, prepared for a dangerous assignment in the Persian Gulf. Kuwaiti tankers tonight are flying American flags and a small flotilla of U.S. Navy warships is standing by ready to protect them as they sail into the most hazardous waters of the Persian Gulf, one of the primary battlegrounds in the long war between Iran and Iraq.

NBC's Rick Davis: The tanker Bridgeton has flown the Stars and Stripes since shortly after eight this morning in the Gulf. An American captain now commands the ship, longer than three football fields. About an hour later, the much smaller Gas Prince was reflagged, her new name boldly printed on the rusty, liquid gas carrier. She also is captained by an American. The reflagging occurred behind the protective shield of three U.S. warships: the guided missile cruiser Fox; the destroyer Kitt; (and a) guided missile frigate. They will move through the shipping channel at the top end of the Strait. For two hours they will be within Iranian territorial waters -- and within striking range of Silkworm missiles on three Iranian islands. The Navy ships will be between the islands and the tankers. The convoy will then cut to the south. But the warships cannot sail within the 12-mile territorial limits of the Gulf states. There are differences among the Gulf nations about U.S. involvement. Some fear it could escalate the conflict, that Iran will attack the U.S. ships. Iran's ambassador to the United Nations, Said Rajaie-Khorasani had this reaction.

(Said Rajaie-Khorasani: "If our safety and security in the Persian Gulf is violated, then we take action in a very effective retaliatory manner. And then that's when we see it directed toward whom.")

Some Arab government sources and diplomats believe if Iraq stops its attacks on shipping going to and from Iran, Iran will stop its attacks in the Gulf. Today, Iraq announced it is likely to go along with the U.N. call for a ceasefire in the seven-year-old Iran-Iraq war.

(Nizar Hamdoon, Iraqi official: "The first impression Baghdad got of the resolution is positive.")

Reporter: "Meaning that you would accept it."

Hamdoon: "Yes, that Iraq would accept the resolution, based on the separation.")

It will take three to five days for the reflagged tankers to reach Kuwait's oil refineries. The U.S. warships will stay outside Kuwaiti territorial waters. When all 11 ships have been reflagged and are under U.S. protection, they could carry 70 percent of Kuwait's oil production. (NBC-Lead)

ABC's Peter Jennings: We begin this evening in what is surely the world's most dangerous body of water -- the Persian Gulf. Tonight a collection of U.S. warships, combat planes and airborne radar systems have been assembled to protect the latest additions to the American commercial fleet. Two Kuwaiti tankers as of this morning are under the protection of the American flag....

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ABC's David Ensor: The stars and stripes went up on the Gas Prince and the Bridgeton today, but the Navy was keeping journalists with their cameras at a distance.... As of today the documents making the two ships American registered take effect. At times the Navy appeared to be testing its procedures for the coming journey on the media.... When the convoy pulls up anchor and heads through the Strait of Hormuz, the operation begins in earnest.... At the U.N. today, Iran's Ambassador said his nation will take whatever measures it sees fit in the Gulf.

(Ambassador Rajaie Khorassani: "If, by any chance, any targets are recognized as [threatening] we will definitely attack that target regardless of whose flag that target is carrying.")

Still, Kuwait officials have said they have confidence in the U.S. and they have pointedly said "no limits on retaliation" if Iran should attack the convoy. But while the reflagged tankers are heavily protected, Iran may now look for softer targets....

Jennings: It is certainly clear that if any encounter with Iran and the U.S. takes place in the Gulf, and it is not an automatic assumption in the minds of American policy makers, the U.S. is pretty confident about its assets.

ABC's Bob Zelnick reports on the military capability to react to the Iranian threat.

ABC's John McWethy reports on possible allied help to U.S. tankers in the Gulf. (ABC-Lead)

CBS's Alan Pizzey: With flags flying, American captains on board and the U.S. Navy shielding them, the tankers were in the final stages of preparation for the two-and-a-half day run to Kuwait. Naval escort ships shuttled among the tankers today and the convoy formed-up.... The convoy is a major American effort to counter the Soviet presence in the Gulf and convince Arab states that Washington is a reliable ally in spite of the arms-to-Iran scandal. Western diplomats here say it's no coincidence that the operation is starting after yesterday's U.N. resolution calling for a ceasefire in the Gulf war. The resolution could give the convoy an excuse to shoot back and help deflect charges of American provocation in the Gulf.

(Charles Redman: "We've tried to make clear that what we're doing is defensive. It is deterrent. It's not provocative.")

Iran, however, is not happy.... The U.S. Navy guns will be aimed at Iran's missiles and suicide squads in speed boats. The Iranians have consistently been casted as the villains in American eyes but there is also a message for Iraq. The Iraqis started the Gulf war. They initiated the tanker attacks and it hit the most ships.... The hope now is that Iraq won't be eager to break the U.N. ceasefire. Western diplomats here feel the convoy may well have a smooth run through the Gulf this time, but any sense of security from that would be false. Tonight, it was anything but complacent.... The Navy won't say when the ships will head for Kuwait, but most tankers making the runs start out under the cover of darkness.

CBS's David Martin reports on military capabilities to protect U.S. escorts. (CBS-Lead)

IRAN/FRANCE

Brokaw: France, which often differs with American foreign policy decisions, is in the middle of its own nasty fight with Iran tonight.... The diplomatic war is in danger of heating up considerably.

NBC's Jim Bittermann: Just as they have shouted down America and Israel, in Lebanon today thousands of pro-Iranian moslem militants, added France to their most hated nation list. The images of President Reagan -- their old enemy -- and French President Mitterrand -- their new one -- ended up being stamped into the ground together. Not an inappropriate turn, since, increasingly, French views on Iran are approaching American ones. The French decided today that under certain circumstances they would give naval protection to their ships in the Persian Gulf, just like the United States. And their minister of the seas said French, American and British warships would be sharing information to insure the safety of the merchant fleet. It comes at a time when France, like the United States, has broken off relations with Iran. Iran's Paris Embassy remains surrounded by police, and everyone is now waiting to see whether Iran will permit French diplomats to leave Tehran or whether they will become, as American diplomats once did, hostages to Iranian demands.... Less than a day now remains before the deadline set by the French for the exchange of their 15 diplomats being held in Iran for the five Iranian diplomats being held here. And yet there's been little movement on either side. At Paris airports, the last direct flight to Iran for a week left tonight without the five Iranians aboard. And France, it seems, was headed for difficulty in getting its diplomats back -- the same kind of difficulty the United States once had.

(NBC-2)

OIL PRICES

Brokaw: The reflagging of those Kuwaiti tankers is creating a lot of nervousness and fluctuations on world oil markets.... The action in the Persian Gulf will likely mean higher prices for the American consumer.

NBC's Mike Jensen: Crude oil prices began shooting up last week on exchanges like this one, as traders anticipated the moment when Kuwaiti tankers would begin flying American flags. Prices rose to almost \$23 a barrel, their highest level in a year and a half.... OPEC ministers had begun talking about the possibility of an emergency meeting to raise their official price of \$18 a barrel. Prices at the gas pump have also been rising. The average U.S. price is over a dollar a gallon for the first time in 16 months. And with the new increases in crude oil prices, experts say gasoline prices could go up another 2 or 3 cents a gallon. All this is good news for oil states like Texas. There are 13 percent more drilling rigs at work now than there were a year ago.... Higher gasoline and oil prices mean higher profits for oil companies and give them an incentive to drill for more oil. In spite of this frenzy of activity, experts say the surge in prices may be short-lived.

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Jensen continues: For all the posturing in the Persian Gulf, fewer than 1 percent of the tankers there have been attacked. There is so much gasoline and oil in the world that a reasonable price, according to analysts, would be \$19 or \$20 a barrel -- not \$22 or \$23. Some of the traders seemed to sense that today. By the time trading in New York had ended, the price of crude oil had tumbled well below \$22 a barrel.
(NBC-3, ABC-2)

SOVIET REACTION TO PERSIAN GULF ACTIVITIES

Jennings: Soviet leader Mikhail Gorbachev sent President Reagan a letter today. He criticizes the American build-up in the Gulf but he also says he is ready for talks for the U.S. to try to end the war between Iran and Iraq.
(ABC-3)

IRAN-CONTRA HEARING/POINDEXTER

Brokaw: Admiral John Poindexter ended his testimony today just where he began: the committee pressed for details on the Iran-contra affair and the admiral insisted that he could not remember many of those details. After five frustrating days with Poindexter, the committee had all but despaired of getting to the bottom of the Iran-contra muddle.

NBC's John Dancy: Adm. Poindexter concluded his testimony still contending that he had every right to help the contras by diverting money from the Iran arms sales to them. But after five days at the witness table, Poindexter's temper was getting frayed. At one point he was being questioned about his aide: Oliver North's request to the CIA, and others, to help the contras.

(Rep. Boland: "Let me ask you whether or not you believe that it was lawful for Colonel North to make those requests and issue those instructions to people who were clearly covered by the Boland amendment?"

Poindexter: "Mr. Boland, the decision as to what's lawful and unlawful is not the function of this committee. It will be determined by the courts, by the independent counsel and I'm not going to sit here and debate you on that particular issue.")

Even Poindexter's attorney, Richard Beckler, got into the act when Maryland Senator Paul Sarbanes claimed Beckler was coaching Poindexter.

(Beckler: "I have not coached my witness! And I'm not going to tolerate that kind of accusation, Senator Sarbanes!"

Sen. Sarbanes: "Counsel! Counsel!"

Beckler: "...I have prepared my witness for testimony. He has testified for nine days. I have not coached him. I repeat it!")

Adm. Poindexter again found himself under attack from Georgia's Sam Nunn for a faulty memory. Nunn focused on Poindexter's inability to recall details of a meeting with CIA Director Casey and Oliver North, a meeting which some members privately theorize was aimed at getting their stories straight.

(Poindexter: "As I testified yesterday about the only thing I can recall was Director Casey giving me a debrief of his meeting with the two intelligence committees the previous day and going over the questions that had been raised."

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Dancy continues:

Sen. Nunn: "You don't recall anything else?"

Poindexter: "The only thing that I can be positive of is that there was no discussion of the transfer of funds to the contras."

Some of the sharpest criticism of Poindexter on this last day came from Republican Michael DeWine of Ohio, a Reagan loyalist. He said Poindexter undercut the President by not telling him about the diversion.

(Rep. DeWine: "I think in essence you took the key player -- the best player -- out of the game. You put yourself between Ronald Reagan and the American people. And I think in essence, that hurt the President and I think it also hurt the American people.")

That was a theme echoed by House Committee Chairman Lee Hamilton of Indiana, who told Poindexter:

(Rep. Hamilton: "You wanted to deflect blame from the President, but that is another way of saying you wanted to deflect responsibility from the President. And that should not be done in our system of government. Because he lacked information, the President inflicted serious and repeated political wounds upon himself. If the President did not know what you did, he should have known.")

Even after Poindexter's long stint before the committee was completed, some members were unsatisfied. Sen. Dan Inouye said it will be necessary to close the investigation with a few holes. The jigsaw puzzle, he said, will not be completed.

Brokaw: Also at the Capitol is Warren Rudman.... Senator...will you ever get to the bottom of this puzzle?

(Sen. Rudman: "I think by and large we will. There will always be conflicts in testimony. Quite frankly...I thought that Adm. Poindexter's testimony was candid but astonishing. Many of the things he said, frankly, no one on the committee really buys or understands, but that's his testimony and I guess we'll have to live with it.")

But we have this enormously popular President for whom he was working, Ronald Reagan, who will have to stand the test of history, and yet this appears to be a severe indictment of the Ronald Reagan presidency. Wouldn't you agree, as a Republican?

(Sen. Rudman: "I would say as a Republican that anytime you have an Administration with people as well-meaning as John Poindexter, as well-meaning as Oliver North, are working in the National Security Council and carrying out policies which they think are insignificant details, but are really extraordinarily politically significant, and they carry them out without supervision of the President, certainly does not speak well of the supervision of the President's entire staff. And I think that is what you have to say.") (NBC-4)

ABC's Brit Hume: After four days on the hot seat a weary Poindexter was suppose to be freed this morning. Actresses Morgan Fairchild and Shelley Duvall were in the audience, perhaps to see if the committee could finish on time. But they didn't stay and the committee didn't finish.... In calmer moments Poindexter implied criticism of secretaries Shultz and Weinberger in answers about their opposition to the Iran arms sales.

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Hume continues:

(Rep. McCollum: "Did they offer any alternatives to the President about how he might do it other than this Iranian play that you were engaged in?"

Poindexter: "They did not.")

...Frustration at Poindexter's vagueness at what some considered key details was evident today. Senate Chairman Inouye in particular seemed disappointed that the contra fund trial apparently would end with Poindexter.

(Inouye: "Do you have any clarification you would like to make or can you tell us whether information is being withheld from us today or during the past week?"

Poindexter: "Mr. Chairman, absolutely not. What I have testified, as I swore at the beginning of these hearings, is the absolute truth and the whole truth.")

At the Justice Dept. today Assistant Attorney General William Bradford Reynolds again denied Oliver North's testimony that he, North, had shredded documents while Reynolds and another Justice Dept. official were reviewing papers in North's office last Nov. Their denial was supported by a deposition from North's deputy Robert Earl in which he said North had shredded documents that day, but in another nearby office. Finally, late today, Poindexter's ordeal ended with another stern closing lecture by House Committee Chairman Lee Hamilton....

(Poindexter: "I leave this hearing with my head held high that I have done my very best to promote long-term national security interests of the U.S.")

At last it was over and Poindexter's relief and that of his wife seemed almost joyful as they prepared to leave the room. The committees will take tomorrow off and resume with testimony from Secretary of State Shultz on Thursday. He will be followed by Attorney General Meese and finally by Defense Secretary Weinberger....

Jennings: A short while ago, I talked with Sen. Mitchell. Senator do you believe you've heard the whole story from Adm. Poindexter?

(Mitchell: "It's very difficult to accept the whole of his story. I view some of it with skepticism and we'll have to wait to get the complete record and have a chance to analyze it and think it through.")

He was reknowned in the Navy for his memory. Do you think it has been selective as some suggest?

(Mitchell: "I've heard a lot of witnesses testify. I don't think I've ever heard one say 'I don't recall,' quite as often.")

There has been enormous emphasis on what the President knew. Do you think that your two committees have lost their original focus?

(Mitchell: "In part, yes. I believe the White House has very skillfully politically portrayed that as the only question.... I think there is much more to that -- the broader policy and legal issues are of enormous significance.") (ABC-4)

ABC's Jerry King reports on the commercialization of the Iran-contra hearings. (ABC-5)

CBS's Phil Jones: After five days of repeated drilling of Adm. John Poindexter and Poindexter's inability to recall several crucial events, Poindexter's lawyer exploded today when one member suggested that the rear admiral had been coached in his testimony.... On his last day in the hot seat, Poindexter turned up the heat on the next witness, Secretary of State Shultz, who chose not to fight the Iranian arms sales even though he was opposed to the policy.... Throughout his testimony, Poindexter has maintained that he never discussed the contra diversion with CIA Director William Casey. Today some questioners were clearly having trouble accepting the admiral's claim that this never came up during a private luncheon he had with Casey last Nov. as the scandal was erupting.

(Poindexter: "The only thing that I can be positive of is that there was no discussion of the transfer of funds to the contras.")

Nunn: "Why don't you tell us of what you're not quite positive of but think that you recall?"

Poindexter: "I've told you that."

Nunn: "That's all you can recall?"

Poindexter: "That's all I can recall."

Nunn: "You didn't talk about the destruction of documents?"

Poindexter: "No. I do not recall that."

Nunn: "Would you remember that now if you had?"

Poindexter: "No -- I'm sure."

Nunn: "This was an enormously important meeting with you and Director Casey and yet you seem to not recall anything about it except that you had sandwiches.")

Many members have accepted Poindexter's claim that he did not tell the President about the diversion. But his unrelenting attitude on secrecy had a profound impact on all members.... With an embrace from his wife, Poindexter departed to await his next problem -- the independent counsel who has targeted him for possible criminal wrongdoing. (CBS-2)

EARL DEPOSITION/NORTH

Brokaw: No matter the twist and turns of the Iran-contra inquiry, the spotlight inevitably shifts back to Oliver North. Today, North's testimony was contradicted on a key point by his assistant in the White House, Lt. Col. Robert Earl. North said he had shredded documents...in the presence of Justice Department investigators. But Earl insisted, in a deposition released today, that North shredded the documents while investigators were at lunch. (NBC-5)

TRADE BILL

Jennings: The Senate has passed a trade bill that calls for penalties against countries that restrict the import of American goods. The bill also would help American workers who lose their jobs due to imports. The bill must still be reconciled with another measure in the House and President Reagan has threatened a veto if the eventual product, in his view, is too protectionist. (ABC-9, CBS-4)

ECONOMY/GREENSPAN

CBS's Dan Rather: Questions in Congress centered on the man President Reagan wants to become head of this nation's central bank -- the new "Mr. Interest Rates" among other things.

CBS's Ray Brady: Even as Paul Volcker, the outgoing chairman of the Federal Reserve Board, was telling Congress there are problems and risks in the economy, his probable successor was telling the Senate Banking Committee why he's the right man for the job.

(Greenspan: "At the moment there are no evidences yet of a recession.")

Greenspan has his work cut for out for him because the economy is like a giant set of dominoes and the biggest dominoes right now are the twin deficits. Federal spending, which has soared over the past five years, and along with it the big jump in the trade deficit.... Another domino -- a weak dollar -- means Americans have to spend more to buy foreign cars and other imported goods. That could increase inflation.... The way to stop that: slow the economy by raising interest rates and pushing down prices. But that could bring on a recession and critics wonder if Greenspan would have the courage to risk it.... Greenspan said today he would resist political pressure.

(Greenspan: "I really don't anticipate types of pressures you're suggesting in the form that you're suggesting, but, obviously, should they occur, I would feel it absolutely essential that they be resisted.")

Despite the critics, the belief is that Alan Greenspan will have an easy time getting confirmed. The hard part will begin once he starts the job. (CBS-5)

BORK/COMMENTARY

NBC's John Chancellor: If Justice Blackmun's treatment for cancer hadn't gone as well it did this week, he might have resigned and President Reagan would have had another chance to put someone on the court. But as things look tonight, Justice Blackmun is likely to serve through the remainder of Mr. Reagan's term. Yet Blackmun's health points up again the fragility of the liberal and moderate positions on the court.... The conservatives can look forward to many years on the court while the liberals are going to have to leave soon. If President Reagan's nominee Robert Bork is confirmed this year, that would give the conservatives a majority, but not in every case. Justice Sandra Day O'Connor has occasionally voted with the liberals and even with Bork, the court would not be conservative in all of its rulings. No, the real future of the court will be determined by the next election. Justice Brennan will be 82 when the next president takes the oath; Thurgood Marshall will be 80. These two liberal seats are likely to be vacated during the next president's term. The same applies to Blackmun's moderate seat. Which means if a conservative -- of either party -- is elected in 1988, the court could end up with seven or even eight conservatives, an invincible majority, and that would change the nature of the court until the next century. The arguments about Robert Bork's nomination are important, but what is more important is who gets elected next year. (NBC-9)

-End of B-Section-

EDITORIALS/COLUMNISTS

IRAN-CONTRA HEARINGS

Too Soon To Beg For Their Pardons -- "Some of their more ardent fans -- most notably former White House aide Pat Buchanan and Republic Sen. Orrin Hatch of Utah -- have already begun calling publicly for pre-emptive presidential pardons for Rear Adm. John Poindexter and Lt. Col. Oliver North. They are being premature, and they are at this point doing no one a favor -- not Adm. Poindexter and Lt. Col. North, not President Reagan, and most assuredly not the American public and its right to know what's going on.... It would also be unseemly for the President who asked for the special counsel investigation to pre-empt its findings. The Reagan White House cannot have forgotten the political consequences of President Ford's pre-emptive pardon of Richard Nixon.... The idea of granting pardon is, for now at least, one of those ideas whose time has not yet come."

(Chicago Tribune, 7/21)

Is A Pardon In The Works? -- "Mr. Reagan should not be allowed to spring a pardon on the country along the pattern of President Ford's pardon of President Nixon after Watergate. This is a matter that deserves prior airing and a national debate on the pros and cons of such an action.... If there is to be a pardon, we would hope it comes after Mr. Walsh complete his investigation and after a subsequent trial (if there is one). By then the judicial process will have run its course only so far as the historical record is concerned."

(Baltimore Sun, 7/21)

Don't Even Think Of Pardons Now -- "Count on Patrick Buchanan, the former White House aide, and other overeager supporters of Rear Adm. John Poindexter and Lt. Col. Oliver North, to reinvent a discredited tool of justice -- the pre-emptive presidential pardon.... A pre-emptive presidential pardon would presume people to be guilty who haven't even been charged, damage President Reagan's credibility irreparably and break faith with the democratic system of accountability.... Ronald Reagan does not fear retribution at the polls. But an unjust pardon -- whenever issued, but especially now -- could doom whatever hopes he has of reviving his diminished influence and credibility. It would create the impression of rewarding Adm. Poindexter and Col. North for taking the rap on the diversion of funds in testimony aimed at stopping the buck just outside the Oval Office."

(New York Times, 7/21)

Smoking Cap Gun -- "Poindexter's smoking gun, as it turned out, was nothing but a smoking cap pistol. This disclosure is relieving on one hand, and problematic on the other. The good news is that Reagan apparently did not lie to the American people about his ignorance of the diversion.... Poindexter said he guessed the President would have approved the diversion had he known. The White House denies it. Either way, it is disturbing that subordinates were guessing at his opinions, and going forward with wild schemes without informing him.... Indeed, the Iran-contra operation failed because it was a bad idea, performed badly. Here Reagan holds profound responsibility."

(Shreveport Journal, 7/17)

IRAN-CONTRA HEARINGS (continued)

Mr. Reagan And The Impact Of The Iran-Contra Hearings -- "Rear Adm. John Poindexter's disclosure that he gave President Reagan deniability on the diversion project does take much of the wind out of the sail of the congressional hearings. The intense scrutiny continues; but the spotlight inevitably fades as Congress accomplishes its chief objective: finding out whether or not the President knew. But the major question remains: Has Ronald Reagan and his presidency been able to go through this immense challenge and still govern effectively? Obviously, Mr. Reagan is doing his utmost to recoup. We must wait and see what he can do. But it seems unlikely that, at best, he will ever be able to regain the clout that was his before this all began."

(Godfrey Sperling Jr., Christian Science Monitor, 7/21)

The Real Issue In Hearings -- "'Irangate,' 'the Iran-contra scandal,' 'the threat to the Reagan Presidency' -- to borrow the cheerful characterizations of President Reagan's critics -- has fizzled like damp firecrackers.... 'Irangate' is one of the silliest, yet most debilitating, episodes in presidential history -- magnified out of all proportion to its importance. What to do about it? Get it over with for one thing. For another, aid the contras, so they can kick the Sandinistas in the pants and maybe at last bring democracy to Nicaragua. Which, I believe, was the things North, Poindexter & Co. were trying to accomplish before our opinion leaders started telling us what rascals were working in the White House, and how we citizens ought to go after them with a rope."

(William Murchison, Dallas Morning News, 7/18)

Poindexter's Double-Edged Testimony -- "In Ronald Reagan's White House, unlike Harry Truman's the buck stopped in the basement, not at the President's desk.... Poindexter's testimony should dispel any notion that the President is guilty of violating the Boland amendment that prohibited U.S. aid to the contras during much of 1985 and 1986. At the same time, Poindexter's admission that he, not the president of the U.S., was making foreign policy decisions, is an indictment of Reagan's management style.... Presidential memory lapses and inadequate supervision of subordinates are not grounds for forcing Reagan out of office. But they raise serious questions about his management style and leadership ability that will weaken his Administration throughout its final 18 months, to the detriment of Reagan, the presidency and the country." (San Diego Tribune, 7/17)

Poindexter's Role -- "All the expensive hearings and pompous posturing of congressional second-guessers have done little more than confirm that Mr. Reagan was telling the truth when he said he didn't know about the diversion of funds. And that, members of Congress have said all along, is the key question.... Members of Congress may not like what Poindexter said. It gives them very little opening for the attack on Mr. Reagan that they clearly hoped to mount. And it takes much of the sting out of their criticism of Oliver North. But they should have known it was coming. It was, after all, what the President has been saying all along."

(Birmingham News, 7/17)

FOREIGN MEDIA REACTION

CEASE-FIRE RESOLUTION/PERSIAN GULF

"There is no doubt that yesterday's Security Council resolution is in large part a creation of U.S. diplomacy. Washington has felt the need to redefine its policy because of the immense damage done to its credibility in the Middle East by the controversial arms sales to Iran."

(Financial Times, Britain)

"Seven years of the Iran-Iraq war permitted the USSR to discretely return to the area. The Emirates have just opened an embassy in Moscow.... Ironically enough, the Kremlin must be grateful to the mullahs."

(Figaro, France)

"The U.N. resolution only makes sense and will only be successful if it also includes the threat of tough sanctions. It is a small sign of hope that the two superpowers agree on this now."

(Frankfurter Rundschau, West Germany)

"There is a faint hope that...Tehran's brusque 'no' can be turned into an acceptance of the truce.... Such a hope, however, is very slim, hampered...by the inauguration today of the U.S. escort plan."

(Enrico Franceschini, La Repubblica, Italy)

"The big political victory (the U.N. resolution) scored by Reagan with Irangate in full swing does not guarantee that the Persian Gulf crisis will not blow up. In six years, the U.N. Security Council has adopted, in vain, seven peace resolutions for the Gulf. This time, the escort project for Kuwaiti ships makes everything more difficult."

(Ennio Caretto, La Stampa, Italy)

"Of special significance is the part of the resolution containing an appeal of the Security Council to other states. It is clear to anyone who should, above all, display maximum restraint. It is common knowledge that concentration of outside armed forces in the Persian Gulf area is going on. Such actions are motivated, above all, by a desire of some people to use the present disturbing situation in the Gulf zone to achieve realization of long-coveted plans of obtaining new military strongholds for aviation and navy."

(Tass, Soviet Union)

"...The passage of the resolution is an important turning point in the history of the Gulf.... Now it is up to Iran to heed the Security Council's call to stop the war and thus prove to the world that it wants a fresh start to resume playing a useful role in the international community."

(Jordan Times, Jordan)

"The golden opportunity presented by the...resolution should...give the Arabs a chance...to take a unified stand for halting this dangerous conflict."

(al-Watan, Kuwait)

"Washington is now working on imposing an end to the Iraq-Iran war through the Security Council to serve its own interest and not to put an end to the bloodshed in the Gulf."

(Jomhuri Islam, Iran)

-End of News Summary-



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, JULY 22, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

Tankers Hoist Stars And Stripes -- The world watched intently last night as the U.S. Navy took on the task of escorting two reflagged Kuwaiti tankers through harm's way in the Persian Gulf. (Baltimore Sun, USA Today, Washington Post, Washington Times, AP, Reuter, UPI)

NATIONAL NEWS

Greenspan Signals That Tighter Fed Policy Will Continue -- Alan Greenspan said he will continue the tough anti-inflation policies of outgoing Chairman Paul Volcker, resist any political pressure from the White House and sees little benefit in a federal tax increase. (Washington Post, AP, Reuter, Scripps Howard)

IRAN-NICARAGUA

Hamilton Blames Reagan, Poindexter -- Rep. Lee Hamilton directly blamed President Reagan and John Poindexter for the Iran-contra scandal, saying the President created the atmosphere that allowed his national security adviser to craft foreign policy on his own and in secret. (Los Angeles Times, New York Times, Washington Post, Copley, Scripps Howard, UPI)

NETWORK NEWS (Tuesday Evening)

PERSIAN GULF -- American warships and fighter planes are at the ready, prepared for a dangerous assignment in the Persian Gulf.

IRAN/France -- France decided that under certain circumstances they would give naval protection to their ships in the Persian Gulf.

IRAN-CONTRA -- After five days with John Poindexter, the committee had all but despaired of getting to the bottom of the Iran-contra muddle.

WATCHWORDS...

"We don't give [the contras] enough bullets. We give them unlimited quantities of the Boland amendment, so they can roll up copies of it and throw them at the Sandinistas."

-- Rep. Henry Hyde
(Richmond Times-Dispatch, 7/12)

INTERNATIONAL NEWS

U.S. FLAGS RAISED ON TWO TANKERS

French, British Navies Send More Ships To Persian Gulf

KUWAIT -- American flags were unfurled on the sterns of two Kuwaiti-owned tankers as they prepared to weigh anchor tonight and begin their inaugural passage under heavy U.S. navy escort through the Strait of Hormuz and into the Persian Gulf.

Meanwhile, both the French and British navies have dispatched an increased number of warships to the gulf. France, which has a large Indian Ocean fleet based at Djibouti, said it will give military escort to two oil tankers sailing into the Persian Gulf this week.

(Patrick Tyler, Washington Post, A1)

Tankers Hoist Stars And Stripes

The world watched intently last night as the U.S. Navy took on the task of escorting two reflagged Kuwaiti tankers through harm's way in the Persian Gulf.

As if to accentuate the drama, a calm settled over the war that had prompted the need to protect shipping. No major military action in the gulf was reported yesterday, after a month of attacks on shipping by both Iran and Iraq and sustained Iraqi bombing of Iranian oil installations.

Although attention was focused on the U.S. Navy, Britain and France also have warships in the Persian Gulf area to protect commercial shipping. But the two medium-sized Western powers are operating more quietly than the U.S. (AP)

Head Of U.S. Convoy Says He Does Not Expect Iranian Attack

ABOARD THE USS KIDD IN THE GULF OF OMAN -- The head of a U.S. Navy convoy said he does not expect Iran to mount a missile attack against two Kuwaiti tankers when the Navy ships escort the tankers through the Persian Gulf.

"I personally believe they will not be used," Capt. David Yonkers told reporters, referring to Chinese-made Silkworm missiles purchased by Iran and stored near the Strait of Hormuz leading into the gulf. (Reuter)

U.S. Moving Impressive Array Of Military Force Into Gulf

The U.S. is moving into the war-torn Persian Gulf with an array of deadly warships and jets carrying enough sophisticated electronic surveillance and jamming equipment to spot and baffle almost any foe.

Analysts say the U.S. Navy, which has assumed responsibility for protecting 11 reflagged Kuwaiti tankers, should have no trouble repelling a conventional attack in the gulf.

But an unconventional attack -- such as a nighttime suicide raid by ultra-radical Iranian Revolutionary Guards in a dinghy loaded with explosives -- has some observers concerned. (Robert MacKay, UPI)

U.S. Has Warned Iran, Iraq To Halt Attacks In Gulf

The U.S. has passed strong warnings to Iran against attacking U.S. naval convoys in the Persian Gulf and has pressed Iraq to call off strikes on Iranian shipping, senior Administration officials disclosed.

They said the escort mission was proceeding with no certainty that the warnings would deter Iran from attacking the tankers or their escorts....

The officials also said the U.S. had no ironclad assurances that the Iraqis would stop their air strikes against ships carrying cargo for Iran. However, U.S. policy-makers did expect Iraq to suspend them in the immediate aftermath of Monday's U.N. Security Council resolution demanding an immediate overall cease-fire in the Iran-Iraq war.

(Stephen Broening, Baltimore Sun, A1)

Iranian U.N. Ambassador Says U.S. Reflagging Violates U.N. Resolution

UNITED NATIONS -- Iran's ambassador to the U.N. said the deployment of U.S. warships and jets to escort reflagged Kuwaiti tankers violates a U.N. resolution calling for a cease-fire in the Iran-Iraq war.

Iranian Ambassador Said Rajaie Khorassani told a news conference his government "neither rejects nor accepts" the Security Council resolution adopted Monday and said the reflagging of Kuwaiti oil tankers under U.S. colors had escalated the nearly 7-year-old Persian Gulf conflict.

"This act constitutes a blatant violation of operative paragraph 5 of the resolution," Khorassani said.... "The United States is therefore the first party to violate the terms of its own resolution, hence rendering it invalid."

Article 5 in the resolution called on all nations to "exercise utmost restraint to refrain from any act which may lead to further escalation and widening of the conflict." (UPI)

Iraq Backs Call For Cease-Fire

Iraq and other Arab states lined up behind a U.N. call for a cease-fire in the Persian Gulf war as Western powers began deploying warships in those waters.

Iran denounced Monday's U.N. resolution as "null and void" -- prompting pro-Iranians in Lebanon to burn U.S. and French flags and stone effigies of President Reagan and French President Mitterand.

Iraq called the demand for a truce "positive," and its friends and neighbors agreed:

-- Jordan, Iraq's closest ally, called it "a landmark."

-- "The sooner this resolution is implemented the better," said Abu Dhabi's Al-Ittihad daily newspaper.

-- But Qatar's Al-Ahd weekly newspaper cautioned "the real test" will be the U.N.'s "ability to impose international will and guarantee security."

(USA Today, A4)

Gorbachev Letter Says U.S. Adding To Tensions In Gulf

MOSCOW -- The Soviet Union is prepared to meet the U.S. "in any format" for talks to resolve the rising tensions in the Persian Gulf, Mikhail Gorbachev has told President Reagan.

In a letter to Reagan, however, the Kremlin leader charged that the U.S. naval build-up in the gulf is one of two causes of those tensions in the region, an official Soviet spokesman said here.

Gorbachev identified the Iran-Iraq war as the other cause but indicated that the Soviet Union is not ready to support sanctions against the two warring parties.

Instead, Moscow stresses the importance of the new U.N. secretary general's responsibility to enforce it, Foreign Ministry spokesman Boris Pyadyshev said at a press briefing.

Gorbachev was responding to a letter Reagan sent him early this month in which the U.S. President asked for Moscow's cooperation to bring an end to the gulf crisis, Pyadyshev said.

(Gary Lee, Washington Post, A14)

White House Rejects Soviets On Bid For Talks On Gulf War

The White House has rejected a Soviet proposal for talks on President Reagan's invitation for joint action to end the Iran-Iraq war, presidential spokesman Marlin Fitzwater said.

At the White House, Fitzwater refused to discuss details, citing policy on such communications, but said the Soviet message was a response to letters the President sent last week to the four other permanent members of the 15-member U.N. Security Council.

"When the President sent his letters to the U.N. countries, we thought that was the appropriate forum in which to consider this issue at this time, and we still think that is the proper forum," Fitzwater said.

(Gene Grabowski, Washington Times, A7)

Senate Belatedly Suggests 'Alternatives' to Reflagging

The Senate wound up two months of fretting over the Reagan Administration's plan to put Kuwaiti oil tankers under protection of the U.S. flag in the Persian Gulf and finally passed a resolution urging "alternatives to the reflagging" -- just after Old Glory was hoisted over two Kuwaiti ships.

Having stalled for weeks over sterner expressions of opposition, the Senate approved the resolution by voice vote after its chief sponsor, Frank Murkowski made the proposal sound like a jobs program, noting that alternatives such as Kuwaiti chartering of U.S. vessels would provide work for unemployed American sailors.

(Helen Dewar, Washington Post, A5)

TRADE BILL SWEEPS BY SENATE

The Senate approved the most sweeping trade legislation in more than a decade last night by an overwhelming 71 to 27 vote, as 19 Republicans defied a last-minute White House appeal that they oppose the measure.

The measure drew the solid support of Senate Democrats as the 27 negative votes were all cast by Republicans. The majority was large enough to override any veto, as was the House vote in April on a different version of a trade bill. Some Senate Republicans, though, said they voted in favor of the trade bill in hopes it would be changed in conference.

The White House objections, delivered personally to the GOP members of the Senate at lunch yesterday by Treasury Secretary Baker and U.S. Trade Representative Clayton Yeutter, were aimed at giving the Administration more leverage in getting an acceptable bill from the House-Senate conference that will carve the final measure from the bills passed by the two houses of Congress, Administration officials and Senate Republicans said.

(Stuart Auerbach, Washington Post, A1)

Senate Defies Veto Threat, OKs Retaliatory Trade Bill

The Senate, defying a presidential veto threat, passed massive omnibus legislation that requires retaliation for unfair foreign trade practices and aid to U.S. industries harmed by imports.

"This is a vote for a better economic future for the American people," Senate Majority Leader Robert Byrd said. "This Senate is standing up for American products. This Senate is standing up for the American people."

(Oswald Johnston, Los Angeles Times, A1)

Trade Bill Passed

Ignoring a last-minute lobbying blitz from the White House, the Senate took a major step toward one of the chief goals of the 100th Congress by passing a trade bill that seeks to halt unfair foreign trade practices while bolstering the competitiveness of American industries and workers.

The 71 votes [for the measure, including 19 Republican] in the Senate also is more than two-thirds, and one GOP supporter of the measure predicted additional Republicans would eventually back the bill.

"A lot of people who voted against this bill will vote yes on the conference report," said Sen. John Danforth. (Tom Baden, Newhouse)

Senate Approves Trade Legislation, Defying President

The Senate approved sweeping trade legislation that threatened to set off a confrontation with President Reagan. If a compromise is not reached, the bill could become an important campaign issue next year.

"When all is said and done, it will be up to the Democratic leadership as to whether or not Congress sends me a bill that I must veto or puts together something we can accept," President Reagan told Republican leaders [before the vote]. (Jonathan Fuerbringer, New York Times, A1)

Senate Passes Trade Bill

The Senate, ignoring a presidential veto threat, passed a trade bill aimed at ending unfair trade practices, opening foreign markets and helping workers who lose their jobs due to imports.

The vote, which concluded a month-long debate on the 1,000-page bill, was a surprisingly strong 71 to 27, with Democrats unanimous in their support and Republicans casting all 27 negative votes. Sponsors said they expected fewer GOP votes, especially after the White House urged Republicans to vote against the measure.

"If either bill came to me in present form, I would have no choice but to veto it," Reagan said [after the vote]. "Any bill that raises the cost of living for American families and reduces the ability of American business to compete in the world economy goes in exactly the wrong direction."

(Bud Newman, UPI)

JAPAN CLEARED TO PARTICIPATE IN SDI RESEARCH

Secretary Weinberger signed an agreement enabling Japanese firms to participate in the SDI program, after gaining new security safeguards because of a Japanese transfer of sensitive submarine technology to the Soviet Union.

The agreement suggested that the Reagan Administration was willing to set aside its anger over the Toshiba Corp.'s recent transfer of machinery for milling submarine propellers, even as a subcommittee of the House Armed Services Committee voted unanimously to take punitive action against the company.

(Jeffrey Smith, Washington Post, A12)

PAKISTAN DENIES CONNECTION TO ANY NUCLEAR-EXPORT PLOT

ISLAMABAD, Pakistan -- Senior government officials acknowledged that Pakistani citizens may have been involved in attempts in the U.S. to smuggle illegal materials used in making nuclear weapons, but denied that such efforts had the support or approval of President Mohammed Zia ul-Haq's government.

A highly placed government source said that an arrest warrant has been issued for a Pakistani national in connection with charges brought two weeks ago in federal court in Philadelphia, implicitly acknowledging Pakistani involvement in the case for the first time.

The official portrayed the action, however, as a rogue operation that ran counter to Pakistani government orders forbidding the violation of U.S. laws against the export of goods used in the manufacture of nuclear weapons.

(Richard Weintraub, Washington Post, A1)

Pell Calls For Cut-off Of Pakistani Aid

The chairman of the Senate Foreign Relations Committee joined the growing congressional call to cut off aid to Pakistan over a Pakistani native's attempt to buy exotic steel for Pakistan's nuclear program.

Sen. Claiborne Pell, in a statement before his panel heard a top secret briefing on the case, said the Administration should, as called for in a 1985 law, cut off aid to the Pakistani government for trying to export nuclear technology.

(Eliot Brenner, UPI)

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NATIONAL NEWS

GREENSPAN VOWS TO BE INDEPENDENT Fed Candidate Says He'd Resist Outside Pressures

Economist Alan Greenspan...assured the Senate Banking Committee that he would firmly reject any pressure from the Chief Executive or Congress intended to influence his monetary policy decisions.

"It's conceivable that my advice may turn out to be wrong, my actions may turn out to be wrong, but that certainly would not be on the basis of politics rather than economics."

...After 3½ hours of testimony that probed Greenspan's views on fiscal, monetary, budget, tax and debt issues, he seemed to satisfy the committee with his assurances that he could -- as Chairman William Proxmire put -- say "nix" to both the President and Congress.

(Hobart Rowen, Washington Post, F1)

Greenspan: Won't Respond To Political Pressure For Low Interest Rates

Conservative economist Alan Greenspan promised to resist political pressure for lower interest rates when he replaces Paul Volcker next month as chairman of the Federal Reserve Board.

Greenspan...said his primary job at the Fed will be to restrain inflation, even if it means tightening the money supply and raising interest rates in an election year.

Sen. William Proxmire...called Greenspan "a very good man" and said he should be "swiftly" confirmed by the Senate.

(Kenneth Eskey, Scripps Howard)

Greenspan Signals That Tighter Fed Policy Will Continue

Alan Greenspan...said he will continue the tough anti-inflation policies of outgoing Chairman Paul Volcker, resist any political pressure from the White House and sees little benefit in a federal tax increase.

"I would say that the type of policies that Chairman Volcker has initiated I think are essentially on target, and I would hope, should the Senate approve me, to follow in the footsteps of those individuals who held very much that same view," Greenspan said.

Greenspan said he doubted a tax increase would effectively reduce budget deficits. His remarks mirror those of Administration officials and were in contrast to Volcker's view that a tax increase may be necessary.

(Peter Torday, Reuter)

Greenspan Echoes Volcker, But Differs On Bank Deregulation

Alan Greenspan...sounded very much like his predecessor, Paul Volcker, on issues ranging from Third World debt to the need for vigilance against inflation.

But he parted company with Volcker on banking deregulation, signaling a willingness to be much bolder than Volcker in granting banks expanded powers.

(Martin Crutsinger, AP)

VOLCKER REITERATES STAND AGAINST RISE IN INFLATION

Paul Volcker, making one of his last appearances before Congress as Federal Reserve chairman, warned as he has for the last eight years of the dangers of allowing inflation to accelerate.

Volcker...coupled his caution with a plea to Congress to keep the Fed independent from executive or congressional interference. "I don't know anything more important than that" as a way to control inflation, he said. The escalating price increases of the last few months -- which he principally attributed to the spring surge in oil prices and the decline in the value of the dollar -- could cause "serious problems" if embedded in the economy in higher wages and costs, Volcker said in his midyear economic report to a House Banking subcommittee.

(Anne Swardson, Washington Post, F1)

REAGAN THREATENS WIDE USE OF VETO

Banking, Trade, Insurance Bills Cited In Session With GOP Leaders

President Reagan, trying to demonstrate that he is still a political force, threatened to use his veto power repeatedly to block major domestic legislation expected to win approval from the Democratic-controlled Congress.

White House spokesman Marlin Fitzwater said Reagan would veto a banking bill that included a savings and loan bailout, an omnibus trade bill and a catastrophic-illness insurance measure if they reached him in their present forms.

White House officials expressed confidence that Congress would sustain vetoes of most of these measures despite stinging overrides earlier this year on water-cleanup and highway-construction measures....

(Lou Cannon, Washington Post, A4)

Reagan, In Bid To Rekindle Presidency, Signals He Will Veto Three Major Bills

President Reagan, itching for a fight with the Democrats to revive his presidency, signaled that he will veto three major bills pending in Congress on banking, trade and catastrophic health insurance.

White House strategists hope that the veto fights, the first showdowns with the Democratic-run Congress since the Iran-contra hearings began, will counter talk that Reagan is a lame-duck President. White House officials say Reagan is in a combative mood and wants to retaliate for what he feels have been partisan Democratic attacks on him for the Iran-contra scandal.

(Ellen Hume & Jeffrey Birnbaum, Wall Street Journal, A3)

Reagan Reported Ready To Veto Banking Bill

The White House said President Reagan is ready to veto banking legislation about to emerge from Congress, while the outgoing chairman of the Federal Reserve Board urged that the bill be signed.

"I think the bill has some parts I would prefer not to see, but overall, it is a constructive piece of legislation," Paul Volcker said in questioning before the House Banking subcommittee.

(Cindy Skrzycki, Washington Post, F1)

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CATASTROPHIC HEALTH PLAN SEEN PASSING HOUSE

The House is on the eve of passing the most sweeping federal health program since the Medicare health insurance program for the elderly was approved 22 years ago -- a plan to prevent millions of older people from going broke with catastrophic medical expenses.

Long in the talking stages, House leaders expect the legislation to pass tomorrow and be sent to the Senate where a version of the plan also is likely to win approval this year. (Michael Posner, Reuter)

BORK: DON'T PREJUDGE ME; LOOK AT RECORD

Don't pigeonhole U.S. Supreme Court nominee Robert Bork as a rigid conservative, he said Tuesday.

In an interview with USA Today, Bork, 60, sought to soften his conservative image, under attack by liberals.

"My record will show the decisions don't line up on any political axis," he said.

Also: It's premature to say he'll reverse major court precedents: "Precedent is always important in any court."

(Tony Mauro, USA Today, A1 [Text On A9])

DOT REQUESTS TENFOLD RISE IN AIR SAFETY FINES

The Reagan Administration asked Congress to increase fines tenfold against airlines violating safety rules and to make it a federal crime for unauthorized persons to enter restricted airport areas.

Transportation Secretary Dole said she wants to maximum fine for airlines and other operators of commercial aircraft to be increased to \$10,000 from \$1,000 for each safety violation.

Dole said the higher penalties "should serve as a greater deterrent to safety violations." (UPI)

HOW WHITE HOUSE BEEFED UP STAFF

Over Five Years, 349 Departmental Workers Were 'Borrowed'

In its first five years, the Reagan Administration augmented the White House staff with 349 employees on "detail" from Cabinet departments, and in many cases it did not reimburse the parent department as required by law, according to a General Accounting Office report.

"They have been stripping all these agencies" of employees to staff the White House," said Rep. Patricia Schroeder "and nobody dares raise a peep about it."

A White House spokesman said the Administration would have no comment until it had read the report, which will be released Thursday.

(Judith Havemann, Washington Post, A17)

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IRAN — NICARAGUA

PROBER CRITICIZES POINDEXTER, REAGAN Ex-Security Aide Leaves, 'Head Held High'

The chairman of the House Iran-contra committee, in a firm lecture to former National Security Adviser John Poindexter, charged that Poindexter had "locked the President" out of the White House decision-making process, but added that President Reagan had "created the environment" that let it happen.

"If the President did not know what you did, he should have known," Rep. Lee Hamilton said at the conclusion of [Poindexter's] five days of testimony....

It was a day in which Republicans and Democrats...criticized the former national security adviser. Many expressed surprise at Poindexter's assertions of "bad faith" efforts by Congress to undermine the President's foreign policy, "deliberate distortions" of the media, and a bureaucracy that is unwilling to take "high risks."

(Dan Morgan & Walter Pincus, Washington Post, A1)

Hamilton Blames Reagan, Poindexter

Rep. Lee Hamilton directly blamed President Reagan and John Poindexter for the Iran-contra scandal, saying the President created the atmosphere that allowed his national security adviser to craft foreign policy on his own and in secret.

"You believe that it was left to you and Lt. Col. North to make key decisions. But the President cannot delegate such authority," said Hamilton.... "No one can ask you or expect you to take responsibility for the President's decisions. Those are his, and his alone."

"Secrecy contributed to disarray in the Oval Office," Hamilton said. "The President apparently did not know that you were making some of the most important foreign policy decisions of his presidency.... Excessive secrecy placed the President in an untenable position."

(Michael Myers & Anne Saker, UPI)

Poindexter Completes Testimony Unbowed

John Poindexter completed his congressional testimony with the chairman of the Senate Iran-contra committee questioning his truthfulness and the House committee chairman saying he had placed President Reagan in "an untenable political position."

Senate committee Chairman Daniel Inouye said Poindexter's testimony revealed such a pattern of secrecy that he wondered if Poindexter had been honest during his appearance before the House and Senate select committees.

Rep. Lee Hamilton, chairman of the House committee, said Poindexter had locked Reagan out of "probably the most fateful decision of his presidency" by deciding not to tell him of the diversion of profits from the Iranian arms sales to help the contras.

Nonetheless, Poindexter closed his fifth and final day of public testimony saying, "I leave this hearing with my head held high that I have done my very best to promote the long-term national security interests of the United States."

(Marcus Stern, Copley)

Panel Members Scold Poindexter

As he concluded five arduous days of testimony, John Poindexter was forced to listen to a succession of Iran-contra committee members portray him as a man obsessed by secrecy, contemptuous of the normal processes of government and insensitive to the special prerogatives of the presidency.

Undaunted by the scolding, Poindexter insisted that a majority of Americans support the efforts he made to provide secret assistance to the contras. Moreover, he asserted that the hearings, although widely viewed as a serious political setback for the President, had actually increased public acceptance of Reagan's policy in Central America.

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

Congress Leaky, Press Sneaky, CIA Creaky, Poindexter Says

John Poindexter said he didn't trust a duplicitous Congress to keep secrets, felt the press deliberately distorted the facts and couldn't rely on cautious bureaucrats to carry out risky operations.

"We were completely justified --and it was entirely appropriate -- that we keep the details of implementation of these policies highly compartmentalized and secret," Poindexter said in his fifth day of testimony.

Poindexter also said he distrusted [Secretary] Shultz, who opposed the Iran arms sales, because he felt Shultz was trying "to protect his own position."

(Lance Gay & Walter Friedenberg, Scripps Howard)

Poindexter: Reagan Keen On Iran Channels As Scandal Unraveled

President Reagan wanted to pursue secret talks with Iran in the hopes of freeing U.S. hostages in Lebanon even as the Iran-contra scandal was unraveling last November, John Poindexter said.

...Poindexter said he had shared Reagan's concern when the scandal was unraveling last November that contacts with a senior Iranian official, the so-called "second channel," be preserved and pursued.

"One of our concerns, both mine and the President's, was to preserve a possibility of getting out more hostages and to preserve the contact through the second channel," [Poindexter] said.

(Sue Baker, Reuter)

They Are Not Convinced

From interviews with most of the senators, representatives and top staff members on the congressional committees investigating the Iran-contra affair, it is clear that few believe John Poindexter's account is the whole truth.

But the lawmakers acknowledge that they do not know what the truth is.... And lacking evidence to the contrary, they say they cannot now and probably never will be able to rebut the admiral's testimony.

(News Analysis, David Rosenbaum, New York Times, A1)

A Witness At Odds With His Reputation

The self-portrait of John Poindexter, drawn in many hours of testimony, portrays a national security adviser given to numerous lapses of memory about vital matters in which he was involved, all of which bear directly on the believability of his testimony. From the first day to the fifth of his appearance before the Iran-contra committees, when pressed for specifics about a significant meeting or conversation, Poindexter most often replied, "I don't recall" and "I don't recollect."

This picture of a remote, forgetful Poindexter is sharply at variance with the meticulous, painstaking, efficient, "incomparable" naval officer cited by his superiors in fitness reports as possessing "spectacular mental capacity" and a "photographic memory" and as someone who "retains fully, recalls accurately and evaluates with a keen sense of what is important -- and what isn't."

(News Analysis, Haynes Johnson, Washington Post, A1)

JUSTICE OFFICIAL BRIEFED POINDEXTER ON CONTRA GUNRUNNING

The No. 2 official in the Justice Department [Deputy Attorney General Lowell Jensen] briefed John Poindexter in the spring of 1986 about a politically sensitive criminal investigation into alleged gunrunning to the Nicaraguan contras, according to congressional testimony.

The disclosure was made at the Iran-contra hearings by Rep. Peter Rodino who revealed the existence of Justice Department documents showing the department agreed to keep Poindexter abreast of the investigation conducted by the U.S. attorney's office in Miami.

The Iran-contra committees, as well as independent counsel Lawrence Walsh, are trying to determine whether Attorney General Meese or other Justice officials in Washington delayed the Miami investigation.

(Pete Yost, AP)

WALSH SEEKING ALL IRAN RECORDS OF JUSTICE DEPT.

The special prosecutor in the Iran-contra affair has asked Attorney General Meese to turn over thousands of documents related to the Justice Department's inquiry last fall into the sale of American arms to Iran, federal law-enforcement officials said.

They said the special prosecutor, Lawrence Walsh, had greatly expanded his investigation of the Justice Department and was seeking a broad range of department records, from investigative files to private notebooks and telephone-message slips.

(Philip Shenon, New York Times, A1)

SENATORS DENY REPORT THEY THREATENED
TO GO PUBLIC WITH INFORMATION

Sens. Dave Durenberger and Patrick Leahy, former chairman and vice chairman of the Senate Intelligence Committee, denied a published report that they threatened to scuttle a 1985 covert action against Libya by making public highly classified information.

"Baloney. It's just not true," Durenberger said of the story on the front page of The Washington Times.

"I thought it was probably the most ridiculous thing I have seen and also the most irresponsible," Leahy said. (Cliff Hass, Scripps Howard)

HILL PANEL FINDS NO EVIDENCE LINKING
CONTRAS TO DRUG SMUGGLING

A House committee that has been investigating allegations that leaders of the Nicaraguan resistance were involved in drug smuggling reported it has discovered no evidence to support the allegations.

"None of the witnesses gave any evidence that would show the contra leadership was involved in drug smuggling," said Rep. Charles Rangel, chairman of the Select Committee on Narcotics Abuse and Control.

(David Hilzenrath, Washington Post, A7)

CONTRA AID IS RETURNED TO BRUNEI

KUALA LUMPUR, Malaysia -- Ten million dollars of contra aid that was discovered as mislaid last spring has been returned -- plus interest -- to its donor, Hassanal Bolkiah, the sultan of Brunei, the Malaysian national news agency said.

A Brunei spokesman said the money was meant for aid to Central America's poor rather than for arms for the Nicaraguan rebels, according to Bernama, the news agency. (AP)

EDITOR'S NOTES: "Excerpts Of John Poindexter's Testimony," appears in The Washington Post, A8.

"Excerpts Of Rep. Lee Hamilton's Concluding Statement," appears in The Washington Post, A6.

-End of A-Section-

NETWORK NEWS SUMMARY

(Tuesday Evening, July 21, 1987)

PERSIAN GULF

NBC's Tom Brokaw: American warships and fighter planes are at the ready tonight, prepared for a dangerous assignment in the Persian Gulf. Kuwaiti tankers tonight are flying American flags and a small flotilla of U.S. Navy warships is standing by ready to protect them as they sail into the most hazardous waters of the Persian Gulf, one of the primary battlegrounds in the long war between Iran and Iraq.

NBC's Rick Davis: The tanker Bridgeton has flown the Stars and Stripes since shortly after eight this morning in the Gulf. An American captain now commands the ship, longer than three football fields. About an hour later, the much smaller Gas Prince was reflagged, her new name boldly printed on the rusty, liquid gas carrier. She also is captained by an American. The reflagging occurred behind the protective shield of three U.S. warships: the guided missile cruiser Fox; the destroyer Kitt; (and a) guided missile frigate. They will move through the shipping channel at the top end of the Strait. For two hours they will be within Iranian territorial waters -- and within striking range of Silkworm missiles on three Iranian islands. The Navy ships will be between the islands and the tankers. The convoy will then cut to the south. But the warships cannot sail within the 12-mile territorial limits of the Gulf states. There are differences among the Gulf nations about U.S. involvement. Some fear it could escalate the conflict, that Iran will attack the U.S. ships. Iran's ambassador to the United Nations, Said Rajaie-Khorasani had this reaction.

(Said Rajaie-Khorasani: "If our safety and security in the Persian Gulf is violated, then we take action in a very effective retaliatory manner. And then that's when we see it directed toward whom.")

Some Arab government sources and diplomats believe if Iraq stops its attacks on shipping going to and from Iran, Iran will stop its attacks in the Gulf. Today, Iraq announced it is likely to go along with the U.N. call for a ceasefire in the seven-year-old Iran-Iraq war.

(Nizar Hamdoon, Iraqi official: "The first impression Baghdad got of the resolution is positive.")

Reporter: "Meaning that you would accept it."

Hamdoon: "Yes, that Iraq would accept the resolution, based on the separation.")

It will take three to five days for the reflagged tankers to reach Kuwait's oil refineries. The U.S. warships will stay outside Kuwaiti territorial waters. When all 11 ships have been reflagged and are under U.S. protection, they could carry 70 percent of Kuwait's oil production.
(NBC-Lead)

ABC's Peter Jennings: We begin this evening in what is surely the world's most dangerous body of water -- the Persian Gulf. Tonight a collection of U.S. warships, combat planes and airborne radar systems have been assembled to protect the latest additions to the American commercial fleet. Two Kuwaiti tankers as of this morning are under the protection of the American flag....

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ABC's David Ensor: The stars and stripes went up on the Gas Prince and the Bridgeton today, but the Navy was keeping journalists with their cameras at a distance.... As of today the documents making the two ships American registered take effect. At times the Navy appeared to be testing its procedures for the coming journey on the media.... When the convoy pulls up anchor and heads through the Strait of Hormuz, the operation begins in earnest.... At the U.N. today, Iran's Ambassador said his nation will take whatever measures it sees fit in the Gulf.

(Ambassador Rajaie Khorassani: "If, by any chance, any targets are recognized as [threatening] we will definitely attack that target regardless of whose flag that target is carrying.")

Still, Kuwait officials have said they have confidence in the U.S. and they have pointedly said "no limits on retaliation" if Iran should attack the convoy. But while the reflagged tankers are heavily protected, Iran may now look for softer targets....

Jennings: It is certainly clear that if any encounter with Iran and the U.S. takes place in the Gulf, and it is not an automatic assumption in the minds of American policy makers, the U.S. is pretty confident about its assets.

ABC's Bob Zelnick reports on the military capability to react to the Iranian threat.

ABC's John McWethy reports on possible allied help to U.S. tankers in the Gulf. (ABC-Lead)

CBS's Alan Pizzey: With flags flying, American captains on board and the U.S. Navy shielding them, the tankers were in the final stages of preparation for the two-and-a-half day run to Kuwait. Naval escort ships shuttled among the tankers today and the convoy formed-up.... The convoy is a major American effort to counter the Soviet presence in the Gulf and convince Arab states that Washington is a reliable ally in spite of the arms-to-Iran scandal. Western diplomats here say it's no coincidence that the operation is starting after yesterday's U.N. resolution calling for a ceasefire in the Gulf war. The resolution could give the convoy an excuse to shoot back and help deflect charges of American provocation in the Gulf.

(Charles Redman: "We've tried to make clear that what we're doing is defensive. It is deterrent. It's not provocative.")

Iran, however, is not happy.... The U.S. Navy guns will be aimed at Iran's missiles and suicide squads in speed boats. The Iranians have consistently been casted as the villains in American eyes but there is also a message for Iraq. The Iraqis started the Gulf war. They initiated the tanker attacks and it hit the most ships.... The hope now is that Iraq won't be eager to break the U.N. ceasefire. Western diplomats here feel the convoy may well have a smooth run through the Gulf this time, but any sense of security from that would be false. Tonight, it was anything but complacent.... The Navy won't say when the ships will head for Kuwait, but most tankers making the runs start out under the cover of darkness.

CBS's David Martin reports on military capabilities to protect U.S. escorts. (CBS-Lead)

IRAN/FRANCE

Brokaw: France, which often differs with American foreign policy decisions, is in the middle of its own nasty fight with Iran tonight.... The diplomatic war is in danger of heating up considerably.

NBC's Jim Bittermann: Just as they have shouted down America and Israel, in Lebanon today thousands of pro-Iranian moslem militants, added France to their most hated nation list. The images of President Reagan -- their old enemy -- and French President Mitterrand -- their new one -- ended up being stamped into the ground together. Not an inappropriate turn, since, increasingly, French views on Iran are approaching American ones. The French decided today that under certain circumstances they would give naval protection to their ships in the Persian Gulf, just like the United States. And their minister of the seas said French, American and British warships would be sharing information to insure the safety of the merchant fleet. It comes at a time when France, like the United States, has broken off relations with Iran. Iran's Paris Embassy remains surrounded by police, and everyone is now waiting to see whether Iran will permit French diplomats to leave Tehran or whether they will become, as American diplomats once did, hostages to Iranian demands.... Less than a day now remains before the deadline set by the French for the exchange of their 15 diplomats being held in Iran for the five Iranian diplomats being held here. And yet there's been little movement on either side. At Paris airports, the last direct flight to Iran for a week left tonight without the five Iranians aboard. And France, it seems, was headed for difficulty in getting its diplomats back -- the same kind of difficulty the United States once had.

(NBC-2)

OIL PRICES

Brokaw: The reflagging of those Kuwaiti tankers is creating a lot of nervousness and fluctuations on world oil markets.... The action in the Persian Gulf will likely mean higher prices for the American consumer.

NBC's Mike Jensen: Crude oil prices began shooting up last week on exchanges like this one, as traders anticipated the moment when Kuwaiti tankers would begin flying American flags. Prices rose to almost \$23 a barrel, their highest level in a year and a half.... OPEC ministers had begun talking about the possibility of an emergency meeting to raise their official price of \$18 a barrel. Prices at the gas pump have also been rising. The average U.S. price is over a dollar a gallon for the first time in 16 months. And with the new increases in crude oil prices, experts say gasoline prices could go up another 2 or 3 cents a gallon. All this is good news for oil states like Texas. There are 13 percent more drilling rigs at work now than there were a year ago.... Higher gasoline and oil prices mean higher profits for oil companies and give them an incentive to drill for more oil. In spite of this frenzy of activity, experts say the surge in prices may be short-lived.

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Jensen continues: For all the posturing in the Persian Gulf, fewer than 1 percent of the tankers there have been attacked. There is so much gasoline and oil in the world that a reasonable price, according to analysts, would be \$19 or \$20 a barrel -- not \$22 or \$23. Some of the traders seemed to sense that today. By the time trading in New York had ended, the price of crude oil had tumbled well below \$22 a barrel.
(NBC-3, ABC-2)

SOVIET REACTION TO PERSIAN GULF ACTIVITIES

Jennings: Soviet leader Mikhail Gorbachev sent President Reagan a letter today. He criticizes the American build-up in the Gulf but he also says he is ready for talks for the U.S. to try to end the war between Iran and Iraq.
(ABC-3)

IRAN-CONTRA HEARING/POINDEXTER

Brokaw: Admiral John Poindexter ended his testimony today just where he began: the committee pressed for details on the Iran-contra affair and the admiral insisted that he could not remember many of those details. After five frustrating days with Poindexter, the committee had all but despaired of getting to the bottom of the Iran-contra muddle.

NBC's John Dancy: Adm. Poindexter concluded his testimony still contending that he had every right to help the contras by diverting money from the Iran arms sales to them. But after five days at the witness table, Poindexter's temper was getting frayed. At one point he was being questioned about his aide: Oliver North's request to the CIA, and others, to help the contras.

(Rep. Boland: "Let me ask you whether or not you believe that it was lawful for Colonel North to make those requests and issue those instructions to people who were clearly covered by the Boland amendment?"

Poindexter: "Mr. Boland, the decision as to what's lawful and unlawful is not the function of this committee. It will be determined by the courts, by the independent counsel and I'm not going to sit here and debate you on that particular issue.")

Even Poindexter's attorney, Richard Beckler, got into the act when Maryland Senator Paul Sarbanes claimed Beckler was coaching Poindexter.

(Beckler: "I have not coached my witness! And I'm not going to tolerate that kind of accusation, Senator Sarbanes!"

Sen. Sarbanes: "Counsel! Counsel!"

Beckler: "...I have prepared my witness for testimony. He has testified for nine days. I have not coached him. I repeat it!")

Adm. Poindexter again found himself under attack from Georgia's Sam Nunn for a faulty memory. Nunn focused on Poindexter's inability to recall details of a meeting with CIA Director Casey and Oliver North, a meeting which some members privately theorize was aimed at getting their stories straight.

(Poindexter: "As I testified yesterday about the only thing I can recall was Director Casey giving me a debrief of his meeting with the two intelligence committees the previous day and going over the questions that had been raised."

Dancy continues:

Sen. Nunn: "You don't recall anything else?"

Poindexter: "The only thing that I can be positive of is that there was no discussion of the transfer of funds to the contras."

Some of the sharpest criticism of Poindexter on this last day came from Republican Michael DeWine of Ohio, a Reagan loyalist. He said Poindexter undercut the President by not telling him about the diversion.

(Rep. DeWine: "I think in essence you took the key player -- the best player -- out of the game. You put yourself between Ronald Reagan and the American people. And I think in essence, that hurt the President and I think it also hurt the American people.")

That was a theme echoed by House Committee Chairman Lee Hamilton of Indiana, who told Poindexter:

(Rep. Hamilton: "You wanted to deflect blame from the President, but that is another way of saying you wanted to deflect responsibility from the President. And that should not be done in our system of government. Because he lacked information, the President inflicted serious and repeated political wounds upon himself. If the President did not know what you did, he should have known.")

Even after Poindexter's long stint before the committee was completed, some members were unsatisfied. Sen. Dan Inouye said it will be necessary to close the investigation with a few holes. The jigsaw puzzle, he said, will not be completed.

Brokaw: Also at the Capitol is Warren Rudman.... Senator...will you ever get to the bottom of this puzzle?

(Sen. Rudman: "I think by and large we will. There will always be conflicts in testimony. Quite frankly...I thought that Adm. Poindexter's testimony was candid but astonishing. Many of the things he said, frankly, no one on the committee really buys or understands, but that's his testimony and I guess we'll have to live with it.")

But we have this enormously popular President for whom he was working, Ronald Reagan, who will have to stand the test of history, and yet this appears to be a severe indictment of the Ronald Reagan presidency. Wouldn't you agree, as a Republican?

(Sen. Rudman: "I would say as a Republican that anytime you have an Administration with people as well-meaning as John Poindexter, as well-meaning as Oliver North, are working in the National Security Council and carrying out policies which they think are insignificant details, but are really extraordinarily politically significant, and they carry them out without supervision of the President, certainly does not speak well of the supervision of the President's entire staff. And I think that is what you have to say.") (NBC-4)

ABC's Brit Hume: After four days on the hot seat a weary Poindexter was suppose to be freed this morning. Actresses Morgan Fairchild and Shelley Duvall were in the audience, perhaps to see if the committee could finish on time. But they didn't stay and the committee didn't finish.... In calmer moments Poindexter implied criticism of secretaries Shultz and Weinberger in answers about their opposition to the Iran arms sales.

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Hume continues:

(Rep. McCollum: "Did they offer any alternatives to the President about how he might do it other than this Iranian play that you were engaged in?"

Poindexter: "They did not.")

...Frustration at Poindexter's vagueness at what some considered key details was evident today. Senate Chairman Inouye in particular seemed disappointed that the contra fund trial apparently would end with Poindexter.

(Inouye: "Do you have any clarification you would like to make or can you tell us whether information is being withheld from us today or during the past week?"

Poindexter: "Mr. Chairman, absolutely not. What I have testified, as I swore at the beginning of these hearings, is the absolute truth and the whole truth.")

At the Justice Dept. today Assistant Attorney General William Bradford Reynolds again denied Oliver North's testimony that he, North, had shredded documents while Reynolds and another Justice Dept. official were reviewing papers in North's office last Nov. Their denial was supported by a deposition from North's deputy Robert Earl in which he said North had shredded documents that day, but in another nearby office. Finally, late today, Poindexter's ordeal ended with another stern closing lecture by House Committee Chairman Lee Hamilton....

(Poindexter: "I leave this hearing with my head held high that I have done my very best to promote long-term national security interests of the U.S.")

At last it was over and Poindexter's relief and that of his wife seemed almost joyful as they prepared to leave the room. The committees will take tomorrow off and resume with testimony from Secretary of State Shultz on Thursday. He will be followed by Attorney General Meese and finally by Defense Secretary Weinberger....

Jennings: A short while ago, I talked with Sen. Mitchell. Senator do you believe you've heard the whole story from Adm. Poindexter?

(Mitchell: "It's very difficult to accept the whole of his story. I view some of it with skepticism and we'll have to wait to get the complete record and have a chance to analyze it and think it through.")

He was reknowned in the Navy for his memory. Do you think it has been selective as some suggest?

(Mitchell: "I've heard a lot of witnesses testify. I don't think I've ever heard one say 'I don't recall,' quite as often.")

There has been enormous emphasis on what the President knew. Do you think that your two committees have lost their original focus?

(Mitchell: "In part, yes. I believe the White House has very skillfully politically portrayed that as the only question.... I think there is much more to that -- the broader policy and legal issues are of enormous significance.") (ABC-4)

ABC's Jerry King reports on the commercialization of the Iran-contra hearings. (ABC-5)

CBS's Phil Jones: After five days of repeated drilling of Adm. John Poindexter and Poindexter's inability to recall several crucial events, Poindexter's lawyer exploded today when one member suggested that the rear admiral had been coached in his testimony.... On his last day in the hot seat, Poindexter turned up the heat on the next witness, Secretary of State Shultz, who chose not to fight the Iranian arms sales even though he was opposed to the policy.... Throughout his testimony, Poindexter has maintained that he never discussed the contra diversion with CIA Director William Casey. Today some questioners were clearly having trouble accepting the admiral's claim that this never came up during a private luncheon he had with Casey last Nov. as the scandal was erupting.

(Poindexter: "The only thing that I can be positive of is that there was no discussion of the transfer of funds to the contras.")

Nunn: "Why don't you tell us of what you're not quite positive of but think that you recall?"

Poindexter: "I've told you that."

Nunn: "That's all you can recall?"

Poindexter: "That's all I can recall."

Nunn: "You didn't talk about the destruction of documents?"

Poindexter: "No. I do not recall that."

Nunn: "Would you remember that now if you had?"

Poindexter: "No -- I'm sure."

Nunn: "This was an enormously important meeting with you and Director Casey and yet you seem to not recall anything about it except that you had sandwiches.")

Many members have accepted Poindexter's claim that he did not tell the President about the diversion. But his unrelenting attitude on secrecy had a profound impact on all members.... With an embrace from his wife, Poindexter departed to await his next problem -- the independent counsel who has targeted him for possible criminal wrongdoing. (CBS-2)

EARL DEPOSITION/NORTH

Brokaw: No matter the twist and turns of the Iran-contra inquiry, the spotlight inevitably shifts back to Oliver North. Today, North's testimony was contradicted on a key point by his assistant in the White House, Lt. Col. Robert Earl. North said he had shredded documents...in the presence of Justice Department investigators. But Earl insisted, in a deposition released today, that North shredded the documents while investigators were at lunch. (NBC-5)

TRADE BILL

Jennings: The Senate has passed a trade bill that calls for penalties against countries that restrict the import of American goods. The bill also would help American workers who lose their jobs due to imports. The bill must still be reconciled with another measure in the House and President Reagan has threatened a veto if the eventual product, in his view, is too protectionist. (ABC-9, CBS-4)

ECONOMY/GREENSPAN

CBS's Dan Rather: Questions in Congress centered on the man President Reagan wants to become head of this nation's central bank -- the new "Mr. Interest Rates" among other things.

CBS's Ray Brady: Even as Paul Volcker, the outgoing chairman of the Federal Reserve Board, was telling Congress there are problems and risks in the economy, his probable successor was telling the Senate Banking Committee why he's the right man for the job.

(Greenspan: "At the moment there are no evidences yet of a recession.")

Greenspan has his work cut for out for him because the economy is like a giant set of dominoes and the biggest dominoes right now are the twin deficits. Federal spending, which has soared over the past five years, and along with it the big jump in the trade deficit.... Another domino -- a weak dollar -- means Americans have to spend more to buy foreign cars and other imported goods. That could increase inflation.... The way to stop that: slow the economy by raising interest rates and pushing down prices. But that could bring on a recession and critics wonder if Greenspan would have the courage to risk it.... Greenspan said today he would resist political pressure.

(Greenspan: "I really don't anticipate types of pressures you're suggesting in the form that you're suggesting, but, obviously, should they occur, I would feel it absolutely essential that they be resisted.")

Despite the critics, the belief is that Alan Greenspan will have an easy time getting confirmed. The hard part will begin once he starts the job. (CBS-5)

BORK/COMMENTARY

NBC's John Chancellor: If Justice Blackmun's treatment for cancer hadn't gone as well it did this week, he might have resigned and President Reagan would have had another chance to put someone on the court. But as things look tonight, Justice Blackmun is likely to serve through the remainder of Mr. Reagan's term. Yet Blackmun's health points up again the fragility of the liberal and moderate positions on the court.... The conservatives can look forward to many years on the court while the liberals are going to have to leave soon. If President Reagan's nominee Robert Bork is confirmed this year, that would give the conservatives a majority, but not in every case. Justice Sandra Day O'Connor has occasionally voted with the liberals and even with Bork, the court would not be conservative in all of its rulings. No, the real future of the court will be determined by the next election. Justice Brennan will be 82 when the next president takes the oath; Thurgood Marshall will be 80. These two liberal seats are likely to be vacated during the next president's term. The same applies to Blackmun's moderate seat. Which means if a conservative -- of either party -- is elected in 1988, the court could end up with seven or even eight conservatives, an invincible majority, and that would change the nature of the court until the next century. The arguments about Robert Bork's nomination are important, but what is more important is who gets elected next year. (NBC-9)

-End of B-Section-

EDITORIALS/COLUMNISTS

IRAN-CONTRA HEARINGS

Too Soon To Beg For Their Pardons -- "Some of their more ardent fans -- most notably former White House aide Pat Buchanan and Republic Sen. Orrin Hatch of Utah -- have already begun calling publicly for pre-emptive presidential pardons for Rear Adm. John Poindexter and Lt. Col. Oliver North. They are being premature, and they are at this point doing no one a favor -- not Adm. Poindexter and Lt. Col. North, not President Reagan, and most assuredly not the American public and its right to know what's going on.... It would also be unseemly for the President who asked for the special counsel investigation to pre-empt its findings. The Reagan White House cannot have forgotten the political consequences of President Ford's pre-emptive pardon of Richard Nixon.... The idea of granting pardon is, for now at least, one of those ideas whose time has not yet come."
(Chicago Tribune, 7/21)

Is A Pardon In The Works? -- "Mr. Reagan should not be allowed to spring a pardon on the country along the pattern of President Ford's pardon of President Nixon after Watergate. This is a matter that deserves prior airing and a national debate on the pros and cons of such an action.... If there is to be a pardon, we would hope it comes after Mr. Walsh complete his investigation and after a subsequent trial (if there is one). By then the judicial process will have run its course only so far as the historical record is concerned."
(Baltimore Sun, 7/21)

Don't Even Think Of Pardons Now -- "Count on Patrick Buchanan, the former White House aide, and other overeager supporters of Rear Adm. John Poindexter and Lt. Col. Oliver North, to reinvent a discredited tool of justice -- the pre-emptive presidential pardon.... A pre-emptive presidential pardon would presume people to be guilty who haven't even been charged, damage President Reagan's credibility irreparably and break faith with the democratic system of accountability.... Ronald Reagan does not fear retribution at the polls. But an unjust pardon -- whenever issued, but especially now -- could doom whatever hopes he has of reviving his diminished influence and credibility. It would create the impression of rewarding Adm. Poindexter and Col. North for taking the rap on the diversion of funds in testimony aimed at stopping the buck just outside the Oval Office."
(New York Times, 7/21)

Smoking Cap Gun -- "Poindexter's smoking gun, as it turned out, was nothing but a smoking cap pistol. This disclosure is relieving on one hand, and problematic on the other. The good news is that Reagan apparently did not lie to the American people about his ignorance of the diversion.... Poindexter said he guessed the President would have approved the diversion had he known. The White House denies it. Either way, it is disturbing that subordinates were guessing at his opinions, and going forward with wild schemes without informing him.... Indeed, the Iran-contra operation failed because it was a bad idea, performed badly. Here Reagan holds profound responsibility."
(Shreveport Journal, 7/17)

IRAN-CONTRA HEARINGS (continued)

Mr. Reagan And The Impact Of The Iran-Contra Hearings -- "Rear Adm. John Poindexter's disclosure that he gave President Reagan deniability on the diversion project does take much of the wind out of the sail of the congressional hearings. The intense scrutiny continues; but the spotlight inevitably fades as Congress accomplishes its chief objective: finding out whether or not the President knew. But the major question remains: Has Ronald Reagan and his presidency been able to go through this immense challenge and still govern effectively? Obviously, Mr. Reagan is doing his utmost to recoup. We must wait and see what he can do. But it seems unlikely that, at best, he will ever be able to regain the clout that was his before this all began."

(Godfrey Sperling Jr., Christian Science Monitor, 7/21)

The Real Issue In Hearings -- "'Irrangate,' 'the Iran-contra scandal,' 'the threat to the Reagan Presidency' -- to borrow the cheerful characterizations of President Reagan's critics -- has fizzled like damp firecrackers.... 'Irrangate' is one of the silliest, yet most debilitating, episodes in presidential history -- magnified out of all proportion to its importance. What to do about it? Get it over with for one thing. For another, aid the contras, so they can kick the Sandinistas in the pants and maybe at last bring democracy to Nicaragua. Which, I believe, was the things North, Poindexter & Co. were trying to accomplish before our opinion leaders started telling us what rascals were working in the White House, and how we citizens ought to go after them with a rope."

(William Murchison, Dallas Morning News, 7/18)

Poindexter's Double-Edged Testimony -- "In Ronald Reagan's White House, unlike Harry Truman's the buck stopped in the basement, not at the President's desk.... Poindexter's testimony should dispel any notion that the President is guilty of violating the Boland amendment that prohibited U.S. aid to the contras during much of 1985 and 1986. At the same time, Poindexter's admission that he, not the president of the U.S., was making foreign policy decisions, is an indictment of Reagan's management style.... Presidential memory lapses and inadequate supervision of subordinates are not grounds for forcing Reagan out of office. But they raise serious questions about his management style and leadership ability that will weaken his Administration throughout its final 18 months, to the detriment of Reagan, the presidency and the country." (San Diego Tribune, 7/17)

Poindexter's Role -- "All the expensive hearings and pompous posturing of congressional second-guessers have done little more than confirm that Mr. Reagan was telling the truth when he said he didn't know about the diversion of funds. And that, members of Congress have said all along, is the key question.... Members of Congress may not like what Poindexter said. It gives them very little opening for the attack on Mr. Reagan that they clearly hoped to mount. And it takes much of the sting out of their criticism of Oliver North. But they should have known it was coming. It was, after all, what the President has been saying all along."

(Birmingham News, 7/17)

FOREIGN MEDIA REACTION

CEASE-FIRE RESOLUTION/PERSIAN GULF

"There is no doubt that yesterday's Security Council resolution is in large part a creation of U.S. diplomacy. Washington has felt the need to redefine its policy because of the immense damage done to its credibility in the Middle East by the controversial arms sales to Iran."

(Financial Times, Britain)

"Seven years of the Iran-Iraq war permitted the USSR to discretely return to the area. The Emirates have just opened an embassy in Moscow.... Ironically enough, the Kremlin must be grateful to the mullahs."

(Figaro, France)

"The U.N. resolution only makes sense and will only be successful if it also includes the threat of tough sanctions. It is a small sign of hope that the two superpowers agree on this now."

(Frankfurter Rundschau, West Germany)

"There is a faint hope that...Tehran's brusque 'no' can be turned into an acceptance of the truce.... Such a hope, however, is very slim, hampered...by the inauguration today of the U.S. escort plan."

(Enrico Franceschini, La Repubblica, Italy)

"The big political victory (the U.N. resolution) scored by Reagan with Irangate in full swing does not guarantee that the Persian Gulf crisis will not blow up. In six years, the U.N. Security Council has adopted, in vain, seven peace resolutions for the Gulf. This time, the escort project for Kuwaiti ships makes everything more difficult."

(Ennio Caretto, La Stampa, Italy)

"Of special significance is the part of the resolution containing an appeal of the Security Council to other states. It is clear to anyone who should, above all, display maximum restraint. It is common knowledge that concentration of outside armed forces in the Persian Gulf area is going on. Such actions are motivated, above all, by a desire of some people to use the present disturbing situation in the Gulf zone to achieve realization of long-coveted plans of obtaining new military strongholds for aviation and navy."

(Tass, Soviet Union)

"...The passage of the resolution is an important turning point in the history of the Gulf.... Now it is up to Iran to heed the Security Council's call to stop the war and thus prove to the world that it wants a fresh start to resume playing a useful role in the international community."

(Jordan Times, Jordan)

"The golden opportunity presented by the...resolution should...give the Arabs a chance...to take a unified stand for halting this dangerous conflict."

(al-Watan, Kuwait)

"Washington is now working on imposing an end to the Iraq-Iran war through the Security Council to serve its own interest and not to put an end to the bloodshed in the Gulf."

(Jomhuriy Islam, Iran)

-End of News Summary-