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TEXT

(COHEN); OSD ISA FOR ILN; FOR NEA; OASD/PA (SIMS);
WHITE HOUSE FOR NSC/WEUROPE; USCINCEUR FOR PAO; NATO
FOR USIS; GENEVA FOR USIS AND PLS PASS ACDA FOR TERRY
SHROEDER; ROME FOR USIS/DILLEN/BAROLI; PARIS FOR PRS,
USUNESCO OBSERVER MISSION, AND OECD; USDEL CSCE/PAA
JOHN WILLIAMS; CINCUSNAVEUR FOR PUBLIC AFFAIRS; RAF

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MILDENHALL FOR BRUS; MUNICH FOR VOA EUROPE; SHAPE FOR PUBLIC AFFAIRS; VIENNA PASS USDEL CSCE.

E.O. 12356:N/A

SUBJECT: MEDIA REACTION REPORT, MAY 15, 1987

KEY STORIES: ONCE AGAIN THE PAPERS ARE DELUGED WITH ARTICLES ABOUT THE FORTHCOMING GENERAL ELECTION. HOWEVER, OTHER KEY STORIES INCLUDES NEWS THAT FOREIGN MINISTER, SHIMON PERES, TODAY BEGINS TALKS IN WASHINGTON ABOUT THE CHANCES FOR CONVENING AN INTERNATIONAL CONFERENCE ON MIDDLE EAST PEACE. IT WAS REPORTED THAT **KLAUS BARBIE'S** RECENT ACTIVITIES AS INTELLIGENCE COLONEL IN THE BOLIVIAN ARMY AND AS A SECRET AGENT PROTECTED BY THE AMERICANS IN POST-WAR WEST GERMANY WERE REVEALED IN THE ASSIZE COURT YESTERDAY. THE U.K. IS REPORTED TO BE STEPPING UP ITS CO-OPERATION WITH THE UNITED STATES TO STOP BRITISH DEPENDENCIES IN THE CARIBBEAN BEING USED FOR THE MOVEMENT OF ILLEGAL DRUGS AND THE PROFITS FROM THEM. THE FIRST DIRECT MESSAGE FROM ANY OF THE WESTERN HOSTAGES IN BEIRUT FOR MORE THAN A MONTH CAME YESTEDAY IN A VIDEO TAPE OF ONE OF THE FOUR AMERICAN TEACHERS BEING HELD THERE. FINALLY, THERE WAS A REPORT THAT MORE THAN 6,900 NORTH AMERICANS INVADDED THE CARIBBEAN PORT OF HONDURAS - FORTUNATELY - ONLY A MOCK BATTLE INTENDED TO PREPARE AMERICAN FORCES FOR A POSSIBLE ATTACK BY NICARAGUA.

BROADCAST MEDIA: EARLY MORNING TELEVISION AND RADIO LED WITH THE TWO LATEST OPINION POLLS WHICH PUT THE CONSERVATIVES IN A COMMANDING LEAD. IT WAS ALSO REPORTED THAT TWO BRITISH TELEVISION JOURNALISTS WERE GIVEN 10 DAYS TO GET OUT OF SOUTH AFRICA LAST NIGHT. MICHAEL BUERK OF THE BBC AND PETER SHARP OF ITN WERE TOLD BY OFFICIALS THAT THEIR COVERAGE OF POLITICAL UNREST BROKE CENSORSHIP REGULATIONS. IT WAS ALSO REPORTED THAT MRS. THATCHER WILL MAKE HER FIRST CAMPAIGN SPEECH TODAY, TO CONSERVATIVE SUPPORTERS IN PERTH, SCOTLAND. THE BBC'S MORNING TELEVISION PROGRAM SAID IT WOULD BE VERY MUCH 'SPEAKING TO THE CONVERTED' BUT NEVERTHELESS CONCEDED THAT IT WOULD BE AN OPPORTUNITY FOR MRS. THATCHER TO IMPROVE HER POPULARITY RATINGS IN A LABOR-FAVORED AREA.

ELECTION POLLS: EIGHTY-ONE PER CENT OF VOTERS BELIEVE MRS. THATCHER WILL WIN THE GENERAL ELECTION, A DAILY EXPRESS MARPLAN POLL REVEALS TODAY. THE SURVEY SHOWS THE TORIES 11 PER CENT AHEAD OF LABOR, WITH THE ALLIANCE IN THIRD PLACE. THE POLL, THE FIRST TO BE CONDUCTED SINCE MRS. THATCHER ANNOUNCED THE DATE OF THE ELECTION, SHOWS THE TORIES ON 41%, LABOR ON 30% AND THE ALLIANCE 26%. A SECOND POLL TODAY SHOWS MRS. THATCHER OF COURSE TO KEEP HER 140-SEAT MAJORITY INM THE COMMONS. THE MORI POLL FOR THE TIMES SHOWS THE TORIES STRONGLY AHEAD IN 73 KEY MARGINAL SEATS. IT IS INTERESTING TO NOTE THAT ALL THE PARTIES STAND ALMOST

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EXACTLY WHERE THEY DID IN 1983. THE POLL REVEALED THAT THE VOTING SUPPORT WAS TORIES 41%, LABOR 33% AND ALLIANCE 24%. IF THIS VOTE WAS REPEATED ON JUNE 11, MRS. THATCHER WOULD BE RETURNED TO POWER WITH A UNCLAS SECTION 02 OF 06 LONDON 10239

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MAJORITY OF 140.

A) TODAY'S MAJOR STORIES:

1. IRANGATE
2. ARMS CONTROL
3. ECONOMY

B) SUMMARY OF COVERAGE:

1. IRANGATE: AT THE END OF BUD MCFARLANE'S HEARINGS YESTERDAY IT APPEARS BAD LIGHT IS CAST ON THE WHITE HOUSE.

2. ARMS CONTROL: FOR THE FIRST TIME, BRITAIN ACKNOWLEDGED PUBLICLY YESTERDAY IT CAN ACCEPT MR. GORBACHEV'S PROPOSAL FOR THE 'DOUBLE ZERO' ELIMINATION FROM EUROPE OF AMERICAN AND SOVIET MEDIUM AND SHORTER-RANGE MISSILES.

3. ECONOMY: WHILE THE U.S. TRADE GAP NARROWS, THE DOMESTIC BUDGET DEFICIT WAS GIVEN A MORE GLOOMY FORECAST BY THE WHITE HOUSE OFFICE OF MANAGEMENT.

C) HEADLINES:

1. IRANGATE:

"MCFARLANE TELLS OF CALLS FROM REAGAN" (TIMES)

"BRITISH IRANGATE PUZZLE" (GUARDIAN)

"BIG MAC QUILTS IRANGATE HEARING AHEAD ON SYMPATHY POINTS" (GUARDIAN)

"DANGER FROM THE PATRIOTS WHO WENT BEYOND" (FINANCIAL

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TIMES)

"MCFARLANE DENIES DEFYING CONGRESS ON CONTRA FUNDS"
(THE INDEPENDENT)

"WHO HELPED OLIVER NORTH?" (THE SPECTATOR)

"THE SQUEEZE ON THE CONTRAS" (NEW STATESMAN)

2. ARMS CONTROL:

"BRITAIN CLOSER TO MISSILE DEAL" (TIMES)

"THATCHER BACKS RUSSIA'S DOUBLE ZERO OPTION" (GUARDIAN)

"EUROPE FIGHTS TO STAY NUCLEAR" (GUARDIAN)

"BRITAIN PREPARED TO ACCEPT GORBACHEV'S 'DOUBLE ZERO
OPTION'" (FINANCIAL TIMES)

3. ECONOMY:

"U.S. TRADE GAP NARROWS" (TIMES)

"YEUTTER OPTIMISTIC ON WORLD FARM TRADE REFORM"
(FINANCIAL TIMES)

"FOLLOWING AMERICA ON DOWN" (NEW STATESMAN)

D) TEXT:

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E.O. 12356:N/A

SUBJECT: MEDIA REACTION REPORT, MAY 15, 1987

1. IRANGATE:

THE CONSERVATIVE TIMES WASHINGTON CORRESPONDENT MICHAEL
BINYON REPORTED: "MR. ROBERT MCFARLANE DISCLOSED DURING
QUESTIONING AT THE JOINT CONGRESSIONAL HEARINGS ON THE
IRAN-CONTRA AFFAIR YESTERDAY THAT PRESIDENT REAGAN HAD
TWICE TELEPHONED HIM IN RECENT WEEKS.

"THE FIRST CALL WAS TO ENCOURAGE HIM AFTER HIS
ADMISSION AT AN EARLIER HEARING THAT HE HAD ERRED AND
FELT RESPONSIBLE. TWO NIGHTS AGO HE TOLD HIM, AFTER
WATCHING SOME OF THE HEARINGS ON TELEVISION, THAT THEY
HAD SHED MORE LIGHT ON THE SCANDAL THAN ALL PREVIOUS

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EFFORTS COMBINED.

"MR. MCFARLANE ALSO ACKNOWLEDGED THAT HE DID NOT HAVE THE GUTS TO TELL THE PRESIDENT THAT HIS CONTRA POLICY WAS AN INEFFECTIVE WAY TO FIGHT SOVIET INFLUENCE IN CENTRAL AMERICA..."

THE LIBERAL GUARDIAN WASHINGTON CORRESPONDENTS ALEX BRUMMER AND MICHAEL WHITE SAID: "CONGRESSIONAL INVESTIGATORS INTO THE IRAN CONTRA ARMS CONNECTION LAST NIGHT RELEASED A MEMORANDUM WHICH RAISED 'CURIOUS AND PUZZLING' LINKS BETWEEN A SENIOR ADMINISTRATION OFFICIAL AND A BRITISH FORMER SAS OFFICER TURNED SECURITY SERVICES EXPERT..."

"WHAT PUZZLED DIPLOMATS AND MILITARY ANALYSTS ALIKE LAST NIGHT WAS WHY MR. LEHMAN SHOULD HAVE BEEN INVOLVED, PERSONALLY OR PROFESSIONALLY..."

THE GUARDIAN CORRESPONDENTS ALSO REPORTED: "THE FORMER WHITE HOUSE NATIONAL SECURITY ADVISOR...ACHIEVED THE REMARKABLE FEAT OF AROUSING SYMPATHY AND RESPECT FROM HIS CONGRESSIONAL INTERROGATORS.

"AS SOON AS HE RESUMED TESTIMONY YESTERDAY, MR. MCFARLANE, WHO HAS DOGGEDLY TAKEN ALL AVAILABLE BLAME UPON HIS OWN MARINE COLONEL'S SHOULDERS, WAS POUNCED UPON TO CONFIRM OR DENY OVERNIGHT ALLEGATIONS - CLEARLY DESIGNED TO HELP PRESIDENT REAGAN AT HIS EXPENSE...PERSONALLY SOLICITED SAUDI DOLLARS FOR THE NICARAGUAN CONTRAS - NOT ONCE BUT TWICE..."

THE INDEPENDENT FINANCIAL TIMES WASHINGTON CORRESPONDENT LIONEL BARBER EXPLAINS THE 'BAD LIGHT CAST ON THE WHITE HOUSE BY IRAN-CONTRA REVELATIONS': "...WITHOUT QUESTION, WHAT MR. MCFARLANE HAS TOLD THE HOUSE-SENATE HEARING, IN MORE THAN 14 HOURS OF TESTIMONY, HAS BEEN BOTH ILLUMINATING TO THE GENERAL PUBLIC AND DAMAGING TO MR. REAGAN..."

"THE WHITE HOUSE, FORCED BY EMBARRASSING TESTIMONY TO ABANDON ITS EARLIER STANCE OF NOT COMMENTING ON THE HEARING, IS GETTING EDGY. THE PRESIDENT'S ACTIVE ROLE IN SUPPORT OF THE CONTRAS IS BEING GRADUALLY DRAWN OUT
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IN PUBLIC. WITH COL. NORTH AND VICE-ADMIRAL, JOHN POINDEXTER, MR. MCFARLANE'S SUCCESSOR AS NATIONAL SECURITY ADVISER, TO TESTIFY NEXT MONTH, THINGS CAN ONLY GET WORSE FOR THE PRESIDENT."

CENTRIST THE INDEPENDENT WASHINGTON CORRESPONDENT PETER PRINGLE REPORTED: "...WHILE THE COMMITTEE MEMBERS WERE UNANIMOUS IN PRAISING MR. MCFARLANE FOR HIS STATED WILLINGNESS TO LAY OUT THE WHOLE STORY, AND WHILE THEY ADMIRER HIM FOR TAKING THE RAP FOR THE MISTAKES HE HAD MADE, THEY WERE CLEARLY UNHAPPY WITH HIS OFTEN EVASIVE ANSWERS TO KEY QUESTIONS, AND UNWILLING TO ALLOW HIM TO ACCEPT FULL RESPONSIBILITY.

"THEY WANTED TO KNOW MORE ABOUT THE PRESIDENT'S ROLE. THEY RECOGNISED THE DILEMMA FACING THE FORMER COMBAT MARINE: AS A GOOD AND FAITHFUL OFFICER, MUCH AS HE WANTED TO TELL THE TRUTH, HE ALSO WANTED TO PROTECT HIS COMMANDER-IN-CHIEF, THE PRESIDENT OF THE UNITED STATES..."

THE SPECTATOR, AN INDEPENDENT POLITICAL WEEKLY COMMENTATOR AMBROSE EVANS-PRITCHARD REPORTED ON THE CONNIVANCE OF CONGRESS AT THE IRANGATE AFFAIR: "...AS LONG AS THE NIGHTLY TELEVISION NEWS NEGLECTS THE BROADER CONSTITUTIONAL SIDE OF THE AFFAIR AND INSTEAD TALKS CONSTANTLY OF 'CONSPIRACY' AND 'VIOLATIONS', EVEN WHERE NONE HAS NECESSARILY OCCURRED, THE EFFECT WILL BE ONE OF ATTRITION. THERE WILL IN ANY CASE BE ENOUGH SQUALID LITTLE DETAILS ALONG THE WAY...TO FEED THE PUBLIC SENSE THAT SOMETHING WENT BADLY WRONG.

"AND THE PRESIDENT HAS PAINTED HIMSELF INTO A CORNER. HE HAS SWORN THAT HE DID NOT KNOW ABOUT THE DIVERSION TO THE CONTRAS, NEEDLESSLY CONCEDED THE POINT THAT THERE WAS A DIVERSION RATHER THAN A PERFECTLY LEGAL DONATION, AND HAS LET IT BECOME A MAKE OR BREAK TEST OF HIS PRESIDENCY. IT IS A PREDICAMENT THAT CAN ONLY GET WORSE AS WE FIND OUT HOW MUCH HE REALLY ENCOURAGED HIS WHITE HOUSE STAFF TO FINESSE THE BOLAND AMENDMENT."

THE NEW STATESMAN, AN INDEPENDENT, LEFT-WING MAGAZINE CORRESPONDENT HUGH O'SHAUGHNESSY REPORTED: "...AS THE CONGRESSIONAL AND JUDICIAL INQUIRIES INTO THE SCANDAL OF U.S. POLICIES TOWARDS NICARAGUA WORK TOWARDS THEIR CLIMAX THIS SUMMER IN WASHINGTON, NICARAGUANS CAN CONSOLE THEMSELVES, IF THEY WANT, WITH THE KNOWLEDGE

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THAT, HOWEVER BAD THINGS ARE WITH THEM, THEY ARE GOING WORSE FOR THE CONTRAS. IN EVERY SPHERE, THE MILITARY, THE POLITICAL AND THE DIPLOMATIC, THE TIDE IS FLOWING AGAINST PRESIDENT REAGAN'S PROTEGES. WHEN THE TIME COMES IN THE AUTUMN FOR THE U.S. CONGRESS TO DECIDE THEIR FATE IT LOOKS INCREASINGLY LIKELY THAT THEY WILL BE CUT ADRIFT AS GENERAL THIEU, THE SHAH OF IRAN AND FERDINAND MARCOS, THEIR POLITICAL PREDECESSORS, WERE CUT ADRIFT..."

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2. ARMS CONTROL:

THE CONSERVATIVE TIMES CORRESPONDENT NICHOLAS BEESTON REPORTED: "BRITAIN IS PREPARED TO ACCEPT A 'ZERO-ZERO' AGREEMENT BETWEEN THE UNITED STATES AND THE SOVIET UNION ON SHORTER-RANGE MISSILES, PROVIDED THE CONDITIONS ADEQUATELY SAFE-GUARD WESTERN SECURITY..."

"THE MOVE WAS INTERPRETED AS AN IMPORTANT POLITICAL STEP BY THE GOVERNMENT IN THE RUN UP TO THE GENERAL ELECTION. BRITAIN IS THE FIRST MAJOR WESTERN EUROPEAN POWER TO ACCEPT CONDITIONALLY THE ZERO-ZERO PROPOSAL FOR SHORTER-RANGE MISSILES..."

THE LIBERAL GUARDIAN DIPLOMATIC CORRESPONDENT HELLA PICK REPORTED: "MRS, THATCHER, CLEARING THE DECKS FOR BATTLE WITH OPPOSITION PARTIES ON DEFENSE AND ARMS CONTROL ISSUES, HAS OPTED FOR THE 'DOUBLE-ZERO' SOLUTION..."

"MRS. THATCHER WAS AWARE THAT PRESIDENT REAGAN, EMBROILED IN THE IRANGATE HEARINGS, WANTED TO CONCLUDE AN INTERMEDIATE NUCLEAR FORCES AGREEMENT IN TIME TO HOLD A SUMMIT WITH MR. GORBACHEV LATER THIS YEAR. SHE ALSO HAD PRESSING DOMESTIC REASONS FOR PREFERRING THE DOUBLE-ZERO OPTION OVER DEPLOYMENT OF SOME

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SHORTER-RANGE NUCLEAR WEAPONS..."

THE GUARDIAN'S DEFENSE CORRESPONDENT DAVID FAIRHALL IN STAVANGER REPORTED: "NATO'S MILITARY AUTHORITIES YESTERDAY MOUNTED A DETERMINED REARGUARD ACTION TO PREVENT A REAGAN-GORBACHEV ARMS-CONTROL DEAL LEADING TO THE PROGRESSIVE DENUCLEARISATION OF EUROPE..."

"U.S. GENERAL BERNARD ROGERS, ARGUED THE NEED FOR A COMPENSATING PACKAGE OF NEW WEAPONS, COMMAND CHANGES, AND REDEPLOYMENTS, TO BOLSTER NATO'S DETERRENT STRATEGY, IF THE SO-CALLED 'DOUBLE ZERO' OPTION IS EVENTUALLY ACCEPTED IN THE U.S.-SOVIET ARMS CONTROL TALKS.

"IN CERTAIN PERMUTATIONS THIS COULD, AT LEAST THEORETICALLY, MEAN THAT MORE, NOT FEWER, NUCLEAR WEAPONS ARE AVAILABLE TO EUROPEAN COMMANDERS, THOUGH WITH A NEW EMPHASIS ON CRUISE MISSILES RATHER THAN BALLISTIC ONES..."

THE INDEPENDENT FINANCIAL TIMES DIPLOMATIC CORRESPONDENT ROBERT MAUTHNER AND DEFENSE CORRESPONDENT DAVID BUCHAN REPORTED: "...MEANWHILE, MR. GEORGE YOUNGER, THE DEFENSE SECRETARY, SAID YESTERDAY BRITAIN MIGHT OFFER ITSELF AS A BASE FOR SUBMARINE-LAUNCHED U.S. CRUISE MISSILES AND MORE U.S. NUCLEAR ARMED AIRCRAFT TO HELP TO COMPENSATE NATO FOR LOSING MEDIUM-RANGE, GROUND-BASED MISSILES IN AN ARMS CONTROL UNCLAS SECTION 06 OF 06 LONDON 10239

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DEAL WITH MOSCOW...HOWEVER, MR. YOUNGER SAID THAT SUCH COMPENSATORY REINFORCEMENT COULD ONLY BE DECIDED AFTER THE SUPERPOWERS HAD AGREED A DEAL ON MEDIUM AND SHORTER-RANGE MISSILES IN EUROPE...."

3. ECONOMY:

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THE CONSERVATIVE TIMES WASHINGTON CORRESPONDENT BAILEY MORRIS REPORTED: "THE UNITED STATES MERCHANDISE TRADE DEFICIT NARROWED TO \$13.6 BILLION LAST MONTH, BOLSTERED BY A SURGE IN EXPORTS WHICH ROSE TO A NEAR-RECORD LEVEL, ALTHOUGH THE PERFORMANCE WAS BELOW MARKET EXPECTATIONS..."

ADMINISTRATION OFFICIALS SAID THEY WERE HEARTENED BY THE STRONG EXPORT PERFORMANCE WHICH PROVIDED EVIDENCE THAT THE RECORD TRADE DEFICIT WAS AT LAST TURNING AROUND...

"ADMINISTRATION OFFICIALS RECEIVED BAD ECONOMIC NEWS ON ANOTHER FRONT, HOWEVER, WHEN THE OFFICE OF MANAGEMENT AND BUDGET REVISED UPWARD ITS BUDGET DEFICIT PROJECTIONS FOR THE 1988 FISCAL YEAR WHICH BEGINS IN OCTOBER..."

THE INDEPENDENT FINANCIAL TIMES CORRESPONDENT IN GENEVA WILLIAM DULLFORCE SAID: 'THE MINISTERIAL TALKS AT THE OECD HAVE GIVEN AN 'EXCELLENT MOMENTUM' TOWARDS REFORM OF WORLD AGRICULTURAL TRADE, MR. CLAYTON YEUTTER SAID IN GENEVA YESTERDAY. HE HOPED THAT FURTHER MOMENTUM WOULD BE ADDED AT THE VENICE SUMMIT ON JUNE 8-10...

"IN A SANGUINE SUMMING-UP OF THE OECD MEETING, MR. YEUTTER WAS ALSO 'CAUTIOUSLY OPTIMISTIC' THAT 'CONSTRUCTIVE' U.S. TRADE LEGISLATION WOULD EMERGE FROM THE CONSULTATIONS BETWEEN THE REAGAN ADMINISTRATION, THE HOUSE AND THE SENATE WHICH WILL PEAK IN MID-JULY. TO REASSURE GATT DELEGATES CONCERNED ABOUT THE DIRECTION OF U.S. TRADE POLICY, MR. YEUTTER INSISTED THAT PRESIDENT REAGAN WOULD NOT COMPROMISE ON HIS FREE TRADE PRINCIPLES..."

THE NEW STATESMAN, THE INDEPENDENT, LEFT-WING MAGAZINE REPORTED: "THE UNITED STATES IS IN ECONOMIC CRISIS: IT WILL BE OURS IN THE 1990S. YEARS OF LOW INVESTMENT IN NEW MACHINERY, LOW PRODUCTIVITY GROWTH, POOR EXPORT PERFORMANCE AND RISING IMPORT PENETRATION HAVE COME TO A HEAD IN 1987. THE WEAKNESS OF THE U.S. ECONOMY IS NOW TRANSPARENT. IT IS THIS WEAKNESS WHICH THREATENS TO PLUNGE THE WORLD INTO ECONOMIC RECESSION..."KORENGOLD

ADMIN
END OF MESSAGE

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