

UNCLASSIFIED

FM WASHINGTON

TO PRIORITY FCO

TELNO 3026

OF 282330Z NOVEMBER 86

INFO ROUTINE UKDEL NATO, UKREP BRUSSELS, UKMIS NEW YORK, PARIS
INFO ROUTINE BONN, ROME, MOSCOW, TOKYO, TEL AVIV

MY TELNO 3009: NSC/IRAN/NICARAGUA

SUMMARY

1. WITH POWDEXTER GONE, THE PRESS ARE NOW GUNNING FOR REGAN AND CASEY. THE POLLS SHOW THE PRESIDENT'S STANDING SLIPPING FURTHER.

DETAILS

2. MEDIA INTEREST CONTINUED UNABATED ON 27 AND 28 NOVEMBER DESPITE THE THANKSGIVING HOLIDAY, WHICH TOOK THE PRESIDENT TO CALIFORNIA AND CONGRESSIONAL LEADERS BACK TO THEIR DISTRICTS.

3. THE PRINCIPAL MEDIA QUEST IS FOR EVIDENCE THAT OTHER ADMINISTRATION FIGURES, IN ADDITION TO POWDEXTER AND NORTH, KNEW OF THE IRAN/NICARAGUA OPERATION. THE SPOTLIGHT IS NOW ON REGAN AND CASEY. UNIDENTIFIED WHITE HOUSE SOURCES ARE QUOTED AS ALLEGING THAT NORTH HAD BRIEFED REGAN ON THE CLANDESTINE CONTRA-FINANCING OPERATION. REGAN HAS DENIED THIS CATEGORICALLY, BUT THE PRESS RECALL EARLIER REGAN PRONOUNCEMENTS, EG QUOTE # BECOME ONE OF THE FEW WHO KNOW THE FULL STORY UNQUOTE (16 NOVEMBER).

4. THERE ARE THREE CIA-RELATED STORIES.

5. FIRST, ATTORNEY-GENERAL MEESE'S ASSERTION ON 25 NOVEMBER THAT CASEY WAS NOT AWARE OF THE CONTRA FUNDING OPERATION IS NOW BEING QUESTIONED. POWDEXTER IS REPORTED TO HAVE SAID PRIVATELY THAT CASEY WAS QUOTE HEAVILY INVOLVED UNQUOTE IN THE IRANIAN OPERATION AND CASEY HIMSELF HAS ACKNOWLEDGED THAT HE WAS AWARE OF QUOTE GOSSIP UNQUOTE ABOUT THE SECRET TRANSFER OF FUNDS TO THE CONTRAS.

6. SECOND, CASEY'S EVIDENCE TO CONGRESS LAST WEEK IS NOW SAID TO HAVE INCLUDED AN ADMISSION THAT THE CIA SET UP A SWISS BANK ACCOUNT FOR IRANIAN PAYMENTS FOR US ARMS SUPPLIES.

7. THIRD, THE PRESS ALLEGE HEAVY CIA INVOLVEMENT IN THE NOVEMBER 1985 ARMS SHIPMENT, AND NOW MAINTAIN THAT THIS OPERATION PROMPTED A REQUEST FOR REGULARISATION OF THE CIA ROLE (MET IN THE FORM OF THE JANUARY 1986 PRESIDENTIAL FUNDING) BY THEN DEPUTY CIA DIRECTOR MCMAHON, WHO RESIGNED, FOR REASONS THAT ARE STILL OBSCURE, IN FEBRUARY.

8. DEMOCRATS CONTINUE TO CALL FOR AN INDEPENDENT INVESTIGATION AND/OR THE APPOINTMENT OF A SPECIAL PROSECUTOR. THE ADMINISTRATION IS TAKING THE LINE THAT THE FIRST TASK (WHICH THE JUSTICE DEPARTMENT HAVE NOW BEEN JOINED BY THE FBI) IS TO ESTABLISH AN AUTHORITY FACTUAL RECORD. MEANWHILE THE TOWER COMMISSION HAS BEEN ASKED TO COMPLETE ITS REPORT IN 30-45 DAYS.

9. AN ABC POLL TAKEN ON 25 NOVEMBER SHOWED THAT SIX OUT OF TEN THOUGHT THAT PRESIDENT REAGAN MUST HAVE KNOWN BEFORE THIS WEEK ABOUT THE DIVERSION OF IRANIAN MONEY TO THE CONTRAS. EIGHT OUT OF TEN THOUGHT THAT THE POINDEXTER AND NORTH RESIGNATIONS WOULD NOT END THE CONTROVERSY AND SEVEN OUT OF TEN DISAPPROVED OF THE PRESIDENT'S HANDLING OF THE EPISODE. HIS OVERALL APPROVAL RATING SLIPPED TO 53 PER CENT (DOWN 14 POINTS ON SEPTEMBER). AND THE INFLUENTIAL CONSERVATIVE COMMENTATOR GEORGE WILL DESCRIBED THE WHITE HOUSE AMBIENCE AS QUOTE A RESULT OF PRESIDENTIAL DELEGATION TO THE POINT OF INATTENTION UNQUOTE AND CALLED ON THE PRESIDENT TO ACCEPT THE NEED FOR TOTAL AND IMMEDIATE DISCLOSURE OF ALL THE FACTS.

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COPIES TO:-

PS/SIR R ARMSTRONG)
SIR P CRADOCK) CABINET OFFICE
MR MALLABY)

MR POWELL NO 10 DOWNING STREET

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