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MONDAY, OCTOBER 21, 1985 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

U.S. Envoy Meeting Mubarak To Ease Strain In Relations -- U.S. Envoy John Whitehead meets Egyptian President Mubarak today to try to defuse a crisis between Cairo and Washington caused by the Achille Lauro affair.
(New York Times, Washington Post, AP, Reuter)

Leon Klinghoffer's Body Arrives at New York Airport -- A military honor guard, elected officials and relatives of Leon Klinghoffer gathered at Kennedy airport as the body of the 69-year-old New Yorker was returned home.
(AP, New York Times, Washington Post)

Reagan to Open Pre-Geneva Bid with U.N. Talk -- President Reagan will use his visit to the U.N. this week to open the Administration's most ambitious effort to convince world opinion of the need for a realistic but positive approach to dealing with the Soviet Union, White House officials said.
(New York Times, UPI)

NATIONAL NEWS

Congress, President Still Divided on Balancing Budget -- As predictable as the characters in a Hollywood potboiler, Congress and the Reagan Administration are again struggling and bickering over how to meet the ambitious set of budget goals they have set for themselves. (AP)

NETWORK NEWS (Sunday Evening)

MUBARAK -- President Mubarak adopted a softer tone and Prime Minister Peres continued to make overtures toward King Hussein.

INTERNATIONAL NEWS...A-2

NATIONAL NEWS.....A-9

CRAXI -- Bettino Craxi, forced out last week by the Achille Lauro affair, may come back.

NETWORK NEWS.....B-1

SOUTH AFRICA -- This has been a weekend of funerals in Capetown, following a week of deaths.

TV TALK SHOWS.....B-6

INTERNATIONAL NEWS

U.S. ENVOY HOLDS TALKS IN TRY TO END BREACH WITH EGYPT; MUBARAK SAYS WASHINGTON, TUNIS TRICKED CAIRO ON PLANE

CAIRO -- A special Reagan Administration envoy met with Egypt's foreign minister in an effort to smooth over relations deeply strained since the interception of an Egyptian plane carrying the hijackers of the Achille Lauro. A U.S. Embassy official described the mood as "upbeat" at the 75-minute meeting between Deputy Secretary of State John Whitehead and Egyptian Foreign Minister Abdel-Meguid, and a subsequent lunch that included President Mubarak's top national security adviser.

Whitehead is to meet Monday with Mubarak, who charged in a CBS-TV "60 Minutes" interview that Tunisia and the U.S. jointly tricked Egypt into sending the plane carrying the hijackers to Tunis and then refusing it permission to land so it could be intercepted by U.S. Navy jets.

(Christopher Dickey, Washington Post, A1)

U.S. Envoy Meeting Mubarak To Ease Strain In Relations

U.S. Envoy John Whitehead meets Egyptian President Mubarak today to try to defuse a crisis between Cairo and Washington caused by the Achille Lauro affair.

(Ahmed Shawki, Reuter)

Mubarak: U.S. Interception a 'Stab in the Back'

President Mubarak, in a "60 Minutes" interview broadcast Sunday, said the U.S. interception of an Egyptian jet carrying the Achille Lauro hijackers was "a stab in the back." In a separate interview with Time Magazine, Mubarak said he anticipated that relations between Cairo and Washington would improve slowly.

(AP)

Mubarak Asserts Tunisia Colluded with U.S. Over Jet

Mubarak's version of what happened the night of Oct. 10 was at variance with what the Reagan Administration said at the time. A White House spokesman, Edward Djerejian, denied Sunday that there had been any collusion between Tunisia and the U.S. leading up to the interception.

(Bernard Gwertzman, New York Times, A1)

REAGAN, TURNING TO SUMMIT, TRIES TO ASSUAGE EGYPT, ITALY

With the rhetoric over the Achille Lauro having cooled considerably, President Reagan is expected this week to refocus allied attention on next month's U.S.-Soviet summit. Mr. Reagan already has begun to patch up relations with Egypt and Italy. Prime Minister Craxi is expected to attend the mini-summit Mr. Reagan will host Thursday in New York. Mr. Reagan now seems to be having second thoughts about the fallout with Egypt and Italy over the Achille Lauro incident.

Well aware that Italy has been as hard on terrorists as any nation and that it was the first U.S. ally to accept basing of intermediate range missiles in Europe, the President is making every effort to make his peace with Rome. Mr. Reagan is also keenly aware of the role Egypt must play in any stable peace settlement in the Middle East.

(News Analysis by Jeremiah O'Leary, Washington Times, A3)

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LEON KLINGHOFFER'S BODY ARRIVES AT NEW YORK AIRPORT

NEW YORK -- A military honor guard, elected officials and relatives of Leon Klinghoffer gathered at Kennedy airport as the body of the 69-year-old New Yorker was returned home. Acting Assistant Secretary of State Michael Newlin read a letter from President Reagan to Klinghoffer's wife that called her husband "an innocent victim of the terrorism and inhumanity which plagues the world." (AP, Washington Post, A21)

Klinghoffer Called Symbol Of Righteousness

Leon Klinghoffer, whose body was returned home in a flag-draped coffin 12 days after he was killed by the hijackers of the Achille Lauro, was eulogized as a "symbol of righteousness" in an evil world. Dozens of dignitaries, including Sens. Moynihan and D'Amato, joined members of Klinghoffer's family at Kennedy Airport Sunday as a military escort carried the coffin off a Pan American jet. (Johnathan Ferziger, UPI)

ITALIAN GOVERNMENT MAY SEEK ABBAS' RETURN AFTER INQUIRY

The Italian government will seek to have PLO leader Mohammed Abbas extradited there for prosecution if its investigation finds he was involved in the hijacking of the Achille Lauro, ABC News reported. The report, aired on "This Week With David Brinkley," was based on an interview with Foreign Minister Andreotti by correspondent Pierre Salinger. (Washington Post, A21)

PLO: ABBAS, IF LINKED TO PIRACY, SHOULD BE PUNISHED

The PLO's representative to Lebanon says the hijacking of the Achille Lauro was an act of terrorism and Mohammed Abbas should be punished if he had a part in the piracy. Shafik El-Hout, interviewed on NBC's "Meet the Press," said he did not know the whereabouts of Abbas. (UPI)

CRAXI EXPECTED TO RE-FORM AN 'EVEN STRONGER' GOVERNMENT

ROME -- Prime Minister Craxi, his standing and temper considerably improved by President Reagan's message of reconciliation to him on Saturday, is expected today to be asked by President Cossiga to form a new Italian government. He is expected to have the broad general support of all five former coalition parties -- including the Republican Party of Defense Minister Spadolini -- and it now seems certain that he will go to Thursday's pre-Geneva Summit meeting of key U.S. allies in New York. (Peter Almond, Washington Times, A8)

KENNEDY LAUDS REAGAN

Senator Edward Kennedy told American supporters of Israel Sunday he applauds President Reagan - his longtime political opponent - for deciding to intercept the hijackers of the Achille Lauro. (Johnathan Ferziger, UPI)

APPROPRIATE RETALIATION

At a time when Americans hungered for an effective response to terrorism, the combination of a PLO blunder and a skillful U.S. military response gave Reagan the victory he had been seeking. It is certainly true that few politicians have talked as much about terrorism and done as little as Reagan.

The obstacle to Reagan's vow of "swift and effective retribution" has been Reagan's standard for appropriate retaliation. His view is that to harm innocent civilians while retaliating against terrorists is itself an act of terrorism. He has set a civilized standard for appropriate retaliation. It is no small thing.

(Lou Cannon, Washington Post, A2)

PERES EMPHASIZES WEST BANK ISSUE

NEW YORK -- Prime Minister Peres says he supports "a territorial compromise" to reach a Middle East peace but a crucial first step is establishing a semi-independent status for West Bank Palestinians. Peres, who will address the U.N. today, discussed the problems confronting the search for peace in the Middle East during an interview Sunday on ABC's "This Week with David Brinkley."

(UPI)

LUGAR: JORDAN ARMS PACKAGE MUST BE SCALED DOWN

Sen. Lugar says President Reagan must scale back his package of arms for Jordan to avoid a virtually certain defeat in the Senate. He suggested the \$1.9 billion package may be altered to accommodate more strictly Jordan's defense requirements to meet objections of senators who are concerned the fighters, missiles and other arms are a threat to Israel.

(UPI)

Administration Proposing Jordanian Arms Sale Today Despite Opposition

Despite overwhelming opposition from Israel and most of Congress, supporters of a proposed sale of weapons to Jordan are trying to devise a compromise that will salvage the Reagan Administration's plan.

(Henry Gottlieb, AP)

SYRIA IS SAID TO ABANDON BID TO GAIN AMERICANS' RELEASE

BEIRUT -- Lebanese political leaders said that Syria had abandoned its earlier efforts to gain the release of Americans kidnapped in Lebanon in the last year and a half. They said Syria had been angered by the American interception of an Egyptian airliner carrying the hijackers of the Achille Lauro. The leaders were in Damascus for talks on ending Lebanon's civil war.

(Ishan Hijazi, New York Times, A6)

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'BLUNT' MESSAGE FROM REAGAN TO MARCOS

NEW YORK -- President Reagan told President Marcos in a letter delivered by Sen. Laxalt that he is concerned over the growing threat posed by rebel guerrillas in that nation, Newsweek reports. The magazine reported that Laxalt presented Marcos what one U.S. official said was "the bluntest presidential message ever delivered" to an ally.

The magazine quoted one official as saying Laxalt pressed for significant political, military and economic reforms in two meetings with Marcos in a mission meant to "kick backsides and take names." White House sources told Newsweek that Marcos seemed unrepentant. However, Laxalt told The Washington Post on Saturday that Marcos had "listened carefully and is now absolutely convinced of the President's concerns." (UPI)

Laxalt Manila Trip Bid to Bolster a Shaky Ally

The Laxalt mission to Manila was designed to open a "process of dialogue" with President Marcos that would lead eventually to common agreement on what would be needed to defeat a communist insurgency, Administration sources said. The response was apparently an effort to answer published accounts pronouncing the trip a failure.

(Roger Fontaine, Washington Times, A8)

MARCOS HANGING TOUGH DESPITE PRESSURE AT HOME AND FROM U.S.

MANILA -- Marcos apparently listened to Laxalt politely but then turned around and indicated to intimates he was running the Philippines, not the U.S. Analysts, both Western and Filipino, say people here and around the country are fairly numb after several years of economic downturn, martial law and the communist insurgency. They want things to get better and don't care if Marcos or a successor is the one to do it. The analysts add, however, that Filipinos might explode if suspended Gen. Ver and 25 others are acquitted in the Aquino shooting.

(Tom Breen, Washington Times, A8)

BUSH ENDS TOUR, URGES TRADE TALKS

HONG KONG -- Vice President Bush ended a six-day Asian tour here over the weekend with a call for a new round of international trade and tariff talks to help stem the increase of protectionist sentiment in the world.

(Danelle Morton, Washington Times, A7)

FEDERAL OFFICIALS ASSERT LAWYERS ARE AIDING IMMIGRATION FRAUDS

Federal officials say they are investigating "a substantial number" of lawyers who specialize in immigration as part of a wide inquiry into fraudulent schemes to obtain visas, work permits and other benefits for aliens. Officials of the Immigration and Naturalization Service have declined to give a specific number of cases under investigation other than to say that there are "several dozen." The service says immigration fraud is widespread. Its officials say it is concentrating its inquiry on marriage fraud and fraudulent applications for permission to work in the U.S.

(Robert Pear, New York Times, A1)

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REAGAN TO USE U.N. ANNIVERSARY FOR PRE-SUMMIT GAINS

With the first superpower summit in six years just a month away, President Reagan will use ceremonies to mark the 40th anniversary of the U.N. this week to strengthen his hand in Geneva. The U.N. trip is viewed by the White House as a critical step for Reagan in the pre-summit public diplomacy that has been under way since late summer in Washington and Moscow. A principal goal for Reagan will be to showcase Western solidarity and step up a campaign to wrest the public relations initiative in Western Europe away from Soviet leader Gorbachev. But when the President sits down to dinner with other Western leaders at his own pre-summit summit Thursday night, the smiles, handshakes and group photos will mask nagging strains and recent irritations.

Reagan can be expected to be pressed by the allies on his commitment to keep the missile-defense program within the development and testing constraints of the 1972 ABM treaty, and straighten out mixed signals from the Administration in recent weeks. (Norman Sandler, UPI)

Reagan to Open Pre-Geneva Bid with U.N. Talk

President Reagan will use his visit to the U.N. this week to open the Administration's most ambitious effort to convince world opinion of the need for a realistic but positive approach to dealing with the Soviet Union, White House officials said. Senior aides said Mr. Reagan was expected to demonstrate a willingness on the part of the U.S. to engage in a more constructive relationship and to offer that hope as a major goal of the meeting with Mr. Gorbachev in Geneva. (Gerald Boyd, New York Times, A1)

WHITE HOUSE SEES REAGAN WITH THE UPPER HAND FOR SUMMIT

Top Administration advisers have told President Reagan he will go to the summit with Soviet leader Gorbachev next month with the "strongest hand of any president since Eisenhower." Administration officials who briefed reporters last week on the grounds that they not be identified based that assessment on two factors:

- continuing economic problems for the Soviet Union, forcing it to try to hold defense costs at the present level, avoiding the huge expense of developing new weapons programs.

- a reversal in the recent military balance, with the U.S. threatening to move ahead of the Soviets in some areas. (Jim Anderson, UPI)

HUMAN SIDE OF GENEVA TALKS

GENEVA -- Max Kampelman reportedly believes that the personal relationships (of the negotiators) play a part but not the main one. This view has it that the Soviet system is an impersonal one, that Moscow's main concern is how close the U.S. representatives in Geneva are to the decision-makers in Washington.

The Soviets reportedly are impressed that Kampelman is a Democrat and is considered to have good connections on Capitol Hill. Speculation that John Tower may someday replace Secretary Weinberger adds to the stature of the Texan, already built up as someone who knows strategic nuclear weapons systems and the background of President Reagan's defense positions. The lines going back to Moscow and its new leader are less clear. (Walter Pincus, Washington Post, A1)

TENS OF THOUSANDS PROTEST STATIONING OF U.S. CRUISE MISSILES

BRUSSELS -- Tens of thousands of demonstrators peacefully protested the deployment of U.S. cruise missiles in Belgium and called for world disarmament, police said. Estimates of the number of demonstrators ranged from 50,000 to 100,000, but the crowd was far lower than in 1983 when some 300,000 people participated. (AP)

NUCLEAR SHIP BASE SAILS ONTO NEW YORK CITY BALLOT

NEW YORK -- The Navy's plan to build a \$300 million base on Staten Island for the USS Iowa and six support ships has run into opposition here, forcing the issue onto the November ballot. Critics say the ships, which are capable of carrying nuclear weapons, would make the nation's largest city a more tempting target for a Soviet attack and would endanger millions of lives if one of the ships were to be involved in an accident in New York Harbor. (Margot Hornblower, Washington Post, A5)

NICARAGUAN CARDINAL TESTS NEW EMERGENCY DECREES

ESTILI, Nicaragua -- Some 5,000 people turned out in this provincial capital to greet Nicaragua's Roman Catholic cardinal in what was seen as the first major test of the country's recent suspension of most human rights. No violent incidents were reported between the followers of Cardinal Obando y Bravo and supporters of the left-wing Sandinista government. The day passed without incident and the cardinal's homily contained no comments of a political nature. (AP)

ORTEGA, IN NEW YORK, DEFENDS STATE OF EMERGENCY

NEW YORK -- Nicaraguan President Daniel Ortega, defending last week's imposition of sweeping restrictions on civil rights, said that they were necessary to prevent "terrorism, sabotage and assassination attempts" by opponents of the Sandinista government. He is to address the United Nations General Assembly on Monday. (Margot Hornblower, Washington Post, A17)

Ortega Defends Civil Liberties Crackdown in Nicaragua

President Ortega, while declaring that victory over U.S.-backed rebels is within reach, says civil liberties will remain suspended until the U.S. accepts the legitimacy of the Sandinista revolution. During an hour-long interview with a small group of reporters Sunday, Ortega said last week's internal crackdown was needed to guarantee final victory over resistance forces, known as Contras. (George Gedda, AP)

COMMONWEALTH REACHES ACCORD ON LIMITED SOUTH AFRICAN SANCTIONS

NASSAU, Bahamas -- Commonwealth leaders agreed to impose limited economic sanctions against South Africa and to set up a contact group to try to persuade the white-minority government to negotiate with black leaders to end apartheid. Prime Minister Thatcher, who by her refusal to apply economic sanctions had brought the Commonwealth of Britain and its former colonies close to a break, declared: "Well, they've joined me now."

"Aren't they tiny?" Thatcher said of the sanctions package, adding: "It was worth paying some price to keep the Commonwealth together."

(Maureen Johnson, AP)

SEOUL FORCES SINK NORTH KOREA SPY BOAT

TOKYO -- The South Korean navy and air force sunk a North Korean spy boat off the southern port city of Pusan, the Defense Ministry said in an announcement in Seoul. It was the second such incident in two years, and analysts in Japan expressed concern that ongoing talks between the two Koreas may be jeopardized. The Defense Ministry did not comment on the fate of the estimated five or six crew members of the boat.

(Timothy Elder, Washington Times, A8)

RULING PARTY CLAIMS VICTORY

ASUNCION, Paraguay -- President Alfredo Stroessner's ruling Colorado Party swept to its expected landslide victory in nationwide municipal elections that were immediately hailed by a party chief as a mandate for rule until 1993.

(Jose Talavera, UPI)

EDITOR'S NOTE: Fred Hiatt and Rick Atkinson's article, "Pentagon's 'Paper Warriors' Find Market for SDI Advice," a story on how companies benefit from SDI research contracts, appears on page A1 of The Washington Post.

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NATIONAL NEWS

CONGRESS, PRESIDENT STILL DIVIDED ON BALANCING BUDGET

As predictable as the characters in a Hollywood potboiler, Congress and the Reagan Administration are again struggling and bickering over how to meet the ambitious set of budget goals they have set for themselves. Congressional negotiators were resuming work today on drafting a compromise version of a Senate-passed plan whose supporters, including President Reagan, say will force a balanced budget by 1991.

(Cliff Haas, AP)

RECENT BUDGET BATTLES LEAVE THE BASIC TENETS OF WELFARE STATE INTACT

Despite the declaration of Budget Director Stockman early in the Reagan presidency that "substantial parts" of the Great Society would have to be "heaved overboard," most of the programs that existed in 1981 remain in place today. Domestic growth has slowed sharply, but Congress has achieved savings largely by paring programs rather than pulling them out by the roots. That leaves open the possibility that the programs will grow back when the political climate changes, as some did following the historic budget cuts of 1981.

(Paul Blustein, Wall Street Journal, A1)

ANOTHER DECLINE IN WAGE INCREASES EXPECTED IN 1986

As wage settlements and salary plans for next year take shape, all signs suggest that 1986 will become the fifth consecutive year that the typical American worker will receive a smaller pay increase than in the previous year. Scores of American corporations are doling out smaller raises -- if they are raising pay at all -- and that is unusual at this advanced stage in an economic recovery, according to economists. In labor settlements reached during the first half of this year, wage increases averaged just 2.8% for the first year of the contracts and 2.9% a year over the life of the contracts. That is unusual because these amounts are even less than the 3.5% to 4.5% inflation rate projected for next year by many economists.

(Steven Prokesch, New York Times, A1)

REAGAN WILLING TO FORGET TO KEEP SENATE FOR GOP

When it comes down to the battle to retain Republican control of the Senate, President Reagan is willing to forgive if not forget, which might explain his willingness to recruit Richard Snelling to challenge Democratic Sen Patrick Leahy of Vermont. According to Snelling, Reagan told him, "I would rather have you run for the Senate and serve in the Senate disagreeing with me than not have you run at all."

(Donald Rothberg, AP)

'DEFENSE DEMOCRATS' DETERMINED TO WIELD INFLUENCE

A group of aggressive Democratic representatives, led by Les Aspin of Wisconsin, is becoming a force to be reckoned with on defense and foreign policy issues as they work to correct a public perception that their party has drifted into dovishness. Their objectives: Influence research and development, reform procurement practices, reform the Joint Chiefs of Staff and improve the U.S. conventional forces.

This determination to affect policy at the fundamental stages has been summed up by Rep. Aspin as a move to offer feasible alternatives to specific weapons system, instead of continually voting against the Pentagon's recommendations and thus sustaining the "Dr. No" image of the Democratic Party. (Richard Martin, Washington Times, A1)

U.S. MOVING TO SCRAMBLER PHELETONES

Some experts believe a shortage of secure scrambler telephones and carelessness by officials who sometimes are too impatient to use them are giving away national secrets to foreign powers. But with government officials more aware of the potential damage of losing vital national security information, a new network of secure phones -- capable of scrambling transmissions before they pass through the atmosphere where they can be intercepted -- is being developed under a \$44 million National Security Agency contract. (AP, Washington Times, A4)

REAGAN COULD APPOINT HALF OF FEDERAL JUDGES BY END OF SECOND TERM, BUT IT WON'T BE EASY

Many of the nominees lack the obvious credentials of some of the first-term appointments that forced even ideological critics to respect them. And Senate Democrats and liberal groups have become more vigilant in watching -- and sometimes opposing -- the nominations. Nevertheless, President Reagan is certain to leave a lasting mark on the federal courts. If he were to fill only existing vacancies, he will have named 298 of the 743 federal judges -- 40%. (Stephen Wermiel, Wall Street Journal, A52)

JUSTICE NOMINEES' OBJECTIVITY TESTED

Two nominees for high-ranking Justice Department jobs -- Stephen Markman for assistant attorney general in charge of the office of legal policy, who would advise the President on the selection of federal judges, and Charles Fried, nominee of solicitor general -- have encountered tough questioning by Senate Judiciary Committee members about their views on the role of political ideology in their jobs. The probing is an apparent attempt to determine what type of relationship they might have with Edwin Meese. Meese has voiced strong opinions about how these two offices should operate. He has advocated the selection of judges whose philosophy is consistent with that of the President, and he wants an active solicitor general.

Markham said he would not support Senate inquiries into judicial candidates' ideology. Fried told the committee he did not agree with Meese in all matters and was carefully trying to sidestep ideological issues that have come before the Supreme Court. (David Sellers, Washington Times, A5)

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ON EDGE OF VIOLENCE IN HARD-HIT FARM BELT

No farm state congressman interviewed admits fearing for his safety, but most pointed to colleagues who do fear violence in their districts. At least one congressman is said to be wearing a bullet-proof vest when he travels in his district, according to congressional sources. Other farm state senators and congressmen are said to be avoiding parts of their states known to be particularly volatile. Some say that Secretary Block is at risk when he travels through the region.

Block discounted any possible threat of violence either directed at him personally or in general in the Farm Belt. "I went to the Indiana, Illinois and Kansas state fairs and really got a good reception....We have not beefed up security," he said. (Stephanie Nall, Washington Times, A1)

EDITOR'S NOTE: Paul Taylor's article, Democrats In Hot Seat On Campus, concerning the House Democratic Caucus dispatching members to colleges across the country this week asking the question: "Why aren't kids good Democrats?" appears on page A3 of the Washington Post.

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NETWORK NEWS SUMMARY

(Sunday Evening, October 20, 1985)

NOTE: NBC did not air a broadcast.

KLINGHOFFER

CBS's Susan Spencer: This afternoon Leon Klinghoffer's body came home in a flag-draped coffin. At the airport today, his wife, Marilyn, friends, a few politicians and much sadness. The U.S. handling of the hijacking, particularly the interception of the Egyptian plane carrying the hijackers, continues to outrage official Egypt. Today U.S. envoy John Whitehead arrived in Cairo with olive branch firmly in hand. Egyptian President Hosni Mubarak has to consider two audiences in this drama, the Americans and the folks back home.
(ABC and CBS lead)

ABC's Sam Donaldson: The body of Leon Klinghoffer came home to New York City today, twelve days after Klinghoffer was shot and killed by hijackers aboard the cruise ship Achille Lauro. The casket was flown home aboard a regularly scheduled commercial airline flight from Rome.

ABC's Steven Geer: The coffin bearing the body of Leon Klinghoffer left Rome today en route to New York. U.S. Ambassador Maxwell Rabb watched silently as the body of the 69-year-old New Yorker was loaded into the hold of a Pan-American 747. There was no ceremony, and Rabb made no statement. The U.S. consul general in Rome, Norbert Krieg, held the American flag as it was removed from the coffin. It was late afternoon here in New York on a cool, gray day when the Pan-Am jet, having discharged its passengers earlier, taxied to a remote section of JFK airport. Waiting here were many members of Leon Klinghoffer's family, dignitaries and a few close friends. There was only the sound of jet engines as the flag-draped coffin emerged from the plane to be met by an honor guard from Fort Hamilton. First to speak was Michael Newlin from the State Department, who brought a message from the President:
("You and your family have my heartfelt sympathies as you grieve the loss of Leon Klinghoffer, an innocent victim of the terrors in humanity which plagues our world.")
Then the family heard praise of Leon Klinghoffer from senators Moynihan and D'Amato. Then the honor guard presented the flag to the widow of Leon Klinghoffer, the elderly man in a wheelchair whose violent and brutal death shocked the world. Funeral services will be held in New York Monday.

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MUBARAK

CBS's Doug Tunnell: Today's demonstration in Egypt. President Mubarak in an open car. The crowd friendly, even enthusiastic. A rural town, away from Cairo, was chosen for a public show of support for Mubarak's government. In Cairo yesterday, students defied a government ban on demonstrations. Riot police firing tear gas broke it up. Egyptian students chanted slogans against Mubarak's foremost ally, the United States.

(Mubarak: "I'm an Egyptian. A wound needs to heal.")

Deputy Secretary of State John Whitehead met with officials today in a capital that had been hopeful of a high-level gesture of friendship from Washington. Egypt's President has kept Whitehead waiting.

(Mubarak: "I'm going to see him and listen to what he is going to say.")

But not until tomorrow, when Whitehead is expected to explain, but not apologize to Mubarak for America's grounding of the Egypt's airliner with the hijackers on board. Not an easy mission, according to Cairo's newspapers this morning. It is very difficult for Egypt to forgive an enemy for an offense, one wrote, and even more difficult for Egypt to forgive a friend -- even when that friend is the U.S.

ABC's Donaldson: The effort to patch up relations between the United States and Egypt, so badly strained in the Achille Lauro incident, and the effort to make progress toward an overall Middle East peace settlement both received attention today. Egyptian president Mubarak adapted a softer tone, and Israeli Prime Minister Peres continued to make overtures toward Jordan's King Hussein. (ABC-3)

ABC's John Donovan reports from Cairo: President Mubarak went today where the Achille Lauro affair seemed far away. Outside Cairo, in villages to the south, where the crowds could be counted on for a show of support. But Mubarak himself brought up the Achille Lauro affair, in a speech to leaders of his own political party. He told them Egypt had no proof that the Achille Lauro hijacking was ordered by a PLO official called Abbu Abbas, as the U.S. has charged, and that Egypt was pleased to see Abbu Abbas set free by the Italian government last week. Later the President spoke with reporters about anti-Mubarak sentiment that has turned into student rioting over the last week.

(Mubarak: "I'm an Egyptian. I could feel for every Egyptian concerning this point. In this way, I'm trying to cure the situation.")

Back in Cairo, an American envoy is waiting to meet with Mubarak tomorrow. Deputy Secretary of State John Whitehead met with Egypt's foreign minister, and gave him a message from Secretary Shultz. The contents were not divulged publicly, but it's clear the U.S. has begun the process of rebuilding its relationship with Egypt. The Egyptians seem ready to begin that process also, at least at the government level.

Bob Zelnick reporting from New York: Appearing on 'This Week' with David Brinkley, Prime Minister Shimon Peres said that despite recent violence, Israel plans to press ahead with efforts to find a political settlement to questions involving land, peace and Palestinians. Peres has spent much of his U.S. visit making the case that PLO involvement in recent terrorism, plus its refusal to accept Israel's right to exist, has made the PLO the principal obstacle to negotiations. But PLO representatives insist they must have a place at the negotiating table.

Jordan's King Hussein is the man the Israelis want to talk to. They'd like to see the King abandon his negotiating partnership with Arafat. But senior Israeli officials privately describe that prospect as wishful thinking, while other experts say that any settlement involving West Bank territorial compromise will lack legitimacy unless it's approved by authentic Palestinian representatives.

(Assistant Sec'y of State Hal Saunders: "At this point I can't think of any other Palestinian on the scene prepared to make that compromise on behalf of the whole Palestinian people other than the PLO.")

Israeli sources now expect a new American initiative, giving the PLO one last opportunity to reject political violence and accept security council resolution 242 recognizing Israel. If the PLO says no, King Hussein will have one more reason to cut them adrift. If they say yes, then the Israelis will face their own moment of truth.

Spencer: In his first television interview since the highjacking, Egyptian President Mubarak made quite clear the depth of his displeasure. He spoke with 60 Minutes correspondent Diane Sawyer.

CBS's Diane Sawyer: The President of Egypt said his old friend the United States stabbed him in the back a week ago, when it intercepted the Egyptian passenger plane carrying the hijackers. He said it was at U.S. instruction that Tunisia gave the Egyptian plane to come there, and then, once the plane was in the air, reneged on the promise so that the U.S. could force the plane down. Mubarak goes on to insist that he was in fact trying to do the U.S. a favor. First, by helping negotiate release of the hostages, and then by having Yasser Arafat of the PLO try the hijackers. Does Mubarak still expect a public apology from the United States? He said no, that the Egyptians probably wouldn't make public apologies, either. And finally, what does he think about his old friend America? Well, Mubarak said, his voice full of irony, that he's pleased that Egypt could at least give Ronald Reagan a chance to be a hero, and give the Americans a chance to raise their morale.

ITALY

Donaldson: Bettino Craxi, the Italian Prime Minister forced out last week by the Achille Lauro furor, may come right back. Tomorrow President Cossiga will name a new Prime Minister-designate, and the betting is he'll pick Craxi. (ABC-5)

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Spencer: In Beirut today, an anonymous caller claiming to speak for the group that kidnapped and murdered a Soviet diplomat three weeks ago, said the group had executed a second Soviet captive. However, when police searched the sports stadium where the caller said the body would be found, they found nothing.

(CBS-4)

ABC's Donaldson: An anonymous caller in Beirut has claimed that a second of four kidnapped Soviet diplomats has been executed, and that police could pick up the body at the city's sports stadium. But so far, authorities have not located a second body, as described by today's caller.

(ABC-2)

SOUTH AFRICAN EXECUTION

Spencer: Pope John Paul today joined in criticizing South Africa for executing a black activist. Speaking to an outdoor mass, the Pope said the hanging of Benjamin Malloise on Friday had aggravated a "persistent situation of injustice in South Africa." He asked for prayers for all victims of hatred and racism. A leader of the outlawed African National Congress said today his guerrilla group is determined to take the war into white areas of South Africa, but it still wants to avoid all-out race war.

CBS's John Blackstone reports from Capetown: This has been a weekend of funerals in Capetown, following a week of deaths. Nine people were buried, all killed by police trying to control protests or riots. But the funeral seemed to prove that police tactics are not working. On the streets, police are facing a greater number of protesters who are becoming increasingly violent. Two policemen were seriously wounded this week. A truck carrying wooden crates drove into the midst of a stone-throwing crowd. The wooden crates, it turned out, carried policemen with shotguns. The police spent the rest of the week trying to justify their action. They said any method necessary will be used to stop the lawlessness.

(CBS-5)

ABC's Jim Hickey reports from Capetown: The racial unrest, which has plagued scattered townships in South Africa was at a minimum today, however blacks fought with police in at least two areas following the funerals of unrest victims. In the coastal city of Port Elizabeth, the home of a well-known white supporter of the black rights movement was destroyed last night, apparently by an explosion. Two black men guarding the home were burned.

(ABC-6)

Spencer: It was a pitched battle today between anti-government demonstrators and Japanese police and Tokyo's international airport. Hundreds were injured, hundreds arrested in the violent protest against the plan to expand the airport.

(CBS-6)

Spencer: South Korea claims it sank a North Korean spy boat today. A South Korean defense official said the boat was attacked a few miles off the port of Hussian. There was no word on the fate of the South Korean crew. The South Korean official said the boat's mission was to sneak ashore armed spies from the communist north.

(CBS-7)

SECURITY LEAKS

Spencer: Security leaks can be just a phone call away. Experts say there aren't enough secure telephones to go around. So people in sensitive jobs have gotten used to talking on unsecured lines. Now to help stop unsecured leaks, the government is spending \$44 million on new phones before they hit the atmosphere and can be intercepted.

(CBS-11)

MARINE RAPE

Spencer: Five U.S. Marines accused of rape have left Peru, and the Peruvian government has protested their departure. The Marine Embassy guards left Saturday after being charged with raping four Peruvian women they met at a discotheque last week. The Peruvian foreign ministry said they should be tried in Peru. The U.S. Embassy said the Marines have diplomatic immunity, but they might face charges in the United States.

(CBS-12)

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NOTE: The entire "FACE THE NATION" broadcast was about the Frustaci family and their medical malpractice lawsuit over their septuplets.

ABC -- THIS WEEK WITH DAVID BRINKLEY

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

Guests: Zbigniew Brzezinski, Israeli Prime Minister Shimon Peres

BRINKLEY: Mr. Brzezinski, you've spent a good deal of time in the Middle East ... is there a country in the Middle East that is politically stable enough to deal with Israel and make some kind of peace agreement?

BRZEZINSKI: Not by itself. Collectively, yes. I can't imagine any single Arab country on its own moving to cut a deal with Israel like the one that Sadat had the courage to undertake, and for which he may have paid with his life. I think it's important to realize that Hussein cannot move on his own. Hussein, the King of Jordan, is a necessary agent of change, but for him to move he has to have at least a tacit endorsement, both of Arafat and support from Mubarak, and not active opposition from Assad of Syria. And that's a very difficult thing to arrange. It will take a lot of skill, imagination, support, from the United States, and also initiative from Israel.

WILL: Why is it so important that we arrange that? That is, why is this not a good time for benign neglect? There is a peace treaty between Israel and Egypt, but it's only a cold and formal peace. There's more peace between Jordan and Israel today than there is between Egypt and Israel today, so why do we care about this so-called peace process?

BRZEZINSKI: In the short run, George, you're right. But in the long run I think there are moral and strategic considerations that we ought to take into account. The Jewish people have not lived in peace for 50 years now. If there is no peace in the long run, although the short run is may be adequate, I think there's a real danger that in the Middle East we'll see the destabilization of the more moderate Arab regimes, movement towards either radicalism, or now more likely, fundamentalism, and maybe even some of the same in Israel itself.

WILL: Why isn't it American policy to just say that the King of Jordan has to choose between the PLO and direct negotiations between Israel?

BRZEZINSKI: If you were the King of Jordan you would know if you were to say this you might be signing a death warrant against yourself.

WILL: Is it not the case again, as we began, that Israel has more peace with Jordan today than it has with Egypt?

BRZEZINSKI: For the moment, yes.

DONALDSON: This current chill between the U.S. and Egypt, is that something that's transitory, or do you think it's going to be a very fundamental problem?

BRZEZINSKI: I think it's probably transitory in the sense that I think Mubarak will ride it out. If he rides it out then I'm sure we can return to a more normal relationship. The danger, of course, is that he may get overthrown.

THIS WEEK (continued)

DONALDSON: President Reagan says he'll never apologize for that. Was that a wise thing for him to say?

BRZEZENSKI: Yes, because the word apology has connotations which are embarrassing. In a sense we can express regrets that the action was necessary, and the Egyptians could interpret, if they wish, as a form of apology.

DONALDSON: Prime Minister Perez suggested he might now agree to some international conference with some sort of Soviet participation. What do you make of that?

BRZEZENSKI: I think it is a significant change, and again, it's testimony to Perez' vision.

DONALDSON: Perez may be a man of vision as you describe him, but is he going to speak for the Israeli nation? Won't Mr. Shamir be the next Prime Minister? And his views are very much hard line.

BRZEZENSKI: Well, this may be one reason why one should welcome Perez' courage in moving forward now, because I think the longer range prospects in the region, unfortunately, are towards greater polarity.

BRINKLEY: That's a very unattractive picture you have painted.

BRZEZENSKI: That's why there's urgency to the peace process, and that's why I would like to see the U.S. more heavily engaged.

WILL: Well, why can't we contribute to the peace process by saying that Egypt doesn't get its \$2.5 billion unless it fulfills the terms of its agreement with Israel, and that Jordan doesn't get its arms sales unless it negotiates directly with Israel without international auspices, or without PLO and without all the rest?

BRZEZENSKI: George, are you going to include in that list of people to be penalized also Israel? The point is, you're not going to use economic sanctions against the parties concerned and if you were to do this towards Egypt you'd overthrow Mubarak.

DONALDSON: Is the Administration correct in trying to get this \$1.9 billion arms sales for Jordan at this time, in the face of great congressional resistance?

BRZEZENSKI: I think it is.

Guest: Israeli Prime Minister Peres.

BRINKLEY: Prime Minister Peres, in your judgement, why did President Mubarak send the hijackers to Tunisia, or try to?

PERES: He tended to believe maybe that the ship was not hijacked by a member of the PLO. I sent him a message that unfortunately, he doesn't know the story.

THIS WEEK (continued)

WILL: Given the fact that Jordan is geographically Palestine, that most Palestinians are Jordanian citizens, that most people living in Jordan are Palestinians and all the rest, why is it not Israel's position, why is it not the United States' position that there is a Palestinian state and that there should not be some tacked on Palestinian component of the peace process?

PERES: It's a good question. As far as we are concerned, as wouldn't like to become a dominating people upon another people.

DONALDSON: Can you foresee an Israel that does not include the West Bank?

PERES: No, I wouldn't right now. I think it's too early.

DONALDSON: If it is bad to have the Soviet Union meddling in the Middle East, why is it all right as long as they have formal relations with you?

PERES: You know, for the time being the Soviet Union is trying to put the blame or the onus upon all our problems in the Middle East. The Russians are trying to change the image without changing the policies.

WILL: I gather you oppose the proposed arms sale to Jordan. Are there any conditions that could be attached to that, requiring the Jordanian government to do this or that would reconcile you to this arms sale?

PERES: Yes there is just one condition. Let's have peace. Our feeling is, contrary to the prevailing feeling in some circles in Washington, that arms will not lead to peace, but peace will bring an end to the opposition of selling arms to the Jordanians.

FREE-FOR-ALL-DISCUSSION

U.S. ARMY AIDS TESTS

BRINKLEY: The U.S. Army passed a milestone this past week when it announced this past week that all of its men are going to be given blood tests with AIDS. New recruits applying to sign up who are found to have pre-AIDS, or whatever it is called, will be turned down for medical reasons. Those already in the army will all be tested, and they'll decide what to do in each case.

DONALDSON: The interesting thing here is that the army acted against the medical advice of its own people, who continue to say that you do not transmit AIDS by casual contact.

WILL: In order for a civil right to be violated, you have to identify what the right is. Since joining the military is not a right but a privilege ...

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THIS WEEK (continued)

KONDRACK: George, this is an incurable disease, the incidences of which are growing geometrically.

WILL: AIDS is a behaviorally-based disease. That is, if people would behave more intelligently, it won't happen.

BRINKLEY: Let's turn the conversation to money. What about Gramm-Rudman? Does it make any sense?

KONDRACK: I think that the way they've done it ... only applies to the discretionary funds to the government, so it's kind of unfair.

DONALDSON: It's a wrongful transfer of power to the President.

WILL: It may be the only way you can cut the budget.

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NBC -- MEET THE PRESS

Moderator: Marvin Kalb

Panel: William Safire, James Hoagland

Subject: Middle East

Guests: Shafik El-Hout of the PLO, Sens. Richard Lugar and Alan Cranston, Judith Kipper, American Enterprise Institute

KALB: Do you feel that it's time for there to be new leadership of the Palestinian movement, or at least a new policy?

EL-HOUT: If you want to discuss the issue of Palestine, you have to discuss it with the Palestinian people through their representative, which is now under the chairmanship of Mr. Arafat.

SAFIRE: Is it your policy to punish any Palestinian leader on the West Bank, or elsewhere, who, outside the PLO, decides to go ahead and begin talking peace to the Israelis, or anyone else?

EL-HOUT: We have punished so many people who have violated our political program, which has condemned acts of terrorists since 1974.

HOAGLAND: Where is Muhammed Abbas today and what is the PLO prepared to do to bring him to trial?

EL-HOUT: I don't know his whereabouts. If it's proved that he has any linkage with what has happened, we may dismiss him out of the Executive Committee.

KALB: Let's start with the Jordan arms sale. What do you think the chances are that the President's going to get this through?

SEN. LUGAR: A recent count, 70 Senators felt that the sale ought not to occur until direct negotiations were taking place between Jordan and Israel.

HOAGLAND: Is it a fact that an American arms package given to Jordan will provide a political protection for Jordan against attack from Israel?

LUGAR: No.

CRANSTON: For more than 20 years, King Hussein has been the the Arab leader most forthcoming in saying "we should talk with Israel and work things out, "but he has never engaged in those negotiations.

KALB: Are the prospects very dim at this point?

KIPPER: I don't think so. I think we shouldn't get too hung up on PLO, not PLO, who's POL, etc.

SAFIRE: I don't think the PLO is as relevant as it was a week ago or certainly a year ago.

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AGRONSKY & COMPANY

Moderator: Hugh Sidey, substituting for Martin Agronsky. Panel: Elizabeth Drew, Tom Oliphant, Strobe Talbott Mary Ann Means of the Boston Globe.

On the diplomatic problems stemming from the apprehension of the Achille Lauro's hijackers:

SIDEY: America's military success at apprehending the hijackers and forcing their capture has yielded some severe diplomatic problems. The government of Italy has fallen, and indeed, the bitterness if Egypt continues to fester. Was the price too high ... was it worth it?

TALBOTT: It was worth it. I just wish the Reagan Administration handled the aftermath as skillfully as they handled the interception itself. It looked for awhile there this week as though perhaps the United States was going to manage to snatch defeat from the jaws of victory.

DREW: I agree. Having said last week that it was the right thing to do, I still think it was the right thing to do. But I wish our diplomacy has been as skilled as our display of military expertise was. I think the other thing Americans are learning, and it's not a bad thing to learn, is that everything has a cost; for every action there's a reaction, and it's not a simple matter.

MEANS: I agree with both Elizabeth and Strobe. Of course we had to do it; nations have self-interests -- we wanted those murderers. And we needed it, I think, for our own self-esteem and to send a signal that when we can, when it is possible, we will retaliate for terrorism.

OLIPHANT: I'm afraid it wasn't worth it. The aftermath is as important as the event itself and by not thinking it through, I believe we have snatched defeat from the jaws of victory.

SIDEY: Surely these wounds will heal; the government of Italy will come back together, they'll get over it. Egypt has no place else to go, really; we furnish them most of their military supplies and aid. This will pass, won't it?

OLIPHANT: I don't believe it will. I think the damage to our relationship with Italy is going to prove to be lasting as the government reorganizes. I think it's already clear that the wounds with Egypt are lasting and not temporary. Furthermore, it matters that you know how to win, and I'm afraid in this episode that we gloated too much.

SIDEY: Was that the problem? What should we have done?

OLIPHANT: We should've thought it through before we did it.

DREW: There wasn't time to think things through in an incident like that.

AGRONSKY (continued)

OLIPHANT: Yes there was. Plenty of time. And what's additionally troubling is that we're getting a different story than we got last Thursday.

DREW: I think where some of the things went wrong immediately in the aftermath, I think Tom is right about the gloating. But also -- Egypt and Italy do have their own interests, which won't always coincide with ours. I think maybe if there had been less jumping up and down and raging at them, particularly since both tried to help us, I think another consequence of this is going to be, let's see what happens if any other terrorist arrives in Egypt or any other country and see if they cooperate with us. We make it very difficult for other countries to cooperate with us. I think a little more understanding on our part of their problems, disagreeing as we may with their policy might have been very helpful here.

MEANS: Of course it does raise questions as to whether it derailed the peace process. Secretary Shultz said to the House last week that it does make it more complicated, more difficult for a King Hussein to continue to move slowly toward some kind of an agreement in which the PLO and Israel would talk about peace. The PLO now is quite discredited. Its status remains uncertain, and Jordan has all those Palestinians in its country, it worries about its Arab neighbors, it can't go ahead alone; it really tossed everything up in the air, and we'll have to see how it falls down again.

TALBOTT: Not everybody thinks that this whole incident has derailed the peace process in the Middle East. One notable dissenter there is the Prime Minister of Israel, Shimon Peres, who has been in Washington this past week. And he and his colleagues feel very strongly that this has been a great boon to the peace process, because it has discredited Arafat. Arafat is probably the number one loser in this whole affair, and the Israelis have been arguing all along that the PLO as such has no place in the peace process, and so it's a good thing to have them sidelined by this event.

MEANS: Syria's role in this is very interesting, too. Syria turned back the ship and let us have the body of the murdered American, which washed up on their shores and they need not have done. They were interested in seeing Arafat be discredited, because they have their own Palestinian group of terrorists and murderers, and they would like to emphasize their role and whether they would be easier to deal with than Arafat is a very big question.

SIDEY: All of you who say we should have done something different fail to mention just what. Here is a President who has been told for months -- years -- that he was essentially a wimp, that he wasn't going to strike back at these people, then the time comes and he does it. Now, what do you do?

OLIPHANT: The option that I don't think was explored was the one of intercepting that flight and in cooperation with our good and dear friends in Italy, taking that plane to Italy and turning over the four and being understanding about their problem ...

AGRONSKY (continued)

SIDEY: You say we have learned from the Italians a little more about this. We sent in these units from our delta strike forces, and they were on the ground without Italian permission ...

OLIPHANT: If that's true, I think that's a serious transgression on our part. We should trust the Italians. They have been unbelievably good friends of ours down through the years, and the Craxi government in particular.

SIDEY: But we'll still be friends ...

OLIPHANT: I am worried. Don't forget, this is the government that took the cruise missiles before anyone else did; they've cooperated with us up and down the line in prosecuting Mafia leaders. I think we ought to worry about that relationship.

DREW: I'm afraid governments will conclude that the price of cooperating with us is excessively high -- a government fell. The Italian government let Abbas go, and we wished he hadn't. The White House put out a vituperative statement on Sunday morning about that. Instead of trying to smooth things over with Egypt you can a cacaphany of voices coming out of our Administration ... things kind of came unglued and the didn't sit and coolly say, "O.K., we got these people into Italy, now how do we limit the damage?"

SIDEY: Because the opposition, or one portion of their political system decided we were right, and they ...

STROBE: Look, Italian governments change every other Thursday, just about. The fact that it's fallen doesn't mean that it might not come back in pretty much its same composition, with Craxi once again as Prime Minister.

SIDEY: Egypt again. How much of this is acting and how much is real?

TALBOTT: This is very serious.

OLIPHANT: And American criticism of Egypt was gratuitous, and unnecessary and counterproductive.

SIDEY: We have what the Italians now call "Rambo Reagan." But surely this does affect some very serious issues, that namely of the Summit build-up, in a few days he's up at the U.N., and he will meet with the heads of other free nations, and then he goes on to Geneva. Has it altered the chemistry?

MEANS: I think it strengthens his popularity here at home. I think he will go way up in the polls. How history will look at him is a different question. Going into the summit I think it strengthens his hand a little bit, to the extent it muddles things in the Middle East again, and we seem to have taken some kind of decisive action.

AGRONSKY (continued)

OLIPHANT: I don't agree. For one thing, Mitterrand had already dropped out of this mini-summit. Now it's a big question of who will be representing Italy there. It's turning into a micro-Summit. But the other thing is, the President had hoped very much to use this so-called mini-Summit next week at the U.N. and use his speech to the United Nations to set up the grand event of the Summit itself, and to get people to look forward to the meeting with Gorbachev. Now he's going to have to spend a lot of his time in New York picking up the pieces from this whole affair in the Mediterranean.

SIDEY: But he goes in there as a man who has dealt effectively with some terrorists. I can't imagine that won't be popular both with the heads of state and their people.

TALBOTT: I think the President's inclination right now is to use his speech to the U.N. much more to talk about terrorism, human rights and the Soviet Union, than it might have been previously to talk about arms control. And we have another case of deep disagreement within the Administration about an important point relating to the Summit, and that is the extent of our desire to comply with the ABM Treaty of 1972, and that erupted last week.

SIDEY: What's going on in Congress?

DREW: This fish that the Senate sent over to the House -- the Gramm-Rudman amendment -- the more it's exposed to the sun, the more it smells. There has been a conference meeting between the Senate and the House. The House people began to ask some questions, and the answers were not very clear, because this thing was passed in such a rush, the legislation is very crudely written. There are constitutional questions. It turns a lot of the ways we have usually governed ourselves on its head.

SIDEY: But will they pass it?

DREW: Yes. The problem is for the Democrats in the House, is there is such political steam behind this, and they are so concerned about taking responsibility for rejecting an idea to balance the budget, that something like this will pass.

TALBOTT: The effort is not going to be to jettison this, it's going to be to try to change it.

SIDEY: Isn't that why precisely why these people like Ted Kennedy and others have signed aboard?

TALBOTT: Absolutely. If they do not get that big-spending monkey off their back, the public will never pay attention to them about national priorities issues.

MEANS: It will force them to raise taxes. If that happens, then they are doing something.

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AGRONSKY (continued)

TALBOTT: The President has climbed aboard the fish. He was out this week on the hustings. In all of the previous trips of this kind that he's taken, he's used the stump for tax reform. Not this week. This week he began shifting away from tax reform and talking up the Gramm-Rudman amendment.

DREW: The President's tax reform speeches weren't exactly setting the country on fire, anyway. But the White House is also realizing that this proposal has some problems for them. What it is going to do to the Pentagon budget is straitjacket. He's going to have to come up with a very unpleasant budget proposal over the next couple of years.

SIDEY: Sens. Goldwater and Nunn are suggesting that the Pentagon needs an overhaul, that it can't fight wars. The Joint Chiefs of Staff is outdated.

TALBOTT: One thing worth noting is that both senators showed quite a bit of political courage to stay on this issue this particular week, right after the United States had pulled off a stunning military success.

SIDEY: The system worked. Cap Weinberg made the very legitimate point that everything was in place and worked.

TALBOTT: You could end up having too many military decisions made from inside the White House, and that appears to have been what happened over the Mediterranean last week.

SIDEY: A related issue. Samuel Loring Morrison, the grandson of the great military historian Samuel Elliott Morrison has been convicted by a federal jury of selling secrets, theft and espionage. Right or wrong?

OLIPHANT: Right. It's espionage to take classified documents.

SIDEY: We should say that he took photographs from a high-security area -- from a spy satellite -- and sent them to a British magazine that published them. He did it to alert people; it was supposedly a patriotic reason, but the jury has said no, absolutely not.

TALBOTT: In no sense did this man commit espionage. It certainly was not his intention to harm the interests of the U.S.

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THE McLAUGHLIN GROUP

Moderator: John McLaughlin. Panel: Jack Germond, Morton Kondracke, Robert Novak, syndicated columnist Georgie Anne Geyer

On the chain of events stemming from the Achille Lauro aftermath:

GEYER: I am worried sick. The United States, for the first time, is a belligerent in the Middle East. We are at war, and it's going to be a long war and it's going to be a war in which we do not control our own policies.

NOVAK: I have mixed emotions, although I certainly applaud the muscular activity of the United States. I just can't understand how a foreign policy that is pussyfooting around verbally with the Soviets is so nasty to a good ally like Italy, which has been very good on terrorism, on NATO questions, and we violate their airspace, send in commandos, I don't really understand what's happening, and either does anybody else in the world.

GERMOND: There's no way of arguing with what the Administration did. It was the right thing to do. Nonetheless, countries like Italy and particularly Egypt, are very sensitive to being pushed around by a big power. And it seems to me we should've made more effort after the fact to smooth those things over. For example, the President should have made that "never" reply on whether he would apologize to Mubarak.

KONDRACKE: I basically agree with Jack. I do think, though, that what we're trying to do here is to uphold a standard of behavior in the world. These guys cold-bloodedly shot an American, the Italians are scared of the PLO and the Arab radical movement. Mubarak is, too. What we're trying to do is stand up for what's right.

GERMOND: The Craxi government says we didn't understand their policy. It isn't policy we're talking about. We're talking about political reasons. They have their own political problems, and the Administration ...

KONDRACKE: Abbas is the kind of character that the civilized world ought to stand firm against and bring to justice and that's what Reagan is trying to get done.

NOVAK: He said Mubarak has his own problems. What his own problems are is that there is a lynch mob on Capitol Hill against Mubarak. I really think there is a poisonous atmosphere right now in this town and the poison is put in by Israel. There's no question about it. The dream of Israel is to have the U.S. with one friend, one ally in the Middle East -- Israel, and no other contacts, and we're coming perilously close to that position.

GEYER: What we worries me is we're absolutely captivated by this one event. Where is the long-range policy?

McLAUGHLIN: Is one of the big impressions that emerges from this is that the United States has to lead the way in trying to get control of world terrorism. Our allies are demonstrably craven.

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McLAUGHLIN (continued)

GERMOND: The Italian government was totally within its rights on this.

NOVAK: I really have to believe it. I just can't understand how in the world Italy, which has been very good, particularly on internal terrorism, were that rough. I think the Italians made a mistake, but I think now, as the facts come out, they were sore by the sudden presence of U.S. commandos on their soil.

On prospects for Middle East peace:

McLAUGHLIN: The Middle East peace process took a new turn as a result of the highjacking and the shock waves that emanated from that highjacking. Shimon Peres told Mr. Reagan that the new turn was, namely, no PLO, no Palestinians. Can you have a peace process with no Palestinians, no PLO?

GEYER: There never has been one. What we're seeing here is the end of the orchestrated Israeli policy of getting rid of the PLO and trying to go only with Hussein and only with Jordan. The problem is, King Hussein is not going to go without the Palestinians, because it would cost him his kingdom and his neck. So the way I see it, the peace process is dead.

NOVAK: You're exactly right. What the whole orchestration has been is we have made Arafat as the greatest demon of the Western world. But since even Secretary Shultz calls him an animal -- he never calls those Soviet thugs animals -- we don't do business with animals ...

GERMOND: The whole thing has gone up in smoke, and all they're trying to do is pass the blame to somebody else in the aftermath thereof.

KONDRACKE: Arafat has been playing a double-track policy, talking peace on the one side with Hussein, not meaning a bit of it, and meanwhile mounting terrorist operation after terrorist operation against Israel. What's happening here is we now prove whether the plucky little King really wants peace and is willing to take the Israeli offer or ...

NOVAK: That is really unfair. What you're saying is that to make a settlement in the Middle East, we don't want any Palestinians ...

KONDRACKE: I want Palestinians, I don't want PLO types. King Hussein presumes to run a kingdom that is more than 50 percent Palestinian.

NOVAK: Did you hear Peres say he wanted any kind of Palestinians there?

On political benefits for Ronald Reagan:

McLAUGHLIN: One final point. The U.S. interception of the Egyptian aircraft produced a windfall popularity jump for Ronald Reagan, which was put to immediate use by U.S. Senate Republicans seeking reelection. What do you think about this popularity of Ronald Reagan, and is he now going to be coveted as a political figure by all these GOP senators running for reelection?

McLAUGHLIN (continued)

GERMOND: Some private polling showed he did pick up several points in the aftermath. His value politically to the senators is what it has been all along: he can raise money for them; he is not relevant on issues to their campaigns.

McLAUGHLIN: But he's adorable to have in their campaigns, and he does no harm.

GERMOND: He's a popular President.

McLAUGHLIN: Is the peace process in the Middle East dead, dead, dead as far as the eye can see?

GEYER, GERMOND, KONDRACKE, NOVAK, McLAUGHLIN: Yes

On the Sandinista crackdown:

McLAUGHLIN: What will be the political upshot of the restrictions in Nicaragua and elsewhere?

GEYER: It's important, because it's another nail in their coffin.

NOVAK: I think they are really upset by the homilies that the Cardinal, Arvando Bravo, has been giving around the country ...

McLAUGHLIN: What are those?

NOVAK: He is making political speeches against the regime around the country, and I think you're going to find a tightening of the screws against La Prensa, the one independent newspaper further, but the thing that fascinates me is that all these bleeding-heart liberals on Capitol Hill, who will just wring their hands when a terrorist is killed in El Salvador; I haven't heard a peep out of them, or out of their buddies, the Ortega brothers.

KONDRACKE: That's the political fallout. Those people are not blaming the Reagan Administration for this. This is one more action like Ortega's going to Moscow and it's part of the discrediting process of the Sandinista regime, and, increasingly, the success of the Reagan Administration policy in Latin America.

GERMOND: It is a really stupid thing for Ortega to do.

NOVAK: It isn't a stupid for them to do; it's a natural thing, because they're communists! That's the way a communist country is run.

McLAUGHLIN: What about El Salvador and what's going on down there, i.e. the kidnapping of the daughter of Napoleon Duarte and the deal that he's going to cut for the release of 21 of the guerrillas for his daughter?

GEYER: This is very dangerous, John, because El Salvador was really turning around, it was really going well. But it's very fragile.

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McLAUGHLIN (continued)

McLAUGHLIN: Who is winning the war in El Salvador?

GEYER: Duarte and the Christian Democrats and the government are winning, but it could go on indefinitely.

McLAUGHLIN: Will the abolition of civil rights in Nicaragua by the marxist Sandinista lead to the downfall of that government, and if so, when?

GEYER: My thought is yes, in about two years.

NOVAK, GERMOND, McLAUGHLIN: Yes KONDRAKKE: No

On Richard Nixon:

McLAUGHLIN: Richard Nixon was honored by black businessmen was honored by black businessmen for his help, as President, in getting them started as entrapreneurs. Also President Nixon was appointed by Baseball commissioner Peter Ueberroth to arbitrate the labor dispute between the major league umpires and owners.

McLAUGHLIN: Hasn't the time arrived for Richard Nixon to receive some kind of a mission for the federal government?

GERMOND: You've got to be kidding. Just because the baseball players are so dumb they'd use him as an arbitrator!

KONDRAKKE: No.

GEYER: Make him Ambassador to the PLO.

NOVAK: I'D like to commend this appointment, because all the time he is arbitrating for the umpires, he is not talking to Reagan, urging him to make the same kind of sell-out in Geneva in 1985 that Nixon did in 1972.

McLAUGHLIN: I'd like to see Nixon put in charge if a kind of world court, put together by signatory countries, a la the Nuremburg trials, to take care of international terror.

On the Economy:

McLAUGHLIN: The economy had good news -- a lot -- and some bad news -- a little -- of late. Good news: GNP up 3.3 percent; inflation down to 3 percent; prime rate holding at 9.5 percent. Unemployment down to 7 percent. Dollar -- down, up, down. Stock prices up to an historic high, 1368. Bad news: housing starts down big -- 9 percent. Industrial production down slightly. How do you analyze the financial portents.

KONDRAKKE: This is not a good year. This is not an average, 4 percent growth-rate year, coming out of last year's boom.

-more-

McLAUGHLIN (continued)

NOVAK: The best economic news we've had is the appointment of Dr. Manuel Johnson and Wayne Angell of the Federal Reserve Board, two growth advocates, and if the Fed does not fudge, we're going to have a good year.

GERMOND: It is a good year, it is not a great year.

On Vice President Bush in China:

McLAUGHLIN: The Chinese warned the Vice President are "not satisfactory," meaning that the Chinese really don't like our ongoing support of Taiwan, and the spectre of trade protectionism in the U.S. Congress. Mr. Bush told reporters afterwards that there was really nothing particularly new or particularly worrisome in the Chinese statements. Is this kind of diplomacy in action? Is this going to guarantee George Bush the Republican nomination?

GERMOND: George Bush's credentials on foreign policy and on China in particular are already solid enough, so that's not a problem for him. But that doesn't guarantee anything.

NOVAK: The problem he has politically is making political boo-boos like becoming the Ripon Society's Man of the Year. And the latest boo-boo is hard to believe, but he has sent regrets to the 30th anniversary dinner, the National Review, and people can't understand why in the world he would stiff Bill Buckley.

McLAUGHLIN: Actually, I think that's to its credit. I mean that he sent the message to the magazine.

Predictions:

GEYER: Within a year the U.S. is going to be more and more drawn into this "terrorist war in the world" and without control and without really knowing what terrorism is or what the roots of it are.

NOVAK: This week the House conservative Republicans will say tax reform is going off the board, the Treasury should withdraw from it and the Treasury might -- fulfilling Germond's prediction of a month ago that tax reform was dead in the House.

GERMOND: George Will is going to run for the Senate in Maryland and Ronald Reagan is going to coach him for his debate surreptitiously.

KONDRACK: You keep reading in the paper about how there is ankle room and secret flexibility on the part of the Reagan Administration about SDI -- Star Wars -- at Geneva? There is none. the President ain't trading it, and he means it.

McLAUGHLIN: I predict the dollar will go back up, and it'll go back up to a rate higher than it was before it was Plaza Pact by Christmas.