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News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, APRIL 8, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

U.S. Won't Be 'Run Out Of Town' -- President Reagan, declaring the U.S. will not be "run out of town" by Soviet spying, said yesterday neither Washington nor Moscow will move into new embassies until he is satisfied the U.S. Embassy is secure. (USA Today, Washington Post, Washington Times, AP, Newhouse, Reuter, Scripps Howard, UPI)

NATIONAL NEWS

House To Debate \$1 Trillion Budget Plan -- The House, beginning two days of debate today on a record \$1 trillion budget proposal, has critics grumbling about its suggested \$18 billion tax and revenue package and its cuts in defense spending. (Washington Post, Washington Times, UPI)

IRAN-NICARAGUA

CIA Chief-Designate Webster To Face Senate Questions On Iran -- William Webster's limited role in the Iran arms scandal is expected to come under close scrutiny by senators responsible for approving his job switch from top law enforcement agent to spy chief. (USA Today, Washington Post, Washington Times, AP, Reuter)

NETWORK NEWS (Tuesday Evening)

EMBASSY SECURITY -- The U.S. launched a formal protest with the Soviets over the spy scandal at the U.S. Embassy in Moscow.

SOVIET SUBMARINES -- Five Soviet submarines are reported to have moved into waters east of Bermuda.

LIBYA/TERRORISM -- There appears to be new evidence of a Libyan terrorist network in the western hemisphere.

THE SENATOR SUGGESTS...

Senator Robert Byrd, angry over the spy case in Moscow, today suggested that Soviet diplomats should be kicked out of their new embassy here. "Put the Soviets in a swamp," he told a news conference. "See if you can't find a good one -- with all alligators." (Reuter, 4/7)

INTERNATIONAL NEWS

U.S. MIGHT DEMOLISH EMBASSY IN MOSCOW Probers Say Repairs May Take Five Years

MOSCOW -- Security and construction flaws in the newly built U.S. Embassy here will take at least five years to rectify and may require demolition of the \$100 million structure, a congressional team said today at the conclusion of a two-day probe of U.S. facilities in the Soviet capital.

The alleged complicity of U.S. Marines in espionage at the old embassy also has "fully compromised" the facility and will require a security overhaul of it and embassies in other foreign capitals, according to Reps. Daniel Mica and Olympia Snowe, members of the House Foreign Affairs Committee.

Due to "hostility" and an "intelligence threat" in the Soviet environment, Marines and other U.S. security personnel assigned here should undergo more rigid screening, including polygraph tests, and more extensive training, Mica and Snowe concluded.

(Gary Lee, Washington Post, A1)

Embassy Security System Overhaul Recommended

MOSCOW -- Two members of Congress assessing damage from the sex-for-secrets scandal at the U.S. Embassy said Tuesday they would recommend a complete overhaul of the embassy security system worldwide.

Rep. Dan Mica, told a news conference if allegations that two Marine guards allowed Soviet agents into the innermost sanctuary of the U.S. Embassy are correct, the affair "results in essentially catastrophic compromise for this particular facility."

Mica, chairman of the House Foreign Affairs International Operations subcommittee, said the earliest possible date of occupancy for the new U.S. Embassy, under construction for seven years at a cost he estimated at \$170 million, is "five to 10 years away, if ever."

(Anna Christensen, UPI)

U.S. Won't Be 'Run Out Of Town'

President Reagan, declaring the U.S. will not be "run out of town" by Soviet spying, said yesterday neither Washington nor Moscow will move into new embassies until he is satisfied the U.S. Embassy is secure.

Reagan ordered three investigations to curb "further damage to our national security" from the sex-spy scandal in Moscow and the wide-spread bugging of the old and new U.S. Embassy buildings.

The partly completed, \$190 million facility in Moscow might be torn down unless it can be protected, the President said.

(Jeremiah O'Leary, Washington Times, A1)

Reagan Takes Steps To Correct U.S. Security Lapses In Moscow

President Reagan said today neither the U.S. nor the Soviet Union will occupy new embassies in each other's capitals until he is certain the new U.S. Embassy in Moscow is secure.

During an unscheduled visit to the White House press room, Reagan also said a special review board headed by former Defense Secretary Melvin Laird would examine serious security breaches at the U.S. diplomatic mission in Moscow.

"While all the facts are not known, it is clear that security implications are widespread and that additional quick action is needed to prevent further damage to our national security," the President said.

(Gene Gibbons, Reuter)

Reagan: Check All Embassies

President Reagan ordered investigations of U.S. embassies worldwide following espionage scandals at the U.S. Embassy compound in Moscow.

Reagan demanded to know -- before the U.S. moves into its new \$191 million Moscow embassy complex -- "whether it will ever be secure or whether it may be necessary to destroy and rebuild it."

(Jessica Lee & Juan Walte, USA Today, A1)

2 Boards To Review Security Worldwide

President Reagan, saying he was "deeply concerned over the breach of security in our Moscow embassy," said yesterday that he might order the new facility torn down if it could not be protected from Soviet eavesdropping, and he instructed two boards to review security procedures at U.S. embassies throughout the world.

"The United States will not occupy our new embassy building in Moscow unless and until I can be assured that it is safe to move into a secure embassy environment," Reagan told reporters in the White House briefing room. "Likewise, the Soviet Union will not be allowed to occupy their new facility in Washington until a simultaneous move by both countries is possible."

The President said he had instructed Secretary Shultz to make embassy security "a major agenda item" during his upcoming talks with Soviet Foreign Minister Eduard Shevardnadze.

(Lou Cannon, Washington Post, A1)

The President/Soviet Espionage

President Reagan says Soviet espionage at the U.S. Embassy in Moscow "doesn't surprise me a bit," and that the spying should not disrupt superpower arms control negotiations.

"I think the whole business of espionage worldwide is something that we have to recognize takes place, and counterintelligence is something that is employed by everyone," Reagan told reporters at the White House. "But at the same time, you don't stop doing business."

(Miles Benson, Newhouse)

Arms Control Gets Priority Over Security

President Reagan put the Kremlin on notice that KGB penetration of the U.S. Embassy in Moscow won't keep Secretary Shultz from visiting the Soviet capital this weekend.

"I just don't think it's good for us to be run out of town," Reagan said in response to suggestions that Shultz's talks with top Soviet officials be moved to a neutral capital.

(Juan Walte, Washington Times, A6)

Reagan Urged To Cancel Trip By Shultz

The senior Republican on the House Foreign Affairs committee urged President Reagan to "show some guts" and cancel Secretary Shultz's trip to Moscow next week in response to security breaches at the U.S. Embassy there.

Rep. William Broomfield said Reagan did not go far enough in announcing that the Soviets could not occupy their new embassy until a U.S. Embassy under construction in Moscow is declared free of electronic eavesdropping devices.

His sentiments were shared by Democrats, as well. "We should put the Soviets in a swamp somewhere," Senate Majority Leader Robert Byrd said, referring to their new embassy compound near Georgetown. "Let's see if we can't find a good one that's got some alligators in it."

(Mary Belcher & Bill Gertz, Washington Times, A1)

Soviets Have Eavesdropped For Years From New Embassy Site

Soviet Diplomats have used their new embassy complex on a Washington hilltop to gather intelligence since 1979, U.S. officials said Tuesday.

President Reagan, reacting to disclosure of Soviet eavesdropping at the U.S. Embassy in Moscow, said that until he resolves security questions surrounding a new U.S. facility in Moscow, Soviet diplomats will not be allowed to occupy their new office building in Washington.

But, in fact, the residential buildings on the Soviet complex have been occupied by the Russians for eight years, officials say.

(Bryan Brumley, AP)

Reagan Acknowledges 'Widespread' Security Problems At Moscow Embassy

President Reagan spoke out for the first time on the sex-and-spying scandal at the U.S. Embassy in Moscow, saying that the security implications are "widespread."

But he stressed the flap between the U.S. and the Soviet Union will not jeopardize delicate arms negotiations now under way. However, Sen. Jesse Helms, ranking Republican on the Senate Foreign Relations Committee, said he hopes revelations of the extent of Soviet snooping will scuttle a new arms control treaty.

(Ann McFeatters, Scripps Howard)

Secret 1985 Warning Of Embassy Bugs Was Ignored, Panel Member Says

State Department officials eager not to jar U.S.-Soviet relations virtually ignored a presidential board's 1985 report that warned of serious security gaps at the U.S Embassy in Moscow, a former panel member says.

"They had a neo-detente view," the panelist said of the State Department officials who, he said, brushed aside nearly all the still-secret proposals by the President's Foreign Intelligence Advisory Board. "They did not want to upset U.S.-Soviet relations." (Barry Schweid, AP)

Reagan Acknowledges He Was Told Of Embassy Bugging, Spying Threat

President Reagan, confronted by an embarrassing spy scandal in Moscow, acknowledges he was warned two years ago that the U.S. Embassy there was vulnerable to espionage and that Soviet employees should be replaced with Americans.

Reagan said he had ordered cutbacks in Soviet personnel at the existing embassy in Moscow but there were difficulties putting Americans in their place. "It isn't exactly a place where you can go out and hire Americans," he said.

Ultimately, all of the Soviet workers were ordered out of the embassy last October by the Kremlin -- not the Americans -- in retaliation for the expulsion of some Soviet diplomats from the U.S. (Terrence Hunt, AP)

American 'Replacements' Working In Moscow Embassy Off To Rocky Start

The State Department's plan to hire Americans to perform non-professional jobs at the embassy in Moscow has gotten off to a shaky start with nine of the first 36 recruits already returned home.

Some of the new American clerks, drivers, housekeepers and plumbers -- hired to replace Soviet employees withdrawn last October -- were discharged for fraternizing with Soviets, engaging in the currency black market or failing to meet job requirements, State Department spokesman Charles Redman said. (Walter Friedenberg, Scripps Howard)

Five American Civilians Recalled From Embassy

The State Department said that five Americans working in the U.S. Embassy under a private contract have been sent home in the last year, including two for associating with Soviet citizens.

Spokeswoman Phyllis Oakley said a total of 26 private civilians are now in Moscow working for the U.S. Embassy with more to come as a California consulting firm recruits Americans to do jobs once performed by Soviet citizens. (Matthew Quinn, UPI)

U.S. Embassy Plagued By Security Problems For 35 Years

MOSCOW -- Concern that U.S. Marine guards may have compromised security at the American Embassy in Moscow and fears that a new embassy complex may be bugged are the latest chapter in a history of problems dating back 35 years.

The embassy now in use, a yellow, stucco-facade building on Moscow's central Chaikovsky Street, was found to have been implanted with Soviet electronic eavesdropping devices when it was first occupied in 1952. (Mary Ellen Bortin, Reuter)

A New Embarrassment For Reagan: It Happened On His Watch

Most of the construction of the new U.S. Embassy in Moscow, in which U.S. officials say listening devices have been found, occurred during President Reagan's Administration.

"I think I've been rather realistic about the Soviet Union for quite some time, and believe me, it doesn't surprise me a bit," Reagan said of the Soviet bugging.

Still, questions were being asked about how the situation could have developed during the watch of a president who has made a point of anti-communism throughout his political career. (Dale Nelson, AP)

WALKER BROUGHT SOVIET SUBS CLOSER TO U.S. SHORES

Former U.S. Navy radioman and convicted spy John Walker provided information that helped the Soviet Union develop a new generation of quiet submarines, according to U.S. officials and analysts.

Soviet acquisition of Western multi-axis milling machines -- which produce quiet propeller blades -- was one damaging result of the Walker spy ring, they said. The application of the machinery enhanced Moscow's capability to move its submarines to within 10 minutes' missile flying time from the U.S. coast. (James Dorsey, Washington Times, A1)

SOVIET SUBMARINES IN WESTERN ATLANTIC

The Soviet Union has deployed five nuclear-powered attack submarines to the western Atlantic Ocean for an exercise simulating a wartime stab at two major East Coast Navy ports, the Pentagon said.

The Submarines were spread over a wide area of the Atlantic east of Bermuda and were under constant surveillance by U.S. Navy P-3 Orion submarine hunting aircraft from Iceland, Bermuda and New Brunswick, Canada, and U.S. and NATO destroyers and frigates, the officials said. (Richard Gross, UPI)

REAGAN APPLAUDS SOVIET NUCLEAR TEST OFFER, BUT AIDES SPLIT OVER ACCEPTANCE

President Reagan hailed a recent Soviet offer on nuclear testing as "encouraging" yesterday, but his Administration remained divided over whether to accept it.

Asked about the Soviet offer during a short appearance in the White House briefing room, Reagan said, "We think that it's encouraging -- their whole attitude to arms -- which has never before been true with any of the other previous Soviet leaders."

Several officials said the Administration remained at odds over the proposal, however, with the Energy and Defense departments on one side, countered by the State Department and the Arms Control and Disarmament Agency. The critics have argued that even partial test limitations are not in U.S. interest, while proponents have said that Congress will enact severe test limitations unless the Administration fosters the impression of movement in discussions with the Soviet Union.

(Jeffrey Smith, Washington Post, A18)

Adelman: Soviets Give Up On Total Nuclear Test Ban

A senior Administration official said Tuesday the Soviet Union has given up its insistence on a complete nuclear test ban and President Reagan called the shift "encouraging."

Kenneth Adelman, director of the Arms Control and Disarmament Agency, described the change as a concession that could lead to serious superpower negotiations on limiting nuclear testing.

"They're edging closer to our position," Adelman said in a telephone interview with UPI. "They're buying on to our agenda."

(Matthew Quinn, UPI)

**EARLY SDI SYSTEM WOULD DESTROY 16%
OF SOVIET WARHEADS, HILL REPORT SAYS**

Weapons scientists associated with the SDI program acknowledge that the first phase of a ballistic missile defense system would be effective against "no more than 16 percent" of the warheads in a Soviet attack at a cost of tens of billions of dollars, two Senate staff members said yesterday.

The statement appeared in a 60-page report on SDI by James Bruce, an aide to Sen. Bennett Johnston and Douglas Waller, on the staff of Sen. William Proxmire. The report was intended as a response to a recent Defense Department proposal calling for development of a system that could be fielded as early as 1994.

(Jeffrey Smith, Washington Post, A9)

KOHL LETTER TO REAGAN URGES ACCORD ON INF

BONN -- West German Chancellor Kohl sent a letter to President Reagan today strongly urging him to reach agreement with the Soviet Union to withdraw all medium-range missiles from Europe but expressing concern about an expected Soviet proposal to eliminate some shorter-range missiles as well.

The letter, as described by officials here, expressed the government's preference that NATO should retain some short-range nuclear missiles as a deterrent to offset the Soviets' large advantage in conventional forces.

(Robert McCartney, Washington Post, A15)

**VOLCKER ADVISES HALT TO SLIDE OF DOLLAR
Further Drop Could Worsen Trade Deficit**

The foreign exchange value of the dollar has fallen so far that a further drop could add to inflation, destabilize markets and make the U.S. trade deficit worse rather than better, Federal Reserve Chairman Paul Volcker told Congress yesterday.

Volcker told a Senate Banking subcommittee that last year's \$150 billion deficit in trade in goods and services must be reduced, but that neither a cheaper dollar nor sweeping protectionist measures will do the trick.

Instead, the Fed chairman said, the most important thing to do is reduce the federal budget deficit and thereby cut the flow of capital from other countries to the U.S. If that capital inflow is reduced, the trade deficit will be, too, he said.

(John Berry, Washington Post, F1)

Weinberger Says Protectionism Will Not Help U.S. Industry

Secretary Weinberger attacked rising protectionism in the U.S., calling it a "myopic and dangerous position."

In a speech prepared for delivery to the Electronic Industry Association, he said that while some form of trade action might be necessary from time to time, "protectionism is not the answer."

"Unfortunately, some have adopted the myopic and dangerous position that all of our industrial base ills can be solved with a healthy dose of protectionist elixir -- trade barriers and tariffs," Weinberger said.

(Reuter)

Administration Again Backs Dollar Pact

The Reagan Administration voiced strong support yesterday for extension of a 1½-month old agreement among the world's major industrial democracies designed to stabilize the dollar.

But fresh declines in the value of the dollar against other major currencies, particularly the Japanese yen, served to fuel skepticism by analysts over the effectiveness of that accord.

A senior Treasury Department official, briefing reporters in advance of a crucial session scheduled today among finance officials of key economic powers, said that the monetary agreement, reached on Feb. 22 in Paris, "has been successful, is in force and we certainly favor its continuation."

(Tom Raum, Washington Post, F4)

Major Countries Aim to Reinforce Pledge For Stable Dollar

The top industrial powers meet today to reinforce their efforts to stabilize foreign exchange rates and prevent a weakening dollar from disrupting world economic growth.

Monetary officials from the world's three leading economies, the U.S., Japan and West Germany, all took pains to reassure financial markets that they wanted to stabilize the dollar and agreed on the dangers of a further decline.

(Donald Nordberg, Reuter)

SHULTZ, JORDANIAN AIDE DISCUSS MIDEAST TALKS

Secretary Shultz conferred yesterday with Jordanian Prime Minister Zeid Rifai on ways to restart the stalled Middle East peace process but stopped short of endorsing the international conference advocated by Jordan's King Hussein as an umbrella for talks with Israel.

Shultz's response seemed to put the U.S. much further from the concept of an international conference than was the case when Israeli Prime Minister Yitzhak Shamir visited here in February.

(John Goshko, Washington Post, A14)

EDITOR'S NOTE: "Embassy Has 'Serious Shortcomings' (excerpts of a report by Reps. Mica and Snowe)," appears in The Washington Post, A18.

NATIONAL NEWS

DEMOCRATIC BUDGET PLAN IS OFFERED AS LEAST PAINFUL WAY TO TIGHTEN BELT

The House today begins debate on a \$1 trillion Democratic budget that may be the perfect compromise in a year of exceedingly difficult choices. It pleases virtually no one in the Democratic majority, but distresses them less than the alternatives.

The Democratic plan's political blemishes include an \$18 billion tax increase and defense and domestic spending cuts that equally pain the conservative and liberal wings of the party. Yet the House Democratic leadership hopes to show that their plan is the most appealing option by submitting President Reagan's budget for a vote.

That strategy is also designed to discomfort the 177 House Republicans, who are expected to oppose the Democratic budget en masse but who have no alternative of their own and little collective desire to back the Reagan budget -- which would cut domestic spending \$22.5 billion to compensate for a more generous treatment of the Pentagon and no increase in taxes.

(Tom Kenworthy, Washington Post, A6)

House Democrats Revive Threat Of Automatic Budget Cuts

House Democrats have revived the threat of deep automatic spending cuts in a bid to get Republican cooperation in passing the Democrats' proposed fiscal 1988 budget.

The House Rules Committee yesterday set limits on consideration of the \$1 trillion budget resolution that force lawmakers to choose between it and a process of mandatory reductions known as "sequestration."

Floor debate on the measure will begin today and a vote is set for tomorrow, according to the schedule approved by the committee.

(Gene Greabowski, Washington Times, A4)

House To Debate \$1 Trillion Budget Plan

The House, beginning two days of debate today on a record \$1 trillion budget proposal, has critics grumbling about its suggested \$18 billion tax and revenue package and its cuts in defense spending.

Representatives nonetheless are ahead of their counterparts in the Senate, where the Budget Committee's last public effort to draft a separate fiscal 1988 spending plan ended in a stalemate. The Senate panel, apparently near agreement on a new compromise, planned to meet today to review the matter.

(Linda Werfelman, UPI)

PANEL REVERSES SUBCOMMITTEE, VOTES TO FUND NEW ATTACK SUB

The House Armed Services Committee yesterday struck a compromise in which the Navy's new Seawolf attack submarine would be funded fully, while the Defense Department studied ways to improve the present generation of attack boats.

Lawmakers who attended the markup of the fiscal 1988 defense authorization bill said President Reagan also gained partial victories on SDI and the version of the MX missile that would be placed aboard trains.

(George Wilson, Washington Post, A8)

WELFARE REVISION GAINS; PROPOSED COSTS HALVED

Legislation that would dramatically overhaul the federal welfare system began taking shape yesterday as Rep. Harold Ford halved the cost of his welfare plan in an effort to gain Republican support and stay within House leaders' budget limits.

Ford's Ways and Means public assistance subcommittee is ready to start voting today on his proposed changes in the Aid to Families with Dependent Children program

While the panel's senior Republican, Hank Brown, did not endorse Ford's new version, he told Ford, "this moves us a significant distance toward trying to get together." (Spencer Rich, Washington Post, A4)

SENATE PACT PRESERVES ANTI-EROSION LAW

Rebuking its Agriculture Committee, the Senate refused to go along with legislation that would have relaxed federal protection of highly erodible cropland.

A potentially bruising floor battle was avoided when the Senate accepted a compromise by Sen. David Boren that would retain the basic soil-protection provisions adopted by Congress in 1985 farm legislation.

(Ward Sinclair, Washington Post, A5)

STOCKS FALL SHARPLY ON INTEREST-RATE CONCERNS

NEW YORK -- Stocks fell steeply from the 2,400 level in an avalanche of selling unleashed today by a jump in credit market interest rates and renewed fears that the dollar could fall further.

After first extending the rally that hit an all-time closing high of 2,405.54 Monday, the Dow Jones industrial average skipped 44.60 points to 2,360.94, the forth-biggest points drop on record.

(Gary Seidman, Reuter)

HINCKLEY WANTS TO BE RELEASED TO CUSTODY OF FORMER PATIENT

Presidential assailant John Hinckley has told a psychiatrist that his "ultimate wish" is to be released from St. Elizabeths Hospital into the custody of a former Washington socialite who spent three years at the hospital after being found innocent by reason of insanity in her daughter's shotgun killing.

Hinckley's comment about Leslie deVeau, who was released from the hospital in 1985, was revealed yesterday by government attorneys in court papers opposing the hospital's request that U.S. District Judge Barrington Parker allow Hinckley to leave the institution unescorted for an Easter visit with his family.

(Nancy Lewis, Washington Post, A22)

IRAN — NICARAGUA

FBI CHIEF QUERIED ON MEESE ROLE Counsel Walsh Probes Initial Inquiry Into Iran-contra Affair

Investigators for independent counsel Lawrence Walsh interviewed FBI Director William Webster as part of an investigation of Attorney General Edwin Meese's handling of the Iran-contra affair, according to informed sources.

Walsh's staff is investigating Meese's activities, including the five-day fact-finding inquiry he conducted last November that led to the revelation that funds generated by arms sales to Iran had been diverted to aid the Nicaraguan contras, the sources said. Walsh's inquiry was prompted by the discovery that key White House documents were destroyed or altered while Meese was conducting his inquiry.

Webster was interviewed about his personal dealings with Meese on matters related to the Iran-contra affair, including Meese's failure to accept Webster's offer of FBI help in his initial inquiry -- subjects on which the FBI director is expected to be questioned closely today when the Senate Select Committee on Intelligence begins hearings on his nomination to head the CIA.

(Bob Woodward, Washington Post, A1)

Webster Testifying On Meese Role In Iran-Contra Affair

CIA director William Webster is being put in the awkward position of having to testify publicly about Attorney General Edwin Meese's role in the Iran-contra affair.

FBI Director Webster, who has worked closely with Meese for the past two years, is to answer questions today before the Senate Intelligence Committee, whose members want to know why Meese blocked an FBI investigation of aid to the contras for several weeks last fall.

(Pete Yost, AP)

CIA Chief-Designate Webster To Face Senate Questions On Iran

William Webster's limited role in the Iran arms scandal is expected to come under close scrutiny by senators responsible for approving his job switch from America's top law enforcement agent to its spy chief.

Webster is scheduled to testify at an all-day, open Senate Intelligence Committee hearing -- the second time in less than two months that senators have been asked to confirm a Reagan Administration nominee to head the CIA.

But Senate aides say Webster, director of the FBI for the past nine years, is unlikely to encounter the kind of problems that forced acting CIA director Robert Gates to withdraw his name in early March.

(Sue Baker, Reuter)

Panel Likely To Grill Webster On FBI Action In North Case

A delay by the FBI in securing the National Security Council office of Lt. Col. Oliver North last November is expected to be a key element of today's hearing on the nomination of William Webster.

"To say he's not apprehensive is not correct," William Baker, an assistant FBI director, said of Webster, current FBI director nominated March 3 by President Reagan to head the CIA.

(John McCaslin, Washington Times, A3)

Praise Ushers In Webster's CIA Hearings

FBI Director William Webster's tough management style -- which has guided winning cases against corrupt judges, mobsters and terrorists -- also could pay off at the CIA.

That assessment comes from former colleagues and officials as the Senate begins hearings today on Webster's nomination to head the CIA.

Rather than chilling CIA operations, Webster's legal strictness and openness to congressional oversight could aid the besieged agency, experts say.

(Sam Meddis, USA Today, A6)

NETWORK NEWS SUMMARY

(Tuesday Evening, April 7, 1987)

EMBASSY SECURITY

NBC's Tom Brokaw: The United States today launched a formal protest with the Soviets over the spy scandal at the U.S. Embassy in Moscow -- Soviet agents, allegedly allowed to roam through the Embassy by U.S. Marine guards personally involved with female KGB agents. And this controversy now has spread to the new U.S. Embassy in Moscow as well. The \$190 million project that may have to be abandoned.

NBC Chris Wallace: With the spy scandal spreading and Congress demanding action, the President ordered a complete halt to one project.

(The President: "The United States will not occupy our new Embassy building in Moscow unless and until I can be assured that it is safe to move into a secure embassy environment.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Noting reports that the building is riddled with Soviet listening devices, the President said the U.S. may have to destroy it and start over again. He also said the Soviets won't be allowed into their new Washington Embassy until the U.S. solves its security problem. A new U.S. Ambassador Matlock protested to the Soviets today that their spying is a breach of diplomacy. Despite that breach, Secretary of State George Schultz will go ahead with key arms control talks next week in Moscow, assuring the President today he will have adequate protection from Soviet spying. One top Republican said Schultz should refuse to meet in Moscow.

(TV coverage: Still photo of the President in the left half of frame; still photo of Embassy on the right.)

(Congressman William Broomfield: "I think it should have been moved to a neutral country to show our disgust and concern."

But the President is determined not to let the scandal disrupt U.S./Soviet relations.)

(The President: "Well, I think the whole business of espionage worldwide is something that we have to recognize takes place, but at the same time, you don't stop doing business.")

(TV coverage : The President speaking at the podium in the White House Briefing Room.)

Today, the President also ordered two investigations into the scandal, including one by his foreign intelligence advisory board. That board told Mr. Reagan two years ago that the Moscow Embassy was vulnerable to spies, but little was done. Officials say former Ambassador Hartman resisted getting rid of Soviet workers.

(TV coverage: Still photo of the President on the left of screen, still photo of the Embassy on the right.)

(The President: "I must say we did run into some embassy problems and opposition because it isn't exactly a place where you can just go out and hire Americans.")

Wallace continues:

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

In fact, no Soviets have worked at the Embassy since October. But the State Department now says of the 31 Americans brought over since then as clerks or drivers, 9 prove unsuitable, some for fraternizing with Soviets as the Marine guards did.

(Charles Redman: "You can see from the statistics that I've given you that it is difficult to adjust to life in Moscow for a lot of people.")

But those numbers don't persuade the President, who, aides say, is privately angry at American diplomats for failing to protect U.S. security. Wherever this scandal leads, the President seems clearly determined to stay ahead of it.

Brokaw: Two members of Congress now in Moscow inspecting the new embassy are plainly appalled by the condition of those buildings and the scope of the spy scandal. After touring the old Embassy, they say it has been fully compromised by the KGB and they are equally concerned about the new embassy which was build by the Soviets under a 1972 agreement.

NBC's Sandy Gilmour: Snowe and Mica issued a report saying the Embassy building now in use, is practically unliveable.... And they said much of the new Embassy cannot be used now and may be a waste.

(Rep. Snowe: "Based on information collected, it is our estimate the earliest possible date of occupancy is at least five years away, if ever.")

They conclude that many security violations reported by trustworthy Marines had been dismissed by senior diplomats at the Embassy.

Brokaw: Marine Sgt. Robert Stufflebeam, one of the embassy Marines being questions in the scandal today was released.... A Marine spokesman said there was insufficient evidence to hold him.
(NBC-Lead)

ABC's Peter Jennings: ...President Reagan is as frustrated as anyone.

ABC's Sheilah Kast: President Reagan weighed in on the issue of embassy security, pledging the U.S. will not move into its new embassy building in Moscow until he's satisfied it's safe.

(The President: "Likewise, the Soviet Union will not be allowed to occupy their new facility in Washington until a simultaneous move by both countries is possible.")

That's been policy since the superpowers started negotiating about building new embassies 19 years ago. What the President added today was two new blue-ribbon inquiries on top of three security investigations already underway.

(TV coverage: The President speaking at podium in the White House Briefing Room.)

In addition to looking at the current embassy, the President wants to evaluate the embassy under construction.

(The President: "And ascertain whether it will ever be secure, or whether it may be necessary to destroy and rebuild it.")

-more-

Kast continues: The new building is reportedly riddled with Soviet listening devices built into its walls. The President was asked whether the episode has changed the way he looks at the Soviets.

(The President: "Believe me, it doesn't surprise me a bit. And no I haven't changed my view of the Soviet Union.")

Secretary of State Shultz is due to go to Moscow next week for talks with Soviet Foreign Minister Shevardnadze, though a debate among the President's advisers over whether he should move the meeting to a more neutral city. The President said "No," and that Shultz should make embassy security a major agenda item.

(The President: "I just don't think it's good for us to be run out of town.")

National Security Adviser Frank Carlucci said Shultz would be able to operate with adequate but not optimal security in the embassy. The State Department also stepped up its objections to Soviet espionage activities.

(Charles Redman: "We have filed a protest. It was done by our ambassador in Moscow today.")

It was also announced that more than half of the 18 American workers, employees of Pacific Architects and Engineers who have been working at the embassy for more than a year, are returning to the U.S. -- three for poor work performance, two for fraternizing with the Soviets but not espionage, and four for personal reasons. Some in Congress say not all the American outrage over the security breach should be directed at the Soviets.

(Rep. Arme: "We expect the Soviets to try to spy on the American government, but we do not expect the State Department to help them get away with it.")

The President would not assess which individuals are to blame for the security mess. Repeatedly Mr. Reagan and his aides said they've been aware of the problems for a long time and were taking action on them but they were not in time to head them off.

ABC's Walter Rodgers reports Congresswoman Olympia Snowe and Congressman Dan Mica had to carry children's erasable pads to ask questions they didn't want the Soviets to hear.... After their tour of the new but still unoccupied embassy they announced their six-point findings: Embassy security is fundamentally flawed; There has been a negative attitude toward security by senior American diplomats; Marines and security personnel should take lie-detector tests; Marines themselves may be unsuitable for embassy security in Communist countries; The existing American embassy is a horrible fire-trap and the new American embassy can't be made secure for five to ten years if ever.... But a senior Kremlin spokesman says that after the Reagan Administration's own undercover operations during the Irangate affair the Russians have no apologies.

(Georgi Arbatov: "You really lost all moral rights to say anything to anybody until you put your own house in order.")... (ABC-Lead)

CBS's Dan Rather: President Reagan today rejected advice that we get much tougher with the Soviets about their intelligence penetration of the current U.S. Embassy in Moscow and their bugging of the new one. Secretary of State Schultz will go on to Moscow as planned, trying to get an arms reduction deal, even if it means Schultz has to operate out of a house-trailer.

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CBS's Bill Plante: President Reagan moved personally into the sex/spy/security scandal at the U.S. embassy in Moscow, announcing two new investigations of security breaches at the old Embassy and a look at the new and reported bug-infested U.S. Embassy building.

(The President: "To evaluate the condition of our new building and ascertain whether it will ever be secure or whether it may be necessary to destroy and rebuild it.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

The President also repeated the Administration's long-standing position of tit-for-tat. The U.S. won't move into that new building unless, and until, the Administration is certain it's secure. And, meanwhile, the Soviets won't be allowed into their new Washington Embassy. But Mr. Reagan rejected suggestions that the U.S. take more drastic action and break-off arms control talks.

(The President: "Counter-espionage is employed by everyone. But at the same time, you don't stop doing business.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

So Secretary of State Schultz will go to Moscow next week to meet the Soviet Foreign Minister as scheduled despite reports that he'll need to use his aircraft and an especially equipped trailer to ensure that he can meet and communicate in secrecy. Though the issue of Embassy security will top the agenda, some people say Schultz shouldn't go.

(Rep. Broomfield: "I think this is so serious that we ought to demonstrate to the Soviets that we're not going to tolerate it. And I think the best way to do it would be to have Secretary of State Schultz refuse to meet Sheverdnadze in Moscow.")

(The President: "I just don't think it's good for us to be run out of town.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Two members of Congress who have inspected the new Moscow Embassy building say the structure is so loaded with bugging devices, reportedly planted during construction by Soviet workers, it could take five years to fix and may not be worth the trouble.

(Rep. Snowe: "We might recommend that it be demolished.")

To dramatize the problem, they showed reporters that the only way they could communicate secretly inside the building was to use a child's "magic slate."

(Rep. Mica: "I will tell you, we have to use these little pads in the building. We can't talk in there.")

White House officials are painfully aware that the spy scandal is a major embarrassment for the Administration. But they decided once again in the wake of Mr. Reagan's Iran problems, that it was better for him to take the offensive, rather than to let Congress take the lead on this sensitive issue.

Rather: Two Marines from that Moscow Embassy have already been accused of spying. A third is being held. And the entire contingent will be flown out for questioning by the end of next week. Also, nine civilians from the embassy staff are coming home. They're accused for fraternizing with Soviets, alcoholism and trading in black market currency.

(CBS-Lead)

SOVIET SUBMARINES

Rather: Five Soviet submarines are reported to have moved into waters east of Bermuda. The U-boats are said to have brazenly sailed in, five abreast.

CBS's David Martin: ...Setting off an underwater game of cat-and-mouse with U.S. Navy submarines, aircraft and surface ships. It has been two years since the Soviets have sent this many submarines into the Atlantic and Navy sources say this is the first time that so many submarines capable of firing long-range nuclear-tipped cruise missiles have come within range of the east coast. Anti-submarine warfare has long been an area where the U.S. thought it had a comfortable lead over the Soviets, but secrets given away by the Walker family spy ring have created an undersea crisis. (John Lehman: "Because, in no small measure, to the years of compromise of our anti-submarine warfare tactics and weapon systems through the Walker spy ring, the Soviets have closed the gap and changed their approach to anti-submarine warfare.") The State Department will have to spend tens of millions of dollars to repair the damage done by spies and bugs at the U.S. Embassy in Moscow. But the Navy plans to spend billions of dollars to build a new class of submarine in an effort to undo the damage done by the Walkers.... In peacetime secrets given to the Soviets only cost the taxpayer money. In wartime, those same secrets could mean the difference between victory and defeat. (CBS-2, NBC-4)

Jennings: Some of what the Walkers provided the Soviets over the years apparently has helped the Soviets build a better submarine. Several of those Soviet subs are reportedly operating in the Western Atlantic tonight as part of the largest Soviet submarine exercise there since 1985. Locating and tracking Soviet subs at sea has become a good deal more difficult.

ABC's Bob Zelnick reports until recently Soviet subs were noisy -- their comings and goings picked up by underseas listening devices planted at narrow choke points near Soviet harbors.... But the new Akula Class of Soviet sub, with quieter engines and more insulation, often escapes detection.... But the Navy believes the Soviet breakthrough was aided by convicted spy Jon Walker, who gave them information of the whereabouts of U.S. listening devices and how the entire U.S. sub-tracking system works. To counter all this the Navy wants to build the Seawolf, a new super-quiet attack sub, which could hunt Soviet subs without detection. But many in Congress argue that existing submarines should be upgraded before the Seawolf is built at a billion dollars each....

(Robert Sims, Pentagon spokesman: "We've done numerous studies. We've taken the older submarine as far as we can take it with our technology and we want to go ahead with this one.") (ABC-3)

LIBYA/TERRORISM

Brokaw: There appears to be hard new evidence of a Libyan terror network in the western hemisphere.

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NBC's Anne Garrels: In February, Venezuelan authorities deported... a known Libyan terrorist organizer. In the process they found... plans to finance and arm radicals groups in French Guyana, Surinam, Trinidad, Haiti, Jamacia, and French and English Caribbean islands.... Also included plans to send Latin American terrorists to Libya for training.

(Ambassador Paul Bremer: "Looks to us like there's an increase in Libyan planning."
(NBC-5)

COMMENTARY/PRESIDENTIAL RACE

NBC's John Chancellor: "...At this stage, the Republican candidates are by far the more interesting group. That's because of what we might call "The Reagan Problem." There was no Reagan problem until last November, when the Iran/contra scandals hit the front pages. Ronald Reagan was invincibly popular and the Republicans who wanted to succeed him were trying to stand as close to him as possible. But now, because of the President's sharp drop in the polls, there is a Reagan problem. It may not be smart to stand too close to the President. George Bush, his loyalist Vice President, has dropped in the polls. Congressman Jack Kemp...was a Reagan loyalist for 20 years, yet Mr. Kemp has recently been extremely critical of some of the President's positions and is carving out a position for himself. The problem for the Republican Presidential candidate is that they've praised Mr. Reagan for so many years, that it's hard not to praise him now. Yet, praising him now could be politically damaging. It's one of those situations where you're damned if you do and damned if you don't.... (NBC-12)

PRESS COVERAGE REACTION/IRAN-NICARAGUA

Brokaw reports NBC received quite a few letters about its coverage of the Iran arms affair. Mrs. Florida Mattingly said our coverage was "too harsh on the President. He did admit he made a mistake. That is sufficient. It may be a crisis for the news folk and the politicians, its over as far as most of us are concerned." Stanley Berry told us to "get off the President's back for God's sake. Let him govern. Let him get on with it." Lucile Rainey..."We do not think you've been too hard on President Reagan. Keep telling us the truth and don't go soft."
(NBC-13)

DRUGS

Rather: "Just Say No" that's the Reagan Administration's advice to young people tempted to try drugs. But hundreds of thousands of Americans are already hooked on herion and when they ask for help, many are getting "No" for an answer....
(CBS-9)

EDITORIALS/COLUMNISTS

JAPANESE TRADE

Justified Tariff Move -- "Not all of America's trade woes can be blamed on unfair practices by other countries, and the last thing this country needs is protectionist legislation that would trigger a trade war and a possible recession.... International trade must be fair as well as free, and where there is evidence that our trading partners are not abiding by agreements, Washington has no choice but to take proportionate corrective measures. This President Reagan has rightly done." (Buffalo News, 3/31)

At War With The Third Superpower -- "If we showed the Japanese the wonderfully productive ways of capitalism, it is the Japanese who are finally making us realize that the world of the future, American and Japanese, is a world of trade -- free and competitive.... Within 15 years the United States and Japan will be the great capital centers looking down on a more capitalist world.... But who gets what share of the riches? That is the question being fought out now. We are in a struggle with the Japanese for a future (and stable) share, and their great advantage is they know it's war. We are just waking up to the fact that it's our future, America's future, that is at stake. The Japanese vision is to keep what they have and then divide up America's future."

(Richard Reeves, Baltimore Sun, 4/1)

Tariffs May Spark A Trade Peace -- "Japanese trade practices have finally worn down American patience. We hope that President Reagan's recent decision...doesn't set Congress off on a trade war, in which there could be more losers than winners.... Although the Administration's action isn't likely to have much impact on the \$170 billion U.S. trade deficit, it was necessary to show Japanese manufacturers and Congress that it stands by its trade agreements.... We hope the Japanese government and manufacturers get the message and open the debate to opening their markets to more imports. There are too many economic risks for both countries otherwise."

(Chicago Sun-Times, 3/31)

Retaliation Isn't The Only Solution -- "The Reagan Administration was correct to impose sanctions over the computer chips.... But at the same time, this nation cannot go on indefinitely consuming all the goods the world wants to manufacture and sell to a willing American public. The solution will not be found in protectionist walls or a trade war with Japan. The United States must first recognize that it has been its own worst enemy in the growing trade deficit. At turnaround will not occur until Americans make a philosophical commitment to change their way of living and doing business."

(Dallas Morning News, 4/1)

Hara-Kiri Protectionism -- "Mr. Reagan still has time to end his flirtation with protectionism and return to the free trade policies that have undergirded his four year economic boom. Sure, we ought to insist that the Japanese open their markets to U.S. goods. But retaliation against what are really old-time Yankee trader tactics can only boomerang."

(Washington Times, 4/2)

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EDITORIALS & COLUMNS (continued)

'Free Trade' -- "High-stakes trade retaliation, like Russian roulette, is a dangerous game, and the world doesn't benefit when the President of the United States leads by bad example. The winds of a trade war were hardly calmed, moreover, when U.S. Trade Representative Clayton Yeutter yesterday described import restraints as 'the H-bomb of trade policy,' and told Congress that 'H-bombs ought to be dropped by the President and nobody else.'... At a time when the world economy badly needs serious leadership, the U.S. Congress contains some of the biggest jingoes since Messrs. Hawley and Smoot. To appease the jingoes, the Reagan Administration is now engaged in a volatile strategy of retaliatory brinksmanship with Japan and Europe." (Wall Street Journal, 4/3)

A Shot Across Japan's Bow -- "The real need is not for piecemeal adjustments but for change in the web of informal but almost impregnable personal relationships that are the real barrier to reciprocal trade with Japan. That and a less obsessive pursuit of export. This may be asking the impossible. But if that is the case, America and other trading partners will have no choice but to organize mechanisms of their own to limit Japanese participation in their home markets."

(Ernest Connie, Los Angeles Times, 4/6)

Is U.S. Semiconductor Industry Trying To Create a Cartel? -- "The architects of this policy, which would lead to a cartel, are none other than the top leadership of the U.S. Department of Commerce and the U.S. Trade Representative's office.... Their cure, however, is worse than the disease.... The higher costs that American consumers will bear at least will produce tariff revenues for our government. But it is foolhardy to force a protesting Japanese Ministry of International Trade and Industry to form a chip cartel that will boost Japanese profits at the expense of our equipment manufactures and consumers."

(Kenneth Flamm, Salt Lake Tribune, 3/29)

The U.S. Can't Compete if Foreign Marketers Cheat -- "The U.S., should it enter similar 11-th hour talks with the Japanese, must seek specific, enforceable remedies against dumping. Too, it should use its retaliatory threat to prod Japan into lifting its de facto ban on U.S. supercomputers, and to live up to its agreement to open markets to U.S. chipmakers. Failing such a deal, stiff tariff should follow. The U.S. can narrow wage gaps and keep down pressure on the dollar's value. But those measures won't spark competitiveness if its competitors, or their unchecked entrepreneurs, continue to cheat."

(Atlanta Journal, 3/27)

FOREIGN MEDIA REACTION

THE PRESIDENT/CANADA

"The Canadian Prime Minister, Mr. Brian Mulroney, clashed with President Reagan over Canadian sovereignty in the Arctic during talks in Ottawa yesterday." (Guardian, Britain)

"President Reagan yesterday cast doubt on the significance of the internal reform program of Soviet leader Mr. Gorbachev by raising Soviet involvement in third world conflicts as the true test of the Soviet leader's intentions. Mr. Reagan echoed Prime Minister Thatcher's positive reaction last week to recent changes in the Soviet Union, such as the release of political prisoners and the unjamming of BBC broadcasts." (Financial Times, Britain)

"Reagan's first trip abroad after the storm and the paralysis caused by 'operation Ayatollah' was not an easy one. It was instead a walk across the street that was not likely to raise enthusiasm." (Il Giornale, Italy)

"President Reagan found himself put on the defensive during the initial phase of his summit meeting with Canadian Premier Mulroney." (Corriere della Sera, Italy)

"President Reagan gave a strong personal endorsement to the Canada-U.S. free trade talks...saying he hoped negotiations would result in the free flow across the border of goods, services, investment -- and California wine and Canadian beer." (Globe and Mail, Canada)

"Canadian Prime Minister Brian Mulroney took advantage of his annual summit with President Reagan to propose a treaty on acid rain which, however, appears to stand little chance of acceptance by Washington." (Le Matin, Switzerland)

EMBASSY SECURITY

"George Shultz will be the first one to suffer the concrete effects of the affair of the two Marines in Moscow. He will be confronted with a problem both extremely important and stupid: how to communicate with Washington during his visit to Moscow." (Quotidien, France)

"This is a hard blow for the U.S. public. After Irangate, it now has an additional reason to question the reliability of top U.S. institutions that must guarantee the security of the nation." (Corriere della Sera, Italy)

"An embassy stuffed with mikes, one week before the arrival in Moscow of Secretary Shultz, is not beneficial to mutual relations, no more than the discovery in France of an espionage network very interested in the engines of the Ariane rocket, a few weeks before the visit of Prime Minister Jacques Chirac to the Soviet Union."

(La Libre Belgique, Belgium)



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, APRIL 8, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

U.S. Won't Be 'Run Out Of Town' -- President Reagan, declaring the U.S. will not be "run out of town" by Soviet spying, said yesterday neither Washington nor Moscow will move into new embassies until he is satisfied the U.S. Embassy is secure. (USA Today, Washington Post, Washington Times, AP, Newhouse, Reuter, Scripps Howard, UPI)

NATIONAL NEWS

House To Debate \$1 Trillion Budget Plan -- The House, beginning two days of debate today on a record \$1 trillion budget proposal, has critics grumbling about its suggested \$18 billion tax and revenue package and its cuts in defense spending. (Washington Post, Washington Times, UPI)

IRAN-NICARAGUA

CIA Chief-Designate Webster To Face Senate Questions On Iran -- William Webster's limited role in the Iran arms scandal is expected to come under close scrutiny by senators responsible for approving his job switch from top law enforcement agent to spy chief. (USA Today, Washington Post, Washington Times, AP, Reuter)

NETWORK NEWS (Tuesday Evening)

EMBASSY SECURITY -- The U.S. launched a formal protest with the Soviets over the spy scandal at the U.S. Embassy in Moscow.

SOVIET SUBMARINES -- Five Soviet submarines are reported to have moved into waters east of Bermuda.

LIBYA/TERRORISM -- There appears to be new evidence of a Libyan terrorist network in the western hemisphere.

THE SENATOR SUGGESTS...

Senator Robert Byrd, angry over the spy case in Moscow, today suggested that Soviet diplomats should be kicked out of their new embassy here. "Put the Soviets in a swamp," he told a news conference. "See if you can't find a good one -- with all alligators." (Reuter, 4/7)

INTERNATIONAL NEWS

U.S. MIGHT DEMOLISH EMBASSY IN MOSCOW Probers Say Repairs May Take Five Years

MOSCOW -- Security and construction flaws in the newly built U.S. Embassy here will take at least five years to rectify and may require demolition of the \$100 million structure, a congressional team said today at the conclusion of a two-day probe of U.S. facilities in the Soviet capital.

The alleged complicity of U.S. Marines in espionage at the old embassy also has "fully compromised" the facility and will require a security overhaul of it and embassies in other foreign capitals, according to Reps. Daniel Mica and Olympia Snowe, members of the House Foreign Affairs Committee.

Due to "hostility" and an "intelligence threat" in the Soviet environment, Marines and other U.S. security personnel assigned here should undergo more rigid screening, including polygraph tests, and more extensive training, Mica and Snowe concluded.

(Gary Lee, Washington Post, A1)

Embassy Security System Overhaul Recommended

MOSCOW -- Two members of Congress assessing damage from the sex-for-secrets scandal at the U.S. Embassy said Tuesday they would recommend a complete overhaul of the embassy security system worldwide.

Rep. Dan Mica, told a news conference if allegations that two Marine guards allowed Soviet agents into the innermost sanctuary of the U.S. Embassy are correct, the affair "results in essentially catastrophic compromise for this particular facility."

Mica, chairman of the House Foreign Affairs International Operations subcommittee, said the earliest possible date of occupancy for the new U.S. Embassy, under construction for seven years at a cost he estimated at \$170 million, is "five to 10 years away, if ever."

(Anna Christensen, UPI)

U.S. Won't Be 'Run Out Of Town'

President Reagan, declaring the U.S. will not be "run out of town" by Soviet spying, said yesterday neither Washington nor Moscow will move into new embassies until he is satisfied the U.S. Embassy is secure.

Reagan ordered three investigations to curb "further damage to our national security" from the sex-spy scandal in Moscow and the wide-spread bugging of the old and new U.S. Embassy buildings.

The partly completed, \$190 million facility in Moscow might be torn down unless it can be protected, the President said.

(Jeremiah O'Leary, Washington Times, A1)

Reagan Takes Steps To Correct U.S. Security Lapses In Moscow

President Reagan said today neither the U.S. nor the Soviet Union will occupy new embassies in each other's capitals until he is certain the new U.S. Embassy in Moscow is secure.

During an unscheduled visit to the White House press room, Reagan also said a special review board headed by former Defense Secretary Melvin Laird would examine serious security breaches at the U.S. diplomatic mission in Moscow.

"While all the facts are not known, it is clear that security implications are widespread and that additional quick action is needed to prevent further damage to our national security," the President said.

(Gene Gibbons, Reuter)

Reagan: Check All Embassies

President Reagan ordered investigations of U.S. embassies worldwide following espionage scandals at the U.S. Embassy compound in Moscow.

Reagan demanded to know -- before the U.S. moves into its new \$191 million Moscow embassy complex -- "whether it will ever be secure or whether it may be necessary to destroy and rebuild it."

(Jessica Lee & Juan Walte, USA Today, A1)

2 Boards To Review Security Worldwide

President Reagan, saying he was "deeply concerned over the breach of security in our Moscow embassy," said yesterday that he might order the new facility torn down if it could not be protected from Soviet eavesdropping, and he instructed two boards to review security procedures at U.S. embassies throughout the world.

"The United States will not occupy our new embassy building in Moscow unless and until I can be assured that it is safe to move into a secure embassy environment," Reagan told reporters in the White House briefing room. "Likewise, the Soviet Union will not be allowed to occupy their new facility in Washington until a simultaneous move by both countries is possible."

The President said he had instructed Secretary Shultz to make embassy security "a major agenda item" during his upcoming talks with Soviet Foreign Minister Eduard Shevardnadze.

(Lou Cannon, Washington Post, A1)

The President/Soviet Espionage

President Reagan says Soviet espionage at the U.S. Embassy in Moscow "doesn't surprise me a bit," and that the spying should not disrupt superpower arms control negotiations.

"I think the whole business of espionage worldwide is something that we have to recognize takes place, and counterintelligence is something that is employed by everyone," Reagan told reporters at the White House. "But at the same time, you don't stop doing business."

(Miles Benson, Newhouse)

Arms Control Gets Priority Over Security

President Reagan put the Kremlin on notice that KGB penetration of the U.S. Embassy in Moscow won't keep Secretary Shultz from visiting the Soviet capital this weekend.

"I just don't think it's good for us to be run out of town," Reagan said in response to suggestions that Shultz's talks with top Soviet officials be moved to a neutral capital.

(Juan Walte, Washington Times, A6)

Reagan Urged To Cancel Trip By Shultz

The senior Republican on the House Foreign Affairs committee urged President Reagan to "show some guts" and cancel Secretary Shultz's trip to Moscow next week in response to security breaches at the U.S. Embassy there.

Rep. William Broomfield said Reagan did not go far enough in announcing that the Soviets could not occupy their new embassy until a U.S. Embassy under construction in Moscow is declared free of electronic eavesdropping devices.

His sentiments were shared by Democrats, as well. "We should put the Soviets in a swamp somewhere," Senate Majority Leader Robert Byrd said, referring to their new embassy compound near Georgetown. "Let's see if we can't find a good one that's got some alligators in it."

(Mary Belcher & Bill Gertz, Washington Times, A1)

Soviets Have Eavesdropped For Years From New Embassy Site

Soviet Diplomats have used their new embassy complex on a Washington hilltop to gather intelligence since 1979, U.S. officials said Tuesday.

President Reagan, reacting to disclosure of Soviet eavesdropping at the U.S. Embassy in Moscow, said that until he resolves security questions surrounding a new U.S. facility in Moscow, Soviet diplomats will not be allowed to occupy their new office building in Washington.

But, in fact, the residential buildings on the Soviet complex have been occupied by the Russians for eight years, officials say.

(Bryan Brumley, AP)

Reagan Acknowledges 'Widespread' Security Problems At Moscow Embassy

President Reagan spoke out for the first time on the sex-and-spying scandal at the U.S. Embassy in Moscow, saying that the security implications are "widespread."

But he stressed the flap between the U.S. and the Soviet Union will not jeopardize delicate arms negotiations now under way. However, Sen. Jesse Helms, ranking Republican on the Senate Foreign Relations Committee, said he hopes revelations of the extent of Soviet snooping will scuttle a new arms control treaty.

(Ann McFeatters, Scripps Howard)

Secret 1985 Warning Of Embassy Bugs Was Ignored, Panel Member Says

State Department officials eager not to jar U.S.-Soviet relations virtually ignored a presidential board's 1985 report that warned of serious security gaps at the U.S Embassy in Moscow, a former panel member says.

"They had a neo-detente view," the panelist said of the State Department officials who, he said, brushed aside nearly all the still-secret proposals by the President's Foreign Intelligence Advisory Board. "They did not want to upset U.S.-Soviet relations." (Barry Schweid, AP)

Reagan Acknowledges He Was Told Of Embassy Bugging, Spying Threat

President Reagan, confronted by an embarrassing spy scandal in Moscow, acknowledges he was warned two years ago that the U.S. Embassy there was vulnerable to espionage and that Soviet employees should be replaced with Americans.

Reagan said he had ordered cutbacks in Soviet personnel at the existing embassy in Moscow but there were difficulties putting Americans in their place. "It isn't exactly a place where you can go out and hire Americans," he said.

Ultimately, all of the Soviet workers were ordered out of the embassy last October by the Kremlin -- not the Americans -- in retaliation for the expulsion of some Soviet diplomats from the U.S. (Terrence Hunt, AP)

American 'Replacements' Working In Moscow Embassy Off To Rocky Start

The State Department's plan to hire Americans to perform non-professional jobs at the embassy in Moscow has gotten off to a shaky start with nine of the first 36 recruits already returned home.

Some of the new American clerks, drivers, housekeepers and plumbers -- hired to replace Soviet employees withdrawn last October -- were discharged for fraternizing with Soviets, engaging in the currency black market or failing to meet job requirements, State Department spokesman Charles Redman said. (Walter Friedenberg, Scripps Howard)

Five American Civilians Recalled From Embassy

The State Department said that five Americans working in the U.S. Embassy under a private contract have been sent home in the last year, including two for associating with Soviet citizens.

Spokeswoman Phyllis Oakley said a total of 26 private civilians are now in Moscow working for the U.S. Embassy with more to come as a California consulting firm recruits Americans to do jobs once performed by Soviet citizens. (Matthew Quinn, UPI)

U.S. Embassy Plagued By Security Problems For 35 Years

MOSCOW -- Concern that U.S. Marine guards may have compromised security at the American Embassy in Moscow and fears that a new embassy complex may be bugged are the latest chapter in a history of problems dating back 35 years.

The embassy now in use, a yellow, stucco-facade building on Moscow's central Chaikovsky Street, was found to have been implanted with Soviet electronic eavesdropping devices when it was first occupied in 1952. (Mary Ellen Bortin, Reuter)

A New Embarrassment For Reagan: It Happened On His Watch

Most of the construction of the new U.S. Embassy in Moscow, in which U.S. officials say listening devices have been found, occurred during President Reagan's Administration.

"I think I've been rather realistic about the Soviet Union for quite some time, and believe me, it doesn't surprise me a bit," Reagan said of the Soviet bugging.

Still, questions were being asked about how the situation could have developed during the watch of a president who has made a point of anti-communism throughout his political career. (Dale Nelson, AP)

WALKER BROUGHT SOVIET SUBS CLOSER TO U.S. SHORES

Former U.S. Navy radioman and convicted spy John Walker provided information that helped the Soviet Union develop a new generation of quiet submarines, according to U.S. officials and analysts.

Soviet acquisition of Western multi-axis milling machines -- which produce quiet propeller blades -- was one damaging result of the Walker spy ring, they said. The application of the machinery enhanced Moscow's capability to move its submarines to within 10 minutes' missile flying time from the U.S. coast. (James Dorsey, Washington Times, A1)

SOVIET SUBMARINES IN WESTERN ATLANTIC

The Soviet Union has deployed five nuclear-powered attack submarines to the western Atlantic Ocean for an exercise simulating a wartime stab at two major East Coast Navy ports, the Pentagon said.

The Submarines were spread over a wide area of the Atlantic east of Bermuda and were under constant surveillance by U.S. Navy P-3 Orion submarine hunting aircraft from Iceland, Bermuda and New Brunswick, Canada, and U.S. and NATO destroyers and frigates, the officials said.

(Richard Gross, UPI)

REAGAN APPLAUDS SOVIET NUCLEAR TEST OFFER, BUT AIDES SPLIT OVER ACCEPTANCE

President Reagan hailed a recent Soviet offer on nuclear testing as "encouraging" yesterday, but his Administration remained divided over whether to accept it.

Asked about the Soviet offer during a short appearance in the White House briefing room, Reagan said, "We think that it's encouraging -- their whole attitude to arms -- which has never before been true with any of the other previous Soviet leaders."

Several officials said the Administration remained at odds over the proposal, however, with the Energy and Defense departments on one side, countered by the State Department and the Arms Control and Disarmament Agency. The critics have argued that even partial test limitations are not in U.S. interest, while proponents have said that Congress will enact severe test limitations unless the Administration fosters the impression of movement in discussions with the Soviet Union.

(Jeffrey Smith, Washington Post, A18)

Adelman: Soviets Give Up On Total Nuclear Test Ban

A senior Administration official said Tuesday the Soviet Union has given up its insistence on a complete nuclear test ban and President Reagan called the shift "encouraging."

Kenneth Adelman, director of the Arms Control and Disarmament Agency, described the change as a concession that could lead to serious superpower negotiations on limiting nuclear testing.

"They're edging closer to our position," Adelman said in a telephone interview with UPI. "They're buying on to our agenda."

(Matthew Quinn, UPI)

**EARLY SDI SYSTEM WOULD DESTROY 16%
OF SOVIET WARHEADS, HILL REPORT SAYS**

Weapons scientists associated with the SDI program acknowledge that the first phase of a ballistic missile defense system would be effective against "no more than 16 percent" of the warheads in a Soviet attack at a cost of tens of billions of dollars, two Senate staff members said yesterday.

The statement appeared in a 60-page report on SDI by James Bruce, an aide to Sen. Bennett Johnston and Douglas Waller, on the staff of Sen. William Proxmire. The report was intended as a response to a recent Defense Department proposal calling for development of a system that could be fielded as early as 1994.

(Jeffrey Smith, Washington Post, A9)

KOHL LETTER TO REAGAN URGES ACCORD ON INF

BONN -- West German Chancellor Kohl sent a letter to President Reagan today strongly urging him to reach agreement with the Soviet Union to withdraw all medium-range missiles from Europe but expressing concern about an expected Soviet proposal to eliminate some shorter-range missiles as well.

The letter, as described by officials here, expressed the government's preference that NATO should retain some short-range nuclear missiles as a deterrent to offset the Soviets' large advantage in conventional forces.

(Robert McCartney, Washington Post, A15)

**VOLCKER ADVISES HALT TO SLIDE OF DOLLAR
Further Drop Could Worsen Trade Deficit**

The foreign exchange value of the dollar has fallen so far that a further drop could add to inflation, destabilize markets and make the U.S. trade deficit worse rather than better, Federal Reserve Chairman Paul Volcker told Congress yesterday.

Volcker told a Senate Banking subcommittee that last year's \$150 billion deficit in trade in goods and services must be reduced, but that neither a cheaper dollar nor sweeping protectionist measures will do the trick.

Instead, the Fed chairman said, the most important thing to do is reduce the federal budget deficit and thereby cut the flow of capital from other countries to the U.S. If that capital inflow is reduced, the trade deficit will be, too, he said.

(John Berry, Washington Post, F1)

Weinberger Says Protectionism Will Not Help U.S. Industry

Secretary Weinberger attacked rising protectionism in the U.S., calling it a "myopic and dangerous position."

In a speech prepared for delivery to the Electronic Industry Association, he said that while some form of trade action might be necessary from time to time, "protectionism is not the answer."

"Unfortunately, some have adopted the myopic and dangerous position that all of our industrial base ills can be solved with a healthy dose of protectionist elixir -- trade barriers and tariffs," Weinberger said.

(Reuter)

Administration Again Backs Dollar Pact

The Reagan Administration voiced strong support yesterday for extension of a 1½-month old agreement among the world's major industrial democracies designed to stabilize the dollar.

But fresh declines in the value of the dollar against other major currencies, particularly the Japanese yen, served to fuel skepticism by analysts over the effectiveness of that accord.

A senior Treasury Department official, briefing reporters in advance of a crucial session scheduled today among finance officials of key economic powers, said that the monetary agreement, reached on Feb. 22 in Paris, "has been successful, is in force and we certainly favor its continuation."

(Tom Raum, Washington Post, F4)

Major Countries Aim to Reinforce Pledge For Stable Dollar

The top industrial powers meet today to reinforce their efforts to stabilize foreign exchange rates and prevent a weakening dollar from disrupting world economic growth.

Monetary officials from the world's three leading economies, the U.S., Japan and West Germany, all took pains to reassure financial markets that they wanted to stabilize the dollar and agreed on the dangers of a further decline.

(Donald Nordberg, Reuter)

SHULTZ, JORDANIAN AIDE DISCUSS MIDEAST TALKS

Secretary Shultz conferred yesterday with Jordanian Prime Minister Zeid Rifai on ways to restart the stalled Middle East peace process but stopped short of endorsing the international conference advocated by Jordan's King Hussein as an umbrella for talks with Israel.

Shultz's response seemed to put the U.S. much further from the concept of an international conference than was the case when Israeli Prime Minister Yitzhak Shamir visited here in February.

(John Goshko, Washington Post, A14)

EDITOR'S NOTE: "Embassy Has 'Serious Shortcomings' (excerpts of a report by Reps. Mica and Snowe)," appears in The Washington Post, A18.

NATIONAL NEWS

DEMOCRATIC BUDGET PLAN IS OFFERED AS LEAST PAINFUL WAY TO TIGHTEN BELT

The House today begins debate on a \$1 trillion Democratic budget that may be the perfect compromise in a year of exceedingly difficult choices. It pleases virtually no one in the Democratic majority, but distresses them less than the alternatives.

The Democratic plan's political blemishes include an \$18 billion tax increase and defense and domestic spending cuts that equally pain the conservative and liberal wings of the party. Yet the House Democratic leadership hopes to show that their plan is the most appealing option by submitting President Reagan's budget for a vote.

That strategy is also designed to discomfort the 177 House Republicans, who are expected to oppose the Democratic budget en masse but who have no alternative of their own and little collective desire to back the Reagan budget -- which would cut domestic spending \$22.5 billion to compensate for a more generous treatment of the Pentagon and no increase in taxes. (Tom Kenworthy, Washington Post, A6)

House Democrats Revive Threat Of Automatic Budget Cuts

House Democrats have revived the threat of deep automatic spending cuts in a bid to get Republican cooperation in passing the Democrats' proposed fiscal 1988 budget.

The House Rules Committee yesterday set limits on consideration of the \$1 trillion budget resolution that force lawmakers to choose between it and a process of mandatory reductions known as "sequestration."

Floor debate on the measure will begin today and a vote is set for tomorrow, according to the schedule approved by the committee.

(Gene Greabowski, Washington Times, A4)

House To Debate \$1 Trillion Budget Plan

The House, beginning two days of debate today on a record \$1 trillion budget proposal, has critics grumbling about its suggested \$18 billion tax and revenue package and its cuts in defense spending.

Representatives nonetheless are ahead of their counterparts in the Senate, where the Budget Committee's last public effort to draft a separate fiscal 1988 spending plan ended in a stalemate. The Senate panel, apparently near agreement on a new compromise, planned to meet today to review the matter. (Linda Werfelman, UPI)

PANEL REVERSES SUBCOMMITTEE, VOTES TO FUND NEW ATTACK SUB

The House Armed Services Committee yesterday struck a compromise in which the Navy's new Seawolf attack submarine would be funded fully, while the Defense Department studied ways to improve the present generation of attack boats.

Lawmakers who attended the markup of the fiscal 1988 defense authorization bill said President Reagan also gained partial victories on SDI and the version of the MX missile that would be placed aboard trains.

(George Wilson, Washington Post, A8)

WELFARE REVISION GAINS; PROPOSED COSTS HALVED

Legislation that would dramatically overhaul the federal welfare system began taking shape yesterday as Rep. Harold Ford halved the cost of his welfare plan in an effort to gain Republican support and stay within House leaders' budget limits.

Ford's Ways and Means public assistance subcommittee is ready to start voting today on his proposed changes in the Aid to Families with Dependent Children program.

While the panel's senior Republican, Hank Brown, did not endorse Ford's new version, he told Ford, "this moves us a significant distance toward trying to get together." (Spencer Rich, Washington Post, A4)

SENATE PACT PRESERVES ANTI-EROSION LAW

Rebuking its Agriculture Committee, the Senate refused to go along with legislation that would have relaxed federal protection of highly erodible cropland.

A potentially bruising floor battle was avoided when the Senate accepted a compromise by Sen. David Boren that would retain the basic soil-protection provisions adopted by Congress in 1985 farm legislation.

(Ward Sinclair, Washington Post, A5)

STOCKS FALL SHARPLY ON INTEREST-RATE CONCERNS

NEW YORK -- Stocks fell steeply from the 2,400 level in an avalanche of selling unleashed today by a jump in credit market interest rates and renewed fears that the dollar could fall further.

After first extending the rally that hit an all-time closing high of 2,405.54 Monday, the Dow Jones industrial average skipped 44.60 points to 2,360.94, the forth-biggest points drop on record.

(Gary Seidman, Reuter)

HINCKLEY WANTS TO BE RELEASED TO CUSTODY OF FORMER PATIENT

Presidential assailant John Hinckley has told a psychiatrist that his "ultimate wish" is to be released from St. Elizabeths Hospital into the custody of a former Washington socialite who spent three years at the hospital after being found innocent by reason of insanity in her daughter's shotgun killing.

Hinckley's comment about Leslie deVeau, who was released from the hospital in 1985, was revealed yesterday by government attorneys in court papers opposing the hospital's request that U.S. District Judge Barrington Parker allow Hinckley to leave the institution unescorted for an Easter visit with his family.

(Nancy Lewis, Washington Post, A22)

IRAN — NICARAGUA

FBI CHIEF QUERIED ON MEESE ROLE Counsel Walsh Probes Initial Inquiry Into Iran-contra Affair

Investigators for independent counsel Lawrence Walsh interviewed FBI Director William Webster as part of an investigation of Attorney General Edwin Meese's handling of the Iran-contra affair, according to informed sources.

Walsh's staff is investigating Meese's activities, including the five-day fact-finding inquiry he conducted last November that led to the revelation that funds generated by arms sales to Iran had been diverted to aid the Nicaraguan contras, the sources said. Walsh's inquiry was prompted by the discovery that key White House documents were destroyed or altered while Meese was conducting his inquiry.

Webster was interviewed about his personal dealings with Meese on matters related to the Iran-contra affair, including Meese's failure to accept Webster's offer of FBI help in his initial inquiry -- subjects on which the FBI director is expected to be questioned closely today when the Senate Select Committee on Intelligence begins hearings on his nomination to head the CIA.

(Bob Woodward, Washington Post, A1)

Webster Testifying On Meese Role In Iran-Contra Affair

CIA director William Webster is being put in the awkward position of having to testify publicly about Attorney General Edwin Meese's role in the Iran-contra affair.

FBI Director Webster, who has worked closely with Meese for the past two years, is to answer questions today before the Senate Intelligence Committee, whose members want to know why Meese blocked an FBI investigation of aid to the contras for several weeks last fall.

(Pete Yost, AP)

CIA Chief-Designate Webster To Face Senate Questions On Iran

William Webster's limited role in the Iran arms scandal is expected to come under close scrutiny by senators responsible for approving his job switch from America's top law enforcement agent to its spy chief.

Webster is scheduled to testify at an all-day, open Senate Intelligence Committee hearing -- the second time in less than two months that senators have been asked to confirm a Reagan Administration nominee to head the CIA.

But Senate aides say Webster, director of the FBI for the past nine years, is unlikely to encounter the kind of problems that forced acting CIA director Robert Gates to withdraw his name in early March.

(Sue Baker, Reuter)

Panel Likely To Grill Webster On FBI Action In North Case

A delay by the FBI in securing the National Security Council office of Lt. Col. Oliver North last November is expected to be a key element of today's hearing on the nomination of William Webster.

"To say he's not apprehensive is not correct," William Baker, an assistant FBI director, said of Webster, current FBI director nominated March 3 by President Reagan to head the CIA.

(John McCaslin, Washington Times, A3)

Praise Ushers In Webster's CIA Hearings

FBI Director William Webster's tough management style -- which has guided winning cases against corrupt judges, mobsters and terrorists -- also could pay off at the CIA.

That assessment comes from former colleagues and officials as the Senate begins hearings today on Webster's nomination to head the CIA.

Rather than chilling CIA operations, Webster's legal strictness and openness to congressional oversight could aid the besieged agency, experts say.

(Sam Meddis, USA Today, A6)

NETWORK NEWS SUMMARY

(Tuesday Evening, April 7, 1987)

EMBASSY SECURITY

NBC's Tom Brokaw: The United States today launched a formal protest with the Soviets over the spy scandal at the U.S. Embassy in Moscow -- Soviet agents, allegedly allowed to roam through the Embassy by U.S. Marine guards personally involved with female KGB agents. And this controversy now has spread to the new U.S. Embassy in Moscow as well. The \$190 million project that may have to be abandoned.

NBC Chris Wallace: With the spy scandal spreading and Congress demanding action, the President ordered a complete halt to one project.

(The President: "The United States will not occupy our new Embassy building in Moscow unless and until I can be assured that it is safe to move into a secure embassy environment.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Noting reports that the building is riddled with Soviet listening devices, the President said the U.S. may have to destroy it and start over again. He also said the Soviets won't be allowed into their new Washington Embassy until the U.S. solves its security problem. A new U.S. Ambassador Matlock protested to the Soviets today that their spying is a breach of diplomacy. Despite that breach, Secretary of State George Schultz will go ahead with key arms control talks next week in Moscow, assuring the President today he will have adequate protection from Soviet spying. One top Republican said Schultz should refuse to meet in Moscow.

(TV coverage: Still photo of the President in the left half of frame; still photo of Embassy on the right.)

(Congressman William Broomfield: "I think it should have been moved to a neutral country to show our disgust and concern.")

But the President is determined not to let the scandal disrupt U.S./Soviet relations.)

(The President: "Well, I think the whole business of espionage worldwide is something that we have to recognize takes place, but at the same time, you don't stop doing business.")

(TV coverage : The President speaking at the podium in the White House Briefing Room.)

Today, the President also ordered two investigations into the scandal, including one by his foreign intelligence advisory board. That board told Mr. Reagan two years ago that the Moscow Embassy was vulnerable to spies; but little was done. Officials say former Ambassador Hartman resisted getting rid of Soviet workers.

(TV coverage: Still photo of the President on the left of screen, still photo of the Embassy on the right.)

(The President: "I must say we did run into some embassy problems and opposition because it isn't exactly a place where you can just go out and hire Americans.")

Wallace continues:

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

In fact, no Soviets have worked at the Embassy since October. But the State Department now says of the 31 Americans brought over since then as clerks or drivers, 9 prove unsuitable, some for fraternizing with Soviets as the Marine guards did.

(Charles Redman: "You can see from the statistics that I've given you that it is difficult to adjust to life in Moscow for a lot of people.")

But those numbers don't persuade the President, who, aides say, is privately angry at American diplomats for failing to protect U.S. security. Wherever this scandal leads, the President seems clearly determined to stay ahead of it.

Brokaw: Two members of Congress now in Moscow inspecting the new embassy are plainly appalled by the condition of those buildings and the scope of the spy scandal. After touring the old Embassy, they say it has been fully compromised by the KGB and they are equally concerned about the new embassy which was build by the Soviets under a 1972 agreement.

NBC's Sandy Gilmour: Snowe and Mica issued a report saying the Embassy building now in use, is practically unliveable.... And they said much of the new Embassy cannot be used now and may be a waste.

(Rep. Snowe: "Based on information collected, it is our estimate the earliest possible date of occupancy is at least five years away, if ever.")

They conclude that many security violations reported by trustworthy Marines had been dismissed by senior diplomats at the Embassy.

Brokaw: Marine Sgt. Robert Stufflebeam, one of the embassy Marines being questions in the scandal today was released.... A Marine spokesman said there was insufficient evidence to hold him.
(NBC-Lead)

ABC's Peter Jennings: ...President Reagan is as frustrated as anyone.

ABC's Sheilah Kast: President Reagan weighed in on the issue of embassy security, pledging the U.S. will not move into its new embassy building in Moscow until he's satisfied it's safe.

(The President: "Likewise, the Soviet Union will not be allowed to occupy their new facility in Washington until a simultaneous move by both countries is possible.")

That's been policy since the superpowers started negotiating about building new embassies 19 years ago. What the President added today was two new blue-ribbon inquiries on top of three security investigations already underway.

(TV coverage: The President speaking at podium in the White House Briefing Room.)

In addition to looking at the current embassy, the President wants to evaluate the embassy under construction.

(The President: "And ascertain whether it will ever be secure, or whether it may be necessary to destroy and rebuild it.")

-more-

Kast continues: The new building is reportedly riddled with Soviet listening devices built into its walls. The President was asked whether the episode has changed the way he looks at the Soviets.

(The President: "Believe me, it doesn't surprise me a bit. And no I haven't changed my view of the Soviet Union.")

Secretary of State Shultz is due to go to Moscow next week for talks with Soviet Foreign Minister Shevardnadze, though a debate among the President's advisers over whether he should move the meeting to a more neutral city. The President said "No," and that Shultz should make embassy security a major agenda item.

(The President: "I just don't think it's good for us to be run out of town.")

National Security Adviser Frank Carlucci said Shultz would be able to operate with adequate but not optimal security in the embassy. The State Department also stepped up its objections to Soviet espionage activities.

(Charles Redman: "We have filed a protest. It was done by our ambassador in Moscow today.")

It was also announced that more than half of the 18 American workers, employees of Pacific Architects and Engineers who have been working at the embassy for more than a year, are returning to the U.S. -- three for poor work performance, two for fraternizing with the Soviets but not espionage, and four for personal reasons. Some in Congress say not all the American outrage over the security breach should be directed at the Soviets.

(Rep. Arme: "We expect the Soviets to try to spy on the American government, but we do not expect the State Department to help them get away with it.")

The President would not assess which individuals are to blame for the security mess. Repeatedly Mr. Reagan and his aides said they've been aware of the problems for a long time and were taking action on them but they were not in time to head them off.

ABC's Walter Rodgers reports Congresswoman Olympia Snowe and Congressman Dan Mica had to carry children's erasable pads to ask questions they didn't want the Soviets to hear.... After their tour of the new but still unoccupied embassy they announced their six-point findings: Embassy security is fundamentally flawed; There has been a negative attitude toward security by senior American diplomats; Marines and security personnel should take lie-detector tests; Marines themselves may be unsuitable for embassy security in Communist countries; The existing American embassy is a horrible fire-trap and the new American embassy can't be made secure for five to ten years if ever.... But a senior Kremlin spokesman says that after the Reagan Administration's own undercover operations during the Irangate affair the Russians have no apologies.

(Georgi Arbatov: "You really lost all moral rights to say anything to anybody until you put your own house in order.")... (ABC-Lead)

CBS's Dan Rather: President Reagan today rejected advice that we get much tougher with the Soviets about their intelligence penetration of the current U.S. Embassy in Moscow and their bugging of the new one. Secretary of State Schultz will go on to Moscow as planned, trying to get an arms reduction deal, even if it means Schultz has to operate out of a house-trailer.

-more-

CBS's Bill Plante: President Reagan moved personally into the sex/spy/security scandal at the U.S. embassy in Moscow, announcing two new investigations of security breaches at the old Embassy and a look at the new and reported bug-infested U.S. Embassy building.

(The President: "To evaluate the condition of our new building and ascertain whether it will ever be secure or whether it may be necessary to destroy and rebuild it.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

The President also repeated the Administration's long-standing position of tit-for-tat. The U.S. won't move into that new building unless, and until, the Administration is certain it's secure. And, meanwhile, the Soviets won't be allowed into their new Washington Embassy. But Mr. Reagan rejected suggestions that the U.S. take more drastic action and break-off arms control talks.

(The President: "Counter-espionage is employed by everyone. But at the same time, you don't stop doing business.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

So Secretary of State Schultz will go to Moscow next week to meet the Soviet Foreign Minister as scheduled despite reports that he'll need to use his aircraft and an especially equipped trailer to ensure that he can meet and communicate in secrecy. Though the issue of Embassy security will top the agenda, some people say Schultz shouldn't go.

(Rep. Broomfield: "I think this is so serious that we ought to demonstrate to the Soviets that we're not going to tolerate it. And I think the best way to do it would be to have Secretary of State Schultz refuse to meet Sheverdnadze in Moscow.")

(The President: "I just don't think it's good for us to be run out of town.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Two members of Congress who have inspected the new Moscow Embassy building say the structure is so loaded with bugging devices, reportedly planted during construction by Soviet workers, it could take five years to fix and may not be worth the trouble.

(Rep. Snowe: "We might recommend that it be demolished.")

To dramatize the problem, they showed reporters that the only way they could communicate secretly inside the building was to use a child's "magic slate."

(Rep. Mica: "I will tell you, we have to use these little pads in the building. We can't talk in there.")

White House officials are painfully aware that the spy scandal is a major embarrassment for the Administration. But they decided once again in the wake of Mr. Reagan's Iran problems, that it was better for him to take the offensive, rather than to let Congress take the lead on this sensitive issue.

Rather: Two Marines from that Moscow Embassy have already been accused of spying. A third is being held. And the entire contingent will be flown out for questioning by the end of next week. Also, nine civilians from the embassy staff are coming home. They're accused for fraternizing with Soviets, alcoholism and trading in black market currency.
(CBS-Lead)

SOVIET SUBMARINES

Rather: Five Soviet submarines are reported to have moved into waters east of Bermuda. The U-boats are said to have brazenly sailed in, five abreast.

CBS's David Martin: ...Setting off an underwater game of cat-and-mouse with U.S. Navy submarines, aircraft and surface ships. It has been two years since the Soviets have sent this many submarines into the Atlantic and Navy sources say this is the first time that so many submarines capable of firing long-range nuclear-tipped cruise missiles have come within range of the east coast. Anti-submarine warfare has long been an area where the U.S. thought it had a comfortable lead over the Soviets, but secrets given away by the Walker family spy ring have created an undersea crisis.

(John Lehman: "Because, in no small measure, to the years of compromise of our anti-submarine warfare tactics and weapon systems through the Walker spy ring, the Soviets have closed the gap and changed their approach to anti-submarine warfare.")

The State Department will have to spend tens of millions of dollars to repair the damage done by spies and bugs at the U.S. Embassy in Moscow. But the Navy plans to spend billions of dollars to build a new class of submarine in an effort to undo the damage done by the Walkers.... In peacetime secrets given to the Soviets only cost the taxpayer money. In wartime, those same secrets could mean the difference between victory and defeat. (CBS-2, NBC-4)

Jennings: Some of what the Walkers provided the Soviets over the years apparently has helped the Soviets build a better submarine. Several of those Soviet subs are reportedly operating in the Western Atlantic tonight as part of the largest Soviet submarine exercise there since 1985. Locating and tracking Soviet subs at sea has become a good deal more difficult.

ABC's Bob Zelnick reports until recently Soviet subs were noisy -- their comings and goings picked up by underseas listening devices planted at narrow choke points near Soviet harbors.... But the new Akula Class of Soviet sub, with quieter engines and more insulation, often escapes detection.... But the Navy believes the Soviet breakthrough was aided by convicted spy Jon Walker, who gave them information of the whereabouts of U.S. listening devices and how the entire U.S. sub-tracking system works. To counter all this the Navy wants to build the Seawolf, a new super-quiet attack sub, which could hunt Soviet subs without detection. But many in Congress argue that existing submarines should be upgraded before the Seawolf is built at a billion dollars each....

(Robert Sims, Pentagon spokesman: "We've done numerous studies. We've taken the older submarine as far as we can take it with our technology and we want to go ahead with this one.") (ABC-3)

LIBYA/TERRORISM

Brokaw: There appears to be hard new evidence of a Libyan terror network in the western hemisphere.

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NBC's Anne Garrels: In February, Venezuelan authorities deported... a known Libyan terrorist organizer. In the process they found... plans to finance and arm radicals groups in French Guyana, Surinam, Trinidad, Haiti, Jamacia, and French and English Caribbean islands.... Also included plans to send Latin American terrorists to Libya for training.

(Ambassador Paul Bremer: "Looks to us like there's an increase in Libyan planning."
(NBC-5)

COMMENTARY/PRESIDENTIAL RACE

NBC's John Chancellor: "...At this stage, the Republican candidates are by far the more interesting group. That's because of what we might call "The Reagan Problem." There was no Reagan problem until last November, when the Iran/contra scandals hit the front pages. Ronald Reagan was invincibly popular and the Republicans who wanted to succeed him were trying to stand as close to him as possible. But now, because of the President's sharp drop in the polls, there is a Reagan problem. It may not be smart to stand too close to the President. George Bush, his loyalist Vice President, has dropped in the polls. Congressman Jack Kemp...was a Reagan loyalist for 20 years, yet Mr. Kemp has recently been extremely critical of some of the President's positions and is carving out a position for himself. The problem for the Republican Presidential candidate is that they've praised Mr. Reagan for so many years, that it's hard not to praise him now. Yet, praising him now could be politically damaging. It's one of those situations where you're damned if you do and damned if you don't.... (NBC-12)

PRESS COVERAGE REACTION/IRAN-NICARAGUA

Brokaw reports NBC received quite a few letters about its coverage of the Iran arms affair. Mrs. Florida Mattingly said our coverage was "too harsh on the President. He did admit he made a mistake. That is sufficient. It may be a crisis for the news folk and the politicians, its over as far as most of us are concerned." Stanley Berry told us to "get off the President's back for God's sake. Let him govern. Let him get on with it." Lucile Rainey..."We do not think you've been too hard on President Reagan. Keep telling us the truth and don't go soft."
(NBC-13)

DRUGS

Rather: "Just Say No" that's the Reagan Administration's advice to young people tempted to try drugs. But hundreds of thousands of Americans are already hooked on herion and when they ask for help, many are getting "No" for an answer....
(CBS-9)

EDITORIALS/COLUMNISTS

JAPANESE TRADE

Justified Tariff Move -- "Not all of America's trade woes can be blamed on unfair practices by other countries, and the last thing this country needs is protectionist legislation that would trigger a trade war and a possible recession.... International trade must be fair as well as free, and where there is evidence that our trading partners are not abiding by agreements, Washington has no choice but to take proportionate corrective measures. This President Reagan has rightly done." (Buffalo News, 3/31)

At War With The Third Superpower -- "If we showed the Japanese the wonderfully productive ways of capitalism, it is the Japanese who are finally making us realize that the world of the future, American and Japanese, is a world of trade -- free and competitive.... Within 15 years the United States and Japan will be the great capital centers looking down on a more capitalist world.... But who gets what share of the riches? That is the question being fought out now. We are in a struggle with the Japanese for a future (and stable) share, and their great advantage is they know it's war. We are just waking up to the fact that it's our future, America's future, that is at stake. The Japanese vision is to keep what they have and then divide up America's future."

(Richard Reeves, Baltimore Sun, 4/1)

Tariffs May Spark A Trade Peace -- "Japanese trade practices have finally worn down American patience. We hope that President Reagan's recent decision...doesn't set Congress off on a trade war, in which there could be more losers than winners.... Although the Administration's action isn't likely to have much impact on the \$170 billion U.S. trade deficit, it was necessary to show Japanese manufacturers and Congress that it stands by its trade agreements.... We hope the Japanese government and manufacturers get the message and open the debate to opening their markets to more imports. There are too many economic risks for both countries otherwise."

(Chicago Sun-Times, 3/31)

Retaliation Isn't The Only Solution -- "The Reagan Administration was correct to impose sanctions over the computer chips.... But at the same time, this nation cannot go on indefinitely consuming all the goods the world wants to manufacture and sell to a willing American public. The solution will not be found in protectionist walls or a trade war with Japan. The United States must first recognize that it has been its own worst enemy in the growing trade deficit. At turnaround will not occur until Americans make a philosophical commitment to change their way of living and doing business."

(Dallas Morning News, 4/1)

Hara-Kiri Protectionism -- "Mr. Reagan still has time to end his flirtation with protectionism and return to the free trade policies that have undergirded his four year economic boom. Sure, we ought to insist that the Japanese open their markets to U.S. goods. But retaliation against what are really old-time Yankee trader tactics can only boomerang."

(Washington Times, 4/2)

EDITORIALS & COLUMNS (continued)

'Free Trade' -- "High-stakes trade retaliation, like Russian roulette, is a dangerous game, and the world doesn't benefit when the President of the United States leads by bad example. The winds of a trade war were hardly calmed, moreover, when U.S. Trade Representative Clayton Yeutter yesterday described import restraints as 'the H-bomb of trade policy,' and told Congress that 'H-bombs ought to be dropped by the President and nobody else.'... At a time when the world economy badly needs serious leadership, the U.S. Congress contains some of the biggest jingoes since Messrs. Hawley and Smoot. To appease the jingoes, the Reagan Administration is now engaged in a volatile strategy of retaliatory brinksmanship with Japan and Europe." (Wall Street Journal, 4/3)

A Shot Across Japan's Bow -- "The real need is not for piecemeal adjustments but for change in the web of informal but almost impregnable personal relationships that are the real barrier to reciprocal trade with Japan. That and a less obsessive pursuit of export. This may be asking the impossible. But if that is the case, America and other trading partners will have no choice but to organize mechanisms of their own to limit Japanese participation in their home markets."

(Ernest Connie, Los Angeles Times, 4/6)

Is U.S. Semiconductor Industry Trying To Create a Cartel? -- "The architects of this policy, which would lead to a cartel, are none other than the top leadership of the U.S. Department of Commerce and the U.S. Trade Representative's office.... Their cure, however, is worse than the disease.... The higher costs that American consumers will bear at least will produce tariff revenues for our government. But it is foolhardy to force a protesting Japanese Ministry of International Trade and Industry to form a chip cartel that will boost Japanese profits at the expense of our equipment manufactures and consumers."

(Kenneth Flamm, Salt Lake Tribune, 3/29)

The U.S. Can't Compete if Foreign Markers Cheat -- "The U.S., should it enter similar 11-th hour talks with the Japanese, must seek specific, enforceable remedies against dumping. Too, it should use its retaliatory threat to prod Japan into lifting its de facto ban on U.S. supercomputers, and to live up to its agreement to open markets to U.S. chipmakers. Failing such a deal, stiff tariff should follow. The U.S. can narrow wage gaps and keep down pressure on the dollar's value. But those measures won't spark competitiveness if its competitors, or their unchecked entrepreneurs, continue to cheat."

(Atlanta Journal, 3/27)

FOREIGN MEDIA REACTION

THE PRESIDENT/CANADA

"The Canadian Prime Minister, Mr. Brian Mulroney, clashed with President Reagan over Canadian sovereignty in the Arctic during talks in Ottawa yesterday." (Guardian, Britain)

"President Reagan yesterday cast doubt on the significance of the internal reform program of Soviet leader Mr. Gorbachev by raising Soviet involvement in third world conflicts as the true test of the Soviet leader's intentions. Mr. Reagan echoed Prime Minister Thatcher's positive reaction last week to recent changes in the Soviet Union, such as the release of political prisoners and the unjamming of BBC broadcasts." (Financial Times, Britain)

"Reagan's first trip abroad after the storm and the paralysis caused by 'operation Ayatollah' was not an easy one. It was instead a walk across the street that was not likely to raise enthusiasm." (Il Giornale, Italy)

"President Reagan found himself put on the defensive during the initial phase of his summit meeting with Canadian Premier Mulroney." (Corriere della Sera, Italy)

"President Reagan gave a strong personal endorsement to the Canada-U.S. free trade talks...saying he hoped negotiations would result in the free flow across the border of goods, services, investment -- and California wine and Canadian beer." (Globe and Mail, Canada)

"Canadian Prime Minister Brian Mulroney took advantage of his annual summit with President Reagan to propose a treaty on acid rain which, however, appears to stand little chance of acceptance by Washington." (Le Matin, Switzerland)

EMBASSY SECURITY

"George Shultz will be the first one to suffer the concrete effects of the affair of the two Marines in Moscow. He will be confronted with a problem both extremely important and stupid: how to communicate with Washington during his visit to Moscow." (Quotidien, France)

"This is a hard blow for the U.S. public. After Irangate, it now has an additional reason to question the reliability of top U.S. institutions that must guarantee the security of the nation." (Corriere della Sera, Italy)

"An embassy stuffed with mikes, one week before the arrival in Moscow of Secretary Shultz, is not beneficial to mutual relations, no more than the discovery in France of an espionage network very interested in the engines of the Ariane rocket, a few weeks before the visit of Prime Minister Jacques Chirac to the Soviet Union."

(La Libre Belgique, Belgium)



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, APRIL 8, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

U.S. Won't Be 'Run Out Of Town' -- President Reagan, declaring the U.S. will not be "run out of town" by Soviet spying, said yesterday neither Washington nor Moscow will move into new embassies until he is satisfied the U.S. Embassy is secure. (USA Today, Washington Post, Washington Times, AP, Newhouse, Reuter, Scripps Howard, UPI)

NATIONAL NEWS

House To Debate \$1 Trillion Budget Plan -- The House, beginning two days of debate today on a record \$1 trillion budget proposal, has critics grumbling about its suggested \$18 billion tax and revenue package and its cuts in defense spending. (Washington Post, Washington Times, UPI)

IRAN-NICARAGUA

CIA Chief-Designate Webster To Face Senate Questions On Iran -- William Webster's limited role in the Iran arms scandal is expected to come under close scrutiny by senators responsible for approving his job switch from top law enforcement agent to spy chief. (USA Today, Washington Post, Washington Times, AP, Reuter)

NETWORK NEWS (Tuesday Evening)

EMBASSY SECURITY -- The U.S. launched a formal protest with the Soviets over the spy scandal at the U.S. Embassy in Moscow.

SOVIET SUBMARINES -- Five Soviet submarines are reported to have moved into waters east of Bermuda.

LIBYA/TERRORISM -- There appears to be new evidence of a Libyan terrorist network in the western hemisphere.

THE SENATOR SUGGESTS...

Senator Robert Byrd, angry over the spy case in Moscow, today suggested that Soviet diplomats should be kicked out of their new embassy here. "Put the Soviets in a swamp," he told a news conference. "See if you can't find a good one -- with all alligators." (Reuter, 4/7)

INTERNATIONAL NEWS

U.S. MIGHT DEMOLISH EMBASSY IN MOSCOW Probers Say Repairs May Take Five Years

MOSCOW -- Security and construction flaws in the newly built U.S. Embassy here will take at least five years to rectify and may require demolition of the \$100 million structure, a congressional team said today at the conclusion of a two-day probe of U.S. facilities in the Soviet capital.

The alleged complicity of U.S. Marines in espionage at the old embassy also has "fully compromised" the facility and will require a security overhaul of it and embassies in other foreign capitals, according to Reps. Daniel Mica and Olympia Snowe, members of the House Foreign Affairs Committee.

Due to "hostility" and an "intelligence threat" in the Soviet environment, Marines and other U.S. security personnel assigned here should undergo more rigid screening, including polygraph tests, and more extensive training, Mica and Snowe concluded.

(Gary Lee, Washington Post, A1)

Embassy Security System Overhaul Recommended

MOSCOW -- Two members of Congress assessing damage from the sex-for-secrets scandal at the U.S. Embassy said Tuesday they would recommend a complete overhaul of the embassy security system worldwide.

Rep. Dan Mica, told a news conference if allegations that two Marine guards allowed Soviet agents into the innermost sanctuary of the U.S. Embassy are correct, the affair "results in essentially catastrophic compromise for this particular facility."

Mica, chairman of the House Foreign Affairs International Operations subcommittee, said the earliest possible date of occupancy for the new U.S. Embassy, under construction for seven years at a cost he estimated at \$170 million, is "five to 10 years away, if ever."

(Anna Christensen, UPI)

U.S. Won't Be 'Run Out Of Town'

President Reagan, declaring the U.S. will not be "run out of town" by Soviet spying, said yesterday neither Washington nor Moscow will move into new embassies until he is satisfied the U.S. Embassy is secure.

Reagan ordered three investigations to curb "further damage to our national security" from the sex-spy scandal in Moscow and the wide-spread bugging of the old and new U.S. Embassy buildings.

The partly completed, \$190 million facility in Moscow might be torn down unless it can be protected, the President said.

(Jeremiah O'Leary, Washington Times, A1)

Reagan Takes Steps To Correct U.S. Security Lapses In Moscow

President Reagan said today neither the U.S. nor the Soviet Union will occupy new embassies in each other's capitals until he is certain the new U.S. Embassy in Moscow is secure.

During an unscheduled visit to the White House press room, Reagan also said a special review board headed by former Defense Secretary Melvin Laird would examine serious security breaches at the U.S. diplomatic mission in Moscow.

"While all the facts are not known, it is clear that security implications are widespread and that additional quick action is needed to prevent further damage to our national security," the President said.

(Gene Gibbons, Reuter)

Reagan: Check All Embassies

President Reagan ordered investigations of U.S. embassies worldwide following espionage scandals at the U.S. Embassy compound in Moscow.

Reagan demanded to know -- before the U.S. moves into its new \$191 million Moscow embassy complex -- "whether it will ever be secure or whether it may be necessary to destroy and rebuild it."

(Jessica Lee & Juan Walte, USA Today, A1)

2 Boards To Review Security Worldwide

President Reagan, saying he was "deeply concerned over the breach of security in our Moscow embassy," said yesterday that he might order the new facility torn down if it could not be protected from Soviet eavesdropping, and he instructed two boards to review security procedures at U.S. embassies throughout the world.

"The United States will not occupy our new embassy building in Moscow unless and until I can be assured that it is safe to move into a secure embassy environment," Reagan told reporters in the White House briefing room. "Likewise, the Soviet Union will not be allowed to occupy their new facility in Washington until a simultaneous move by both countries is possible."

The President said he had instructed Secretary Shultz to make embassy security "a major agenda item" during his upcoming talks with Soviet Foreign Minister Eduard Shevardnadze.

(Lou Cannon, Washington Post, A1)

The President/Soviet Espionage

President Reagan says Soviet espionage at the U.S. Embassy in Moscow "doesn't surprise me a bit," and that the spying should not disrupt superpower arms control negotiations.

"I think the whole business of espionage worldwide is something that we have to recognize takes place, and counterintelligence is something that is employed by everyone," Reagan told reporters at the White House. "But at the same time, you don't stop doing business."

(Miles Benson, Newhouse)

Arms Control Gets Priority Over Security

President Reagan put the Kremlin on notice that KGB penetration of the U.S. Embassy in Moscow won't keep Secretary Shultz from visiting the Soviet capital this weekend.

"I just don't think it's good for us to be run out of town," Reagan said in response to suggestions that Shultz's talks with top Soviet officials be moved to a neutral capital.

(Juan Walte, Washington Times, A6)

Reagan Urged To Cancel Trip By Shultz

The senior Republican on the House Foreign Affairs committee urged President Reagan to "show some guts" and cancel Secretary Shultz's trip to Moscow next week in response to security breaches at the U.S. Embassy there.

Rep. William Broomfield said Reagan did not go far enough in announcing that the Soviets could not occupy their new embassy until a U.S. Embassy under construction in Moscow is declared free of electronic eavesdropping devices.

His sentiments were shared by Democrats, as well. "We should put the Soviets in a swamp somewhere," Senate Majority Leader Robert Byrd said, referring to their new embassy compound near Georgetown. "Let's see if we can't find a good one that's got some alligators in it."

(Mary Belcher & Bill Gertz, Washington Times, A1)

Soviets Have Eavesdropped For Years From New Embassy Site

Soviet Diplomats have used their new embassy complex on a Washington hilltop to gather intelligence since 1979, U.S. officials said Tuesday.

President Reagan, reacting to disclosure of Soviet eavesdropping at the U.S. Embassy in Moscow, said that until he resolves security questions surrounding a new U.S. facility in Moscow, Soviet diplomats will not be allowed to occupy their new office building in Washington.

But, in fact, the residential buildings on the Soviet complex have been occupied by the Russians for eight years, officials say.

(Bryan Brumley, AP)

Reagan Acknowledges 'Widespread' Security Problems At Moscow Embassy

President Reagan spoke out for the first time on the sex-and-spying scandal at the U.S. Embassy in Moscow, saying that the security implications are "widespread."

But he stressed the flap between the U.S. and the Soviet Union will not jeopardize delicate arms negotiations now under way. However, Sen. Jesse Helms, ranking Republican on the Senate Foreign Relations Committee, said he hopes revelations of the extent of Soviet snooping will scuttle a new arms control treaty.

(Ann McFeatters, Scripps Howard)

Secret 1985 Warning Of Embassy Bugs Was Ignored, Panel Member Says

State Department officials eager not to jar U.S.-Soviet relations virtually ignored a presidential board's 1985 report that warned of serious security gaps at the U.S Embassy in Moscow, a former panel member says.

"They had a neo-detente view," the panelist said of the State Department officials who, he said, brushed aside nearly all the still-secret proposals by the President's Foreign Intelligence Advisory Board. "They did not want to upset U.S.-Soviet relations." (Barry Schweid, AP)

Reagan Acknowledges He Was Told Of Embassy Bugging, Spying Threat

President Reagan, confronted by an embarrassing spy scandal in Moscow, acknowledges he was warned two years ago that the U.S. Embassy there was vulnerable to espionage and that Soviet employees should be replaced with Americans.

Reagan said he had ordered cutbacks in Soviet personnel at the existing embassy in Moscow but there were difficulties putting Americans in their place. "It isn't exactly a place where you can go out and hire Americans," he said.

Ultimately, all of the Soviet workers were ordered out of the embassy last October by the Kremlin -- not the Americans -- in retaliation for the expulsion of some Soviet diplomats from the U.S. (Terrence Hunt, AP)

American 'Replacements' Working In Moscow Embassy Off To Rocky Start

The State Department's plan to hire Americans to perform non-professional jobs at the embassy in Moscow has gotten off to a shaky start with nine of the first 36 recruits already returned home.

Some of the new American clerks, drivers, housekeepers and plumbers -- hired to replace Soviet employees withdrawn last October -- were discharged for fraternizing with Soviets, engaging in the currency black market or failing to meet job requirements, State Department spokesman Charles Redman said. (Walter Friedenberg, Scripps Howard)

Five American Civilians Recalled From Embassy

The State Department said that five Americans working in the U.S. Embassy under a private contract have been sent home in the last year, including two for associating with Soviet citizens.

Spokeswoman Phyllis Oakley said a total of 26 private civilians are now in Moscow working for the U.S. Embassy with more to come as a California consulting firm recruits Americans to do jobs once performed by Soviet citizens. (Matthew Quinn, UPI)

U.S. Embassy Plagued By Security Problems For 35 Years

MOSCOW -- Concern that U.S. Marine guards may have compromised security at the American Embassy in Moscow and fears that a new embassy complex may be bugged are the latest chapter in a history of problems dating back 35 years.

The embassy now in use, a yellow, stucco-facade building on Moscow's central Chaikovsky Street, was found to have been implanted with Soviet electronic eavesdropping devices when it was first occupied in 1952. (Mary Ellen Bortin, Reuter)

A New Embarrassment For Reagan: It Happened On His Watch

Most of the construction of the new U.S. Embassy in Moscow, in which U.S. officials say listening devices have been found, occurred during President Reagan's Administration.

"I think I've been rather realistic about the Soviet Union for quite some time, and believe me, it doesn't surprise me a bit," Reagan said of the Soviet bugging.

Still, questions were being asked about how the situation could have developed during the watch of a president who has made a point of anti-communism throughout his political career. (Dale Nelson, AP)

WALKER BROUGHT SOVIET SUBS CLOSER TO U.S. SHORES

Former U.S. Navy radioman and convicted spy John Walker provided information that helped the Soviet Union develop a new generation of quiet submarines, according to U.S. officials and analysts.

Soviet acquisition of Western multi-axis milling machines -- which produce quiet propeller blades -- was one damaging result of the Walker spy ring, they said. The application of the machinery enhanced Moscow's capability to move its submarines to within 10 minutes' missile flying time from the U.S. coast. (James Dorsey, Washington Times, A1)

SOVIET SUBMARINES IN WESTERN ATLANTIC

The Soviet Union has deployed five nuclear-powered attack submarines to the western Atlantic Ocean for an exercise simulating a wartime stab at two major East Coast Navy ports, the Pentagon said.

The Submarines were spread over a wide area of the Atlantic east of Bermuda and were under constant surveillance by U.S. Navy P-3 Orion submarine hunting aircraft from Iceland, Bermuda and New Brunswick, Canada, and U.S. and NATO destroyers and frigates, the officials said.

(Richard Gross, UPI)

REAGAN APPLAUDS SOVIET NUCLEAR TEST OFFER, BUT AIDES SPLIT OVER ACCEPTANCE

President Reagan hailed a recent Soviet offer on nuclear testing as "encouraging" yesterday, but his Administration remained divided over whether to accept it.

Asked about the Soviet offer during a short appearance in the White House briefing room, Reagan said, "We think that it's encouraging -- their whole attitude to arms -- which has never before been true with any of the other previous Soviet leaders."

Several officials said the Administration remained at odds over the proposal, however, with the Energy and Defense departments on one side, countered by the State Department and the Arms Control and Disarmament Agency. The critics have argued that even partial test limitations are not in U.S. interest, while proponents have said that Congress will enact severe test limitations unless the Administration fosters the impression of movement in discussions with the Soviet Union.

(Jeffrey Smith, Washington Post, A18)

Adelman: Soviets Give Up On Total Nuclear Test Ban

A senior Administration official said Tuesday the Soviet Union has given up its insistence on a complete nuclear test ban and President Reagan called the shift "encouraging."

Kenneth Adelman, director of the Arms Control and Disarmament Agency, described the change as a concession that could lead to serious superpower negotiations on limiting nuclear testing.

"They're edging closer to our position," Adelman said in a telephone interview with UPI. "They're buying on to our agenda."

(Matthew Quinn, UPI)

**EARLY SDI SYSTEM WOULD DESTROY 16%
OF SOVIET WARHEADS, HILL REPORT SAYS**

Weapons scientists associated with the SDI program acknowledge that the first phase of a ballistic missile defense system would be effective against "no more than 16 percent" of the warheads in a Soviet attack at a cost of tens of billions of dollars, two Senate staff members said yesterday.

The statement appeared in a 60-page report on SDI by James Bruce, an aide to Sen. Bennett Johnston and Douglas Waller, on the staff of Sen. William Proxmire. The report was intended as a response to a recent Defense Department proposal calling for development of a system that could be fielded as early as 1994.

(Jeffrey Smith, Washington Post, A9)

KOHL LETTER TO REAGAN URGES ACCORD ON INF

BONN -- West German Chancellor Kohl sent a letter to President Reagan today strongly urging him to reach agreement with the Soviet Union to withdraw all medium-range missiles from Europe but expressing concern about an expected Soviet proposal to eliminate some shorter-range missiles as well.

The letter, as described by officials here, expressed the government's preference that NATO should retain some short-range nuclear missiles as a deterrent to offset the Soviets' large advantage in conventional forces.

(Robert McCartney, Washington Post, A15)

**VOLCKER ADVISES HALT TO SLIDE OF DOLLAR
Further Drop Could Worsen Trade Deficit**

The foreign exchange value of the dollar has fallen so far that a further drop could add to inflation, destabilize markets and make the U.S. trade deficit worse rather than better, Federal Reserve Chairman Paul Volcker told Congress yesterday.

Volcker told a Senate Banking subcommittee that last year's \$150 billion deficit in trade in goods and services must be reduced, but that neither a cheaper dollar nor sweeping protectionist measures will do the trick.

Instead, the Fed chairman said, the most important thing to do is reduce the federal budget deficit and thereby cut the flow of capital from other countries to the U.S. If that capital inflow is reduced, the trade deficit will be, too, he said.

(John Berry, Washington Post, F1)

Weinberger Says Protectionism Will Not Help U.S. Industry

Secretary Weinberger attacked rising protectionism in the U.S., calling it a "myopic and dangerous position."

In a speech prepared for delivery to the Electronic Industry Association, he said that while some form of trade action might be necessary from time to time, "protectionism is not the answer."

"Unfortunately, some have adopted the myopic and dangerous position that all of our industrial base ills can be solved with a healthy dose of protectionist elixir -- trade barriers and tariffs," Weinberger said.

(Reuter)

Administration Again Backs Dollar Pact

The Reagan Administration voiced strong support yesterday for extension of a 1½-month old agreement among the world's major industrial democracies designed to stabilize the dollar.

But fresh declines in the value of the dollar against other major currencies, particularly the Japanese yen, served to fuel skepticism by analysts over the effectiveness of that accord.

A senior Treasury Department official, briefing reporters in advance of a crucial session scheduled today among finance officials of key economic powers, said that the monetary agreement, reached on Feb. 22 in Paris, "has been successful, is in force and we certainly favor its continuation."

(Tom Raum, Washington Post, F4)

Major Countries Aim to Reinforce Pledge For Stable Dollar

The top industrial powers meet today to reinforce their efforts to stabilize foreign exchange rates and prevent a weakening dollar from disrupting world economic growth.

Monetary officials from the world's three leading economies, the U.S., Japan and West Germany, all took pains to reassure financial markets that they wanted to stabilize the dollar and agreed on the dangers of a further decline.

(Donald Nordberg, Reuter)

SHULTZ, JORDANIAN AIDE DISCUSS MIDEAST TALKS

Secretary Shultz conferred yesterday with Jordanian Prime Minister Zeid Rifai on ways to restart the stalled Middle East peace process but stopped short of endorsing the international conference advocated by Jordan's King Hussein as an umbrella for talks with Israel.

Shultz's response seemed to put the U.S. much further from the concept of an international conference than was the case when Israeli Prime Minister Yitzhak Shamir visited here in February.

(John Goshko, Washington Post, A14)

EDITOR'S NOTE: "Embassy Has 'Serious Shortcomings' (excerpts of a report by Reps. Mica and Snowe)," appears in The Washington Post, A18.

NATIONAL NEWS

DEMOCRATIC BUDGET PLAN IS OFFERED AS LEAST PAINFUL WAY TO TIGHTEN BELT

The House today begins debate on a \$1 trillion Democratic budget that may be the perfect compromise in a year of exceedingly difficult choices. It pleases virtually no one in the Democratic majority, but distresses them less than the alternatives.

The Democratic plan's political blemishes include an \$18 billion tax increase and defense and domestic spending cuts that equally pain the conservative and liberal wings of the party. Yet the House Democratic leadership hopes to show that their plan is the most appealing option by submitting President Reagan's budget for a vote.

That strategy is also designed to discomfort the 177 House Republicans, who are expected to oppose the Democratic budget en masse but who have no alternative of their own and little collective desire to back the Reagan budget -- which would cut domestic spending \$22.5 billion to compensate for a more generous treatment of the Pentagon and no increase in taxes.

(Tom Kenworthy, Washington Post, A6)

House Democrats Revive Threat Of Automatic Budget Cuts

House Democrats have revived the threat of deep automatic spending cuts in a bid to get Republican cooperation in passing the Democrats' proposed fiscal 1988 budget.

The House Rules Committee yesterday set limits on consideration of the \$1 trillion budget resolution that force lawmakers to choose between it and a process of mandatory reductions known as "sequestration."

Floor debate on the measure will begin today and a vote is set for tomorrow, according to the schedule approved by the committee.

(Gene Greabowski, Washington Times, A4)

House To Debate \$1 Trillion Budget Plan

The House, beginning two days of debate today on a record \$1 trillion budget proposal, has critics grumbling about its suggested \$18 billion tax and revenue package and its cuts in defense spending.

Representatives nonetheless are ahead of their counterparts in the Senate, where the Budget Committee's last public effort to draft a separate fiscal 1988 spending plan ended in a stalemate. The Senate panel, apparently near agreement on a new compromise, planned to meet today to review the matter.

(Linda Werfelman, UPI)

PANEL REVERSES SUBCOMMITTEE, VOTES TO FUND NEW ATTACK SUB

The House Armed Services Committee yesterday struck a compromise in which the Navy's new Seawolf attack submarine would be funded fully, while the Defense Department studied ways to improve the present generation of attack boats.

Lawmakers who attended the markup of the fiscal 1988 defense authorization bill said President Reagan also gained partial victories on SDI and the version of the MX missile that would be placed aboard trains.

(George Wilson, Washington Post, A8)

WELFARE REVISION GAINS; PROPOSED COSTS HALVED

Legislation that would dramatically overhaul the federal welfare system began taking shape yesterday as Rep. Harold Ford halved the cost of his welfare plan in an effort to gain Republican support and stay within House leaders' budget limits.

Ford's Ways and Means public assistance subcommittee is ready to start voting today on his proposed changes in the Aid to Families with Dependent Children program

While the panel's senior Republican, Hank Brown, did not endorse Ford's new version, he told Ford, "this moves us a significant distance toward trying to get together." (Spencer Rich, Washington Post, A4)

SENATE PACT PRESERVES ANTI-EROSION LAW

Rebuking its Agriculture Committee, the Senate refused to go along with legislation that would have relaxed federal protection of highly erodible cropland.

A potentially bruising floor battle was avoided when the Senate accepted a compromise by Sen. David Boren that would retain the basic soil-protection provisions adopted by Congress in 1985 farm legislation.

(Ward Sinclair, Washington Post, A5)

STOCKS FALL SHARPLY ON INTEREST-RATE CONCERNS

NEW YORK -- Stocks fell steeply from the 2,400 level in an avalanche of selling unleashed today by a jump in credit market interest rates and renewed fears that the dollar could fall further.

After first extending the rally that hit an all-time closing high of 2,405.54 Monday, the Dow Jones industrial average skipped 44.60 points to 2,360.94, the forth-biggest points drop on record.

(Gary Seidman, Reuter)

HINCKLEY WANTS TO BE RELEASED TO CUSTODY OF FORMER PATIENT

Presidential assailant John Hinckley has told a psychiatrist that his "ultimate wish" is to be released from St. Elizabeths Hospital into the custody of a former Washington socialite who spent three years at the hospital after being found innocent by reason of insanity in her daughter's shotgun killing.

Hinckley's comment about Leslie deVeau, who was released from the hospital in 1985, was revealed yesterday by government attorneys in court papers opposing the hospital's request that U.S. District Judge Barrington Parker allow Hinckley to leave the institution unescorted for an Easter visit with his family.

(Nancy Lewis, Washington Post, A22)

IRAN — NICARAGUA

FBI CHIEF QUERIED ON MEESE ROLE Counsel Walsh Probes Initial Inquiry Into Iran-contra Affair

Investigators for independent counsel Lawrence Walsh interviewed FBI Director William Webster as part of an investigation of Attorney General Edwin Meese's handling of the Iran-contra affair, according to informed sources.

Walsh's staff is investigating Meese's activities, including the five-day fact-finding inquiry he conducted last November that led to the revelation that funds generated by arms sales to Iran had been diverted to aid the Nicaraguan contras, the sources said. Walsh's inquiry was prompted by the discovery that key White House documents were destroyed or altered while Meese was conducting his inquiry.

Webster was interviewed about his personal dealings with Meese on matters related to the Iran-contra affair, including Meese's failure to accept Webster's offer of FBI help in his initial inquiry -- subjects on which the FBI director is expected to be questioned closely today when the Senate Select Committee on Intelligence begins hearings on his nomination to head the CIA.

(Bob Woodward, Washington Post, A1)

Webster Testifying On Meese Role In Iran-Contra Affair

CIA director William Webster is being put in the awkward position of having to testify publicly about Attorney General Edwin Meese's role in the Iran-contra affair.

FBI Director Webster, who has worked closely with Meese for the past two years, is to answer questions today before the Senate Intelligence Committee, whose members want to know why Meese blocked an FBI investigation of aid to the contras for several weeks last fall.

(Pete Yost, AP)

CIA Chief-Designate Webster To Face Senate Questions On Iran

William Webster's limited role in the Iran arms scandal is expected to come under close scrutiny by senators responsible for approving his job switch from America's top law enforcement agent to its spy chief.

Webster is scheduled to testify at an all-day, open Senate Intelligence Committee hearing -- the second time in less than two months that senators have been asked to confirm a Reagan Administration nominee to head the CIA.

But Senate aides say Webster, director of the FBI for the past nine years, is unlikely to encounter the kind of problems that forced acting CIA director Robert Gates to withdraw his name in early March.

(Sue Baker, Reuter)

Panel Likely To Grill Webster On FBI Action In North Case

A delay by the FBI in securing the National Security Council office of Lt. Col. Oliver North last November is expected to be a key element of today's hearing on the nomination of William Webster.

"To say he's not apprehensive is not correct," William Baker, an assistant FBI director, said of Webster, current FBI director nominated March 3 by President Reagan to head the CIA.

(John McCaslin, Washington Times, A3)

Praise Ushers In Webster's CIA Hearings

FBI Director William Webster's tough management style -- which has guided winning cases against corrupt judges, mobsters and terrorists -- also could pay off at the CIA.

That assessment comes from former colleagues and officials as the Senate begins hearings today on Webster's nomination to head the CIA.

Rather than chilling CIA operations, Webster's legal strictness and openness to congressional oversight could aid the besieged agency, experts say.

(Sam Meddis, USA Today, A6)

NETWORK NEWS SUMMARY

(Tuesday Evening, April 7, 1987)

EMBASSY SECURITY

NBC's Tom Brokaw: The United States today launched a formal protest with the Soviets over the spy scandal at the U.S. Embassy in Moscow -- Soviet agents, allegedly allowed to roam through the Embassy by U.S. Marine guards personally involved with female KGB agents. And this controversy now has spread to the new U.S. Embassy in Moscow as well. The \$190 million project that may have to be abandoned.

NBC Chris Wallace: With the spy scandal spreading and Congress demanding action, the President ordered a complete halt to one project.

(The President: "The United States will not occupy our new Embassy building in Moscow unless and until I can be assured that it is safe to move into a secure embassy environment.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Noting reports that the building is riddled with Soviet listening devices, the President said the U.S. may have to destroy it and start over again. He also said the Soviets won't be allowed into their new Washington Embassy until the U.S. solves its security problem. A new U.S. Ambassador Matlock protested to the Soviets today that their spying is a breach of diplomacy. Despite that breach, Secretary of State George Schultz will go ahead with key arms control talks next week in Moscow, assuring the President today he will have adequate protection from Soviet spying. One top Republican said Schultz should refuse to meet in Moscow.

(TV coverage: Still photo of the President in the left half of frame; still photo of Embassy on the right.)

(Congressman William Broomfield: "I think it should have been moved to a neutral country to show our disgust and concern.")

But the President is determined not to let the scandal disrupt U.S./Soviet relations.)

(The President: "Well, I think the whole business of espionage worldwide is something that we have to recognize takes place, but at the same time, you don't stop doing business.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Today, the President also ordered two investigations into the scandal, including one by his foreign intelligence advisory board. That board told Mr. Reagan two years ago that the Moscow Embassy was vulnerable to spies, but little was done. Officials say former Ambassador Hartman resisted getting rid of Soviet workers.

(TV coverage: Still photo of the President on the left of screen, still photo of the Embassy on the right.)

(The President: "I must say we did run into some embassy problems and opposition because it isn't exactly a place where you can just go out and hire Americans.")

Wallace continues:

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

In fact, no Soviets have worked at the Embassy since October. But the State Department now says of the 31 Americans brought over since then as clerks or drivers, 9 prove unsuitable, some for fraternizing with Soviets as the Marine guards did.

(Charles Redman: "You can see from the statistics that I've given you that it is difficult to adjust to life in Moscow for a lot of people.")

But those numbers don't persuade the President, who, aides say, is privately angry at American diplomats for failing to protect U.S. security. Wherever this scandal leads, the President seems clearly determined to stay ahead of it.

Brokaw: Two members of Congress now in Moscow inspecting the new embassy are plainly appalled by the condition of those buildings and the scope of the spy scandal. After touring the old Embassy, they say it has been fully compromised by the KGB and they are equally concerned about the new embassy which was build by the Soviets under a 1972 agreement.

NBC's Sandy Gilmour: Snowe and Mica issued a report saying the Embassy building now in use, is practically unliveable.... And they said much of the new Embassy cannot be used now and may be a waste.

(Rep. Snowe: "Based on information collected, it is our estimate the earliest possible date of occupancy is at least five years away, if ever.")

They conclude that many security violations reported by trustworthy Marines had been dismissed by senior diplomats at the Embassy.

Brokaw: Marine Sgt. Robert Stufflebeam, one of the embassy Marines being questioned in the scandal today was released.... A Marine spokesman said there was insufficient evidence to hold him.
(NBC-Lead)

ABC's Peter Jennings: ...President Reagan is as frustrated as anyone.

ABC's Sheilah Kast: President Reagan weighed in on the issue of embassy security, pledging the U.S. will not move into its new embassy building in Moscow until he's satisfied it's safe.

(The President: "Likewise, the Soviet Union will not be allowed to occupy their new facility in Washington until a simultaneous move by both countries is possible.")

That's been policy since the superpowers started negotiating about building new embassies 19 years ago. What the President added today was two new blue-ribbon inquiries on top of three security investigations already underway.

(TV coverage: The President speaking at podium in the White House Briefing Room.)

In addition to looking at the current embassy, the President wants to evaluate the embassy under construction.

(The President: "And ascertain whether it will ever be secure, or whether it may be necessary to destroy and rebuild it.")

-more-

Kast continues: The new building is reportedly riddled with Soviet listening devices built into its walls. The President was asked whether the episode has changed the way he looks at the Soviets.

(The President: "Believe me, it doesn't surprise me a bit. And no I haven't changed my view of the Soviet Union.")

Secretary of State Shultz is due to go to Moscow next week for talks with Soviet Foreign Minister Shevardnadze, though a debate among the President's advisers over whether he should move the meeting to a more neutral city. The President said "No," and that Shultz should make embassy security a major agenda item.

(The President: "I just don't think it's good for us to be run out of town.")

National Security Adviser Frank Carlucci said Shultz would be able to operate with adequate but not optimal security in the embassy. The State Department also stepped up its objections to Soviet espionage activities.

(Charles Redman: "We have filed a protest. It was done by our ambassador in Moscow today.")

It was also announced that more than half of the 18 American workers, employees of Pacific Architects and Engineers who have been working at the embassy for more than a year, are returning to the U.S. -- three for poor work performance, two for fraternizing with the Soviets but not espionage, and four for personal reasons. Some in Congress say not all the American outrage over the security breach should be directed at the Soviets.

(Rep. Armey: "We expect the Soviets to try to spy on the American government, but we do not expect the State Department to help them get away with it.")

The President would not assess which individuals are to blame for the security mess. Repeatedly Mr. Reagan and his aides said they've been aware of the problems for a long time and were taking action on them but they were not in time to head them off.

ABC's Walter Rodgers reports Congresswoman Olympia Snowe and Congressman Dan Mica had to carry children's erasable pads to ask questions they didn't want the Soviets to hear.... After their tour of the new but still unoccupied embassy they announced their six-point findings: Embassy security is fundamentally flawed; There has been a negative attitude toward security by senior American diplomats; Marines and security personnel should take lie-detector tests; Marines themselves may be unsuitable for embassy security in Communist countries; The existing American embassy is a horrible fire-trap and the new American embassy can't be made secure for five to ten years if ever.... But a senior Kremlin spokesman says that after the Reagan Administration's own undercover operations during the Irangate affair the Russians have no apologies.

(Georgi Arbatov: "You really lost all moral rights to say anything to anybody until you put your own house in order.")... (ABC-Lead)

CBS's Dan Rather: President Reagan today rejected advice that we get much tougher with the Soviets about their intelligence penetration of the current U.S. Embassy in Moscow and their bugging of the new one. Secretary of State Schultz will go on to Moscow as planned, trying to get an arms reduction deal, even if it means Schultz has to operate out of a house-trailer.

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CBS's Bill Plante: President Reagan moved personally into the sex/spy/security scandal at the U.S. embassy in Moscow, announcing two new investigations of security breaches at the old Embassy and a look at the new and reported bug-infested U.S. Embassy building.

(The President: "To evaluate the condition of our new building and ascertain whether it will ever be secure or whether it may be necessary to destroy and rebuild it.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

The President also repeated the Administration's long-standing position of tit-for-tat. The U.S. won't move into that new building unless, and until, the Administration is certain it's secure. And, meanwhile, the Soviets won't be allowed into their new Washington Embassy. But Mr. Reagan rejected suggestions that the U.S. take more drastic action and break-off arms control talks.

(The President: "Counter-espionage is employed by everyone. But at the same time, you don't stop doing business.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

So Secretary of State Schultz will go to Moscow next week to meet the Soviet Foreign Minister as scheduled despite reports that he'll need to use his aircraft and an especially equipped trailer to ensure that he can meet and communicate in secrecy. Though the issue of Embassy security will top the agenda, some people say Schultz shouldn't go.

(Rep. Broomfield: "I think this is so serious that we ought to demonstrate to the Soviets that we're not going to tolerate it. And I think the best way to do it would be to have Secretary of State Schultz refuse to meet Sheverdnadze in Moscow.")

(The President: "I just don't think it's good for us to be run out of town.")

(TV coverage: The President speaking at the podium in the White House Briefing Room.)

Two members of Congress who have inspected the new Moscow Embassy building say the structure is so loaded with bugging devices, reportedly planted during construction by Soviet workers, it could take five years to fix and may not be worth the trouble.

(Rep. Snowe: "We might recommend that it be demolished.")

To dramatize the problem, they showed reporters that the only way they could communicate secretly inside the building was to use a child's "magic slate."

(Rep. Mica: "I will tell you, we have to use these little pads in the building. We can't talk in there.")

White House officials are painfully aware that the spy scandal is a major embarrassment for the Administration. But they decided once again in the wake of Mr. Reagan's Iran problems, that it was better for him to take the offensive, rather than to let Congress take the lead on this sensitive issue.

Rather: Two Marines from that Moscow Embassy have already been accused of spying. A third is being held. And the entire contingent will be flown out for questioning by the end of next week. Also, nine civilians from the embassy staff are coming home. They're accused for fraternizing with Soviets, alcoholism and trading in black market currency.

(CBS-Lead)

SOVIET SUBMARINES

Rather: Five Soviet submarines are reported to have moved into waters east of Bermuda. The U-boats are said to have brazenly sailed in, five abreast.

CBS's David Martin: ...Setting off an underwater game of cat-and-mouse with U.S. Navy submarines, aircraft and surface ships. It has been two years since the Soviets have sent this many submarines into the Atlantic and Navy sources say this is the first time that so many submarines capable of firing long-range nuclear-tipped cruise missiles have come within range of the east coast. Anti-submarine warfare has long been an area where the U.S. thought it had a comfortable lead over the Soviets, but secrets given away by the Walker family spy ring have created an undersea crisis.

(John Lehman: "Because, in no small measure, to the years of compromise of our anti-submarine warfare tactics and weapon systems through the Walker spy ring, the Soviets have closed the gap and changed their approach to anti-submarine warfare.")

The State Department will have to spend tens of millions of dollars to repair the damage done by spies and bugs at the U.S. Embassy in Moscow. But the Navy plans to spend billions of dollars to build a new class of submarine in an effort to undo the damage done by the Walkers.... In peacetime secrets given to the Soviets only cost the taxpayer money. In wartime, those same secrets could mean the difference between victory and defeat. (CBS-2, NBC-4)

Jennings: Some of what the Walkers provided the Soviets over the years apparently has helped the Soviets build a better submarine. Several of those Soviet subs are reportedly operating in the Western Atlantic tonight as part of the largest Soviet submarine exercise there since 1985. Locating and tracking Soviet subs at sea has become a good deal more difficult.

ABC's Bob Zelnick reports until recently Soviet subs were noisy -- their comings and goings picked up by underseas listening devices planted at narrow choke points near Soviet harbors.... But the new Akula Class of Soviet sub, with quieter engines and more insulation, often escapes detection.... But the Navy believes the Soviet breakthrough was aided by convicted spy Jon Walker, who gave them information of the whereabouts of U.S. listening devices and how the entire U.S. sub-tracking system works. To counter all this the Navy wants to build the Seawolf, a new super-quiet attack sub, which could hunt Soviet subs without detection. But many in Congress argue that existing submarines should be upgraded before the Seawolf is built at a billion dollars each....

(Robert Sims, Pentagon spokesman: "We've done numerous studies. We've taken the older submarine as far as we can take it with our technology and we want to go ahead with this one.") (ABC-3)

LIBYA/TERRORISM

Brokaw: There appears to be hard new evidence of a Libyan terror network in the western hemisphere.

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NBC's Anne Garrels: In February, Venezuelan authorities deported... a known Libyan terrorist organizer. In the process they found... plans to finance and arm radicals groups in French Guyana, Surinam, Trinidad, Haiti, Jamacia, and French and English Caribbean islands.... Also included plans to send Latin American terrorists to Libya for training.

(Ambassador Paul Bremer: "Looks to us like there's an increase in Libyan planning."
(NBC-5)

COMMENTARY/PRESIDENTIAL RACE

NBC's John Chancellor: "...At this stage, the Republican candidates are by far the more interesting group. That's because of what we might call "The Reagan Problem." There was no Reagan problem until last November, when the Iran/contra scandals hit the front pages. Ronald Reagan was invincibly popular and the Republicans who wanted to succeed him were trying to stand as close to him as possible. But now, because of the President's sharp drop in the polls, there is a Reagan problem. It may not be smart to stand too close to the President. George Bush, his loyalist Vice President, has dropped in the polls. Congressman Jack Kemp...was a Reagan loyalist for 20 years, yet Mr. Kemp has recently been extremely critical of some of the President's positions and is carving out a position for himself. The problem for the Republican Presidential candidate is that they've praised Mr. Reagan for so many years, that it's hard not to praise him now. Yet, praising him now could be politically damaging. It's one of those situations where you're damned if you do and damned if you don't.... (NBC-12)

PRESS COVERAGE REACTION/IRAN-NICARAGUA

Brokaw reports NBC received quite a few letters about its coverage of the Iran arms affair. Mrs. Florida Mattingly said our coverage was "too harsh on the President. He did admit he made a mistake. That is sufficient. It may be a crisis for the news folk and the politicians, its over as far as most of us are concerned." Stanley Berry told us to "get off the President's back for God's sake. Let him govern. Let him get on with it." Lucile Rainey..."We do not think you've been too hard on President Reagan. Keep telling us the truth and don't go soft." (NBC-13)

DRUGS

Rather: "Just Say No" that's the Reagan Administration's advice to young people tempted to try drugs. But hundreds of thousands of Americans are already hooked on herion and when they ask for help, many are getting "No" for an answer.... (CBS-9)

EDITORIALS/COLUMNISTS

JAPANESE TRADE

Justified Tariff Move -- "Not all of America's trade woes can be blamed on unfair practices by other countries, and the last thing this country needs is protectionist legislation that would trigger a trade war and a possible recession.... International trade must be fair as well as free, and where there is evidence that our trading partners are not abiding by agreements, Washington has no choice but to take proportionate corrective measures. This President Reagan has rightly done." (Buffalo News, 3/31)

At War With The Third Superpower -- "If we showed the Japanese the wonderfully productive ways of capitalism, it is the Japanese who are finally making us realize that the world of the future, American and Japanese, is a world of trade -- free and competitive.... Within 15 years the United States and Japan will be the great capital centers looking down on a more capitalist world.... But who gets what share of the riches? That is the question being fought out now. We are in a struggle with the Japanese for a future (and stable) share, and their great advantage is they know it's war. We are just waking up to the fact that it's our future, America's future, that is at stake. The Japanese vision is to keep what they have and then divide up America's future."

(Richard Reeves, Baltimore Sun, 4/1)

Tariffs May Spark A Trade Peace -- "Japanese trade practices have finally worn down American patience. We hope that President Reagan's recent decision...doesn't set Congress off on a trade war, in which there could be more losers than winners.... Although the Administration's action isn't likely to have much impact on the \$170 billion U.S. trade deficit, it was necessary to show Japanese manufacturers and Congress that it stands by its trade agreements.... We hope the Japanese government and manufacturers get the message and open the debate to opening their markets to more imports. There are too many economic risks for both countries otherwise."

(Chicago Sun-Times, 3/31)

Retaliation Isn't The Only Solution -- "The Reagan Administration was correct to impose sanctions over the computer chips.... But at the same time, this nation cannot go on indefinitely consuming all the goods the world wants to manufacture and sell to a willing American public. The solution will not be found in protectionist walls or a trade war with Japan. The United States must first recognize that it has been its own worst enemy in the growing trade deficit. At turnaround will not occur until Americans make a philosophical commitment to change their way of living and doing business."

(Dallas Morning News, 4/1)

Hara-Kiri Protectionism -- "Mr. Reagan still has time to end his flirtation with protectionism and return to the free trade policies that have undergirded his four year economic boom. Sure, we ought to insist that the Japanese open their markets to U.S. goods. But retaliation against what are really old-time Yankee trader tactics can only boomerang."

(Washington Times, 4/2)

EDITORIALS & COLUMNS (continued)

'Free Trade' -- "High-stakes trade retaliation, like Russian roulette, is a dangerous game, and the world doesn't benefit when the President of the United States leads by bad example. The winds of a trade war were hardly calmed, moreover, when U.S. Trade Representative Clayton Yeutter yesterday described import restraints as 'the H-bomb of trade policy,' and told Congress that 'H-bombs ought to be dropped by the President and nobody else.'... At a time when the world economy badly needs serious leadership, the U.S. Congress contains some of the biggest jingoes since Messrs. Hawley and Smoot. To appease the jingoes, the Reagan Administration is now engaged in a volatile strategy of retaliatory brinksmanship with Japan and Europe." (Wall Street Journal, 4/3)

A Shot Across Japan's Bow -- "The real need is not for piecemeal adjustments but for change in the web of informal but almost impregnable personal relationships that are the real barrier to reciprocal trade with Japan. That and a less obsessive pursuit of export. This may be asking the impossible. But if that is the case, America and other trading partners will have no choice but to organize mechanisms of their own to limit Japanese participation in their home markets."

(Ernest Connie, Los Angeles Times, 4/6)

Is U.S. Semiconductor Industry Trying To Create a Cartel? -- "The architects of this policy, which would lead to a cartel, are none other than the top leadership of the U.S. Department of Commerce and the U.S. Trade Representative's office.... Their cure, however, is worse than the disease.... The higher costs that American consumers will bear at least will produce tariff revenues for our government. But it is foolhardy to force a protesting Japanese Ministry of International Trade and Industry to form a chip cartel that will boost Japanese profits at the expense of our equipment manufacturers and consumers."

(Kenneth Flamm, Salt Lake Tribune, 3/29)

The U.S. Can't Compete if Foreign Marketers Cheat -- "The U.S., should it enter similar 11-th hour talks with the Japanese, must seek specific, enforceable remedies against dumping. Too, it should use its retaliatory threat to prod Japan into lifting its de facto ban on U.S. supercomputers, and to live up to its agreement to open markets to U.S. chipmakers. Failing such a deal, stiff tariff should follow. The U.S. can narrow wage gaps and keep down pressure on the dollar's value. But those measures won't spark competitiveness if its competitors, or their unchecked entrepreneurs, continue to cheat."

(Atlanta Journal, 3/27)

FOREIGN MEDIA REACTION

THE PRESIDENT/CANADA

"The Canadian Prime Minister, Mr. Brian Mulroney, clashed with President Reagan over Canadian sovereignty in the Arctic during talks in Ottawa yesterday." (Guardian, Britain)

"President Reagan yesterday cast doubt on the significance of the internal reform program of Soviet leader Mr. Gorbachev by raising Soviet involvement in third world conflicts as the true test of the Soviet leader's intentions. Mr. Reagan echoed Prime Minister Thatcher's positive reaction last week to recent changes in the Soviet Union, such as the release of political prisoners and the unjamming of BBC broadcasts." (Financial Times, Britain)

"Reagan's first trip abroad after the storm and the paralysis caused by 'operation Ayatollah' was not an easy one. It was instead a walk across the street that was not likely to raise enthusiasm." (Il Giornale, Italy)

"President Reagan found himself put on the defensive during the initial phase of his summit meeting with Canadian Premier Mulroney." (Corriere della Sera, Italy)

"President Reagan gave a strong personal endorsement to the Canada-U.S. free trade talks...saying he hoped negotiations would result in the free flow across the border of goods, services, investment -- and California wine and Canadian beer." (Globe and Mail, Canada)

"Canadian Prime Minister Brian Mulroney took advantage of his annual summit with President Reagan to propose a treaty on acid rain which, however, appears to stand little chance of acceptance by Washington." (Le Matin, Switzerland)

EMBASSY SECURITY

"George Shultz will be the first one to suffer the concrete effects of the affair of the two Marines in Moscow. He will be confronted with a problem both extremely important and stupid: how to communicate with Washington during his visit to Moscow." (Quotidien, France)

"This is a hard blow for the U.S. public. After Irangate, it now has an additional reason to question the reliability of top U.S. institutions that must guarantee the security of the nation." (Corriere della Sera, Italy)

"An embassy stuffed with mikes, one week before the arrival in Moscow of Secretary Shultz, is not beneficial to mutual relations, no more than the discovery in France of an espionage network very interested in the engines of the Ariane rocket, a few weeks before the visit of Prime Minister Jacques Chirac to the Soviet Union." (La Libre Belgique, Belgium)