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News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, APRIL 16, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

PRESIDENT AWAITS REPORT ON ARMS TALKS -- President Reagan, pushing for an arms-control treaty with the Soviets, is awaiting Secretary Shultz's report on the Kremlin's offer to eliminate short-range nuclear weapons.

(Washington Post, Washington Times, AP,
Newhouse, Reuter, Scripps Howard, UPI)

NATIONAL NEWS

HINCKLEY LETTERS KILL HIS CHANCES FOR HOLIDAY -- John Hinckley, President Reagan's would-be assassin, has been forbidden to make an unescorted one-day visit to his parents because he wrote a sympathetic letter to a mass murderer.

(Washington Post, Reuter)

IRAN-NICARAGUA

REGAN SAYS PRESIDENT UNAWARE OF DIVERSION SCHEME -- Former White House Chief of Staff Donald Regan said he is convinced President Reagan did not know about the illegal funneling of money to the Nicaraguan rebels and never would have approved the scheme.

(UPI)

NETWORK NEWS (Wednesday Evening)

SHULTZ COMPLETES TRIP -- Secretary Shultz left Moscow to consult with NATO allies on Soviet leader Gorbachev's arms control proposals.

MARINES -- A military hearing for Sgt. Clayton Lonetree was held in at Quantico Marine Base.

HINCKLEY -- John Hinckley was refused an Easter pass to visit his parents by the mental hospital in which he's being held.

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INTERNATIONAL NEWS

U.S. OFFICIALS CAUTIOUS
Allies Expected To Oppose Gorbachev Offer

SANTA BARBARA -- President Reagan said that Secretary Shultz has improved the prospects for an agreement to limit medium-range missiles in Europe with his talks in Moscow, but other senior U.S. officials expressed concern about the latest proposal from Soviet leader Gorbachev.

The officials said that Gorbachev's proposal to eliminate short-range and tactical nuclear weapons in Europe would undoubtedly run into opposition from the NATO allies and that it conflicts with Western Doctrine. But they said the U.S. hopes to parlay the Gorbachev ideas into a possible counteroffer in the next round of negotiations, which begin in Geneva next week.

Officials said that, despite earlier optimism about a possible summit this year, Shultz is not returning to the U.S. with a summit announcement.

(David Hoffman, Washington Post, A29)

The President/Secretary Shultz's Trip

SANTA BARBARA -- President Reagan held out hope for an agreement on medium-range nuclear missiles "in the not-to-distant future" despite concern that new proposals by Soviet leader Gorbachev may complicate prospects for such a breakthrough.

Reagan had cautious praise for Secretary Shultz's mission to Moscow, amid indications Gorbachev injected a troubling new element into negotiations on the elimination of medium-range missiles from Europe.

In a statement, Reagan declared "progress was made" on all items of the agenda for the three days of talks Shultz held with Gorbachev and other senior Soviet officials, "although more clearly remains to be done."

(Norman Sandler, UPI)

President Awaits Report On Arms Talks

SANTA BARBARA -- President Reagan, pushing for an arms-control treaty with the Soviets, is awaiting Secretary Shultz's report on the Kremlin's offer to eliminate short-range nuclear weapons.

As Shultz wound up his talks with Soviet officials, Reagan voiced pleasure with the Moscow talks, in which the Soviets proposed to eliminate short-range nuclear weapons deployed in East Germany and Czechoslovakia.

"Reaching equitable, effectively verifiable and stabilizing arms reductions agreements has long been one of the primary objectives of my Administration," Reagan said in a statement. "The exchanges that Secretary Shultz had in this area hold promise for an agreement on intermediate nuclear forces at some point in the not-to-distant future."

But he also said agreements on long-range, strategic weapons and space-based defense systems "will be more difficult" to achieve.

(Merrill Hartson, AP)

Baker: Superpowers Close To 'Historic' Arms Control Progress

SANTA BARBARA -- The U.S. and the Soviet Union may be close to "historic progress" in arms control because of Moscow's offer to scrap its monopoly on short-range missiles, White House Chief of Staff Howard Baker says.

"As far as I know, this is the first time the Soviet Union has acknowledged publicly that they are willing to talk about short-range missiles, where they have a huge advantage.... So that's real progress," said Baker, who will participate in a mountaintop meeting today between President Reagan and Secretary Shultz after three days of talks in Moscow.

"The whole thing spells major forward movement between the U.S. and the Soviet Union that is the basis for optimism that we may be able to have historic progress in this field in the next several months," Baker said.

(Ira Allen, UPI)

Shultz Briefs NATO Allies On Soviet Arms Proposals

BRUSSELS -- Secretary Shultz will make no recommendations when he briefs NATO allies today on new Soviet proposals that would make huge reductions in Europe's nuclear weapon arsenals.

Shultz will brief foreign ministers of the 16-nation NATO alliance on the results of a Moscow trip in which the Soviet Union presented new ideas on nuclear missile cuts.

U.S. aides accompanying Shultz told reporters in Brussels last night after the delegation's arrival from three days of talks in Moscow that the U.S. would let NATO decide on its response to a crucial Soviet proposal to abolish all shorter-range missiles systems in Europe.

(Richard Balmforth, Reuter)

Arms Pact Hinges On European Views

European reaction to Soviet leader Gorbachev's latest offer to rid the continent of medium- and short-range nuclear missiles will make or break the U.S. response and chances for a treaty, Administration officials said.

Some officials here questioned whether the U.S.'s NATO allies, who face an overwhelming Soviet superiority in conventional arms, will go along with the offer.

Others were more optimistic, saying Gorbachev's proposal on the short-range weapons could remove the last major roadblock to a pact on intermediate-range nuclear forces.

(Warren Strobel, Washington Times, A8)

Shultz Briefs NATO Ministers On His Moscow Arms Talks

BRUSSELS -- Secretary Shultz consults today with 10 NATO foreign ministers on a Soviet nuclear weapons reduction proposal that could lead to President Reagan's first arms control treaty.

"We are very close to a deal," a senior U.S. official told reporters at a midnight briefing after Shultz flew from Moscow. "It all depends on how the discussions come out tomorrow (Thursday) and afterward."

(Barry Schweid, AP)

Shultz Cites Progress In Moscow Meetings

MOSCOW -- Secretary Shultz said that "quite a lot of progress" was made toward a treaty that would eliminate medium-range missiles in Europe during three days of talks with Soviet leaders and that he can see the prospect "close at hand" for reaching an agreement.

Shultz's assessment, one of the most optimistic that has been heard from a senior U.S. negotiator, was based on a new offer presented to him yesterday by Soviet leader Gorbachev and improved somewhat today by Foreign Minister Eduard Shevardnadze.

The new offer essentially combines elimination of the medium-range nuclear-armed missiles of both sides that can hit targets between 600 and 3,000 miles away, with the elimination of shorter-range missiles of 350- to 600-mile range, a category in which the Soviets have a monopoly.

Shultz told Gorbachev -- as he told a press conference shortly before leaving Moscow -- that he could not respond immediately to the offer because of the necessity to consult U.S. allies in Europe. Shultz flew to Brussels to begin the process of discussion within NATO which is likely to take several weeks.

(Don Oberdorfer, Washington Post, A1)

Shultz To Brief NATO Allies On Missile Talks

BRUSSELS -- Secretary Shultz arrived in Brussels Wednesday to brief European allies on the prospective medium-range missile agreement he discussed with Soviet leader Gorbachev.

While Shultz was optimistic about the results of his Moscow meetings, official Soviet news agencies attacked the secretary of state's refusal to signal immediate support for Gorbachev's proposal for eliminating all medium- and short-range missiles.

(Matthew Quinn, UPI)

Soviet Reaction To Shultz Caution

Within hours of Secretary Shultz's departure, the official Tass and Novosti news agency described the U.S. position as insufficient.

The news agency comments attacking Shultz's position were apparently aimed at Shultz's refusal to signal immediate support for Gorbachev's proposal for eliminating all medium- and short-range missiles.

"What was voiced by George Shultz shows that apparently it (the U.S.) has not yet decided on its attitude to the Soviet proposals," Tass said. "In any case, the views expressed here by the U.S. secretary of state do not represent a basis for an accord."

Novosti labeled as a "lame excuse" Shultz's explanation that he would first consult with the NATO allies whose territories are affected.

"To say that it (the visit) was very resultive would be premature, for there seems to be little new in what Secretary Shultz has brought with him to Moscow," Novosti said.

(Jack Redden, UPI)

U.S. And Soviet Union More Optimistic Over Missile Accord

MOSCOW -- The U.S. and the Soviet Union are voicing cautious optimism over prospects for a medium-range nuclear accord after three days of talks in Moscow by Secretary Shultz.

The Soviet news agency Tass said Shultz and Soviet leader Gorbachev had reached agreement in principle to step up work on a deal under which each superpower would scrap its intermediate-range nuclear forces in Europe.

(Patrick Worsnip, Reuter)

Congressional Delegation Meets With Gorbachev

MOSCOW -- Soviet leader Gorbachev, expressing optimism over the prospect of a U.S.-Soviet arms agreement, told a congressional delegation led by House Speaker Jim Wright: "Thank God, the movement has begun."

The Soviet leader met with the lawmakers as Secretary Shultz concluded three days of meeting with Gorbachev and other top Soviet officials.

Shultz and Foreign Minister Eduard Shevardnadze met for several hours Wednesday afternoon, and the Soviet official said that chances for a Washington summit were "rather good."

(Dave Montgomery, Scripps Howard)

Gorbachev Offer/European Reaction

America's nervous European allies now hold the key to a possible breakthrough U.S.-Soviet arms control agreement on medium- and short-range nuclear weapons.

Reagan wants allied reaction -- and support -- before responding to what some foreign policy experts are calling a "put up or shut up" offer from Soviet leader Gorbachev to eliminate 130 Soviet short-range nuclear missiles deployed in East Germany and Czechoslovakia as part of a deal to eliminate all U.S. and Soviet medium-range missiles from Europe.

The new Soviet offer to eliminate the short-range missiles entirely appeared to catch Shultz by surprise, though it is an alternative once proposed by U.S. arms negotiators.

"I think we've been had," said Jack Mendelsohn, deputy director of the Arms Control Association, a private group that monitors U.S.-Soviet negotiations. "They're calling our bluff. They're saying, 'All right, if you want zero you can have zero.' They know there's pressure from our allies not to move in that direction."

(Miles Benson, Newhouse)

SUPERPOWERS' NEW RIVALRY: 'GLASNOST'

MOSCOW -- Secretary Shultz got a full dose of glasnost today, and Soviet television viewers got a full dose of Shultz because of glasnost.

Glasnost, translated as openness, is one of the bywords of the new era of Soviet leader Gorbachev. Political scientists call it the engine behind his drive to shake up this society -- to vent frustrations, creative energy, criticism and ultimately the truth.

Shultz's visit tested the concept of glasnost in new ways.

In a 32-minute interview tonight on Soviet television, he challenged his audience with the view that the Afghan people want the 125,000 Soviet troops out of their country.

Shultz's taste of how the Soviets use glasnost on visitors began much earlier in the day, at 1 a.m., when his hosts spilled the beans on his supposedly private talks on nuclear arms control with Gorbachev.

(Celestine Bohlen, Washington Post, A1)

MOSCOW EMBASSY STRUCTURALLY FLAWED

The bug-laden new U.S. Embassy in Moscow also is riddled with construction flaws, said a National Bureau of Standards report.

"Major structural changes" may be needed, Secretary Shultz said Wednesday near the end of his Moscow visit -- which included a tour of the building.

But building snafus may prove minor compared with security problems. The under-construction chancery has a "honeycomb of listening devices," Shultz said.

(Richard Whitmore, USA Today, A6)

INTERAGENCY CONFLICT MAKING ESPIONAGE PROBE A 'MESS'

The government investigation of espionage charges against U.S. Marine security guards is "a mess" because of interagency conflicts and problems with the initial interrogation of a primary suspect, a knowledgeable Administration official said.

Another informed official said the issue of providing immunity from prosecution to some guards in return for their testimony is being hotly debated within the Administration.

The Administration official who said the investigation is "a mess" also said the probe is being hampered by the "institutional resistance" of conflicting government agencies trying to protect their interests. Agencies with a role in the investigation include the State Department, Defense Department, Navy Investigative Service, Marine Corps, and CIA. In addition, the chief of the Justice Department's internal security section has been providing informal advice to the military investigators, according to officials.

An Administration source said that investigators "are having difficulty putting together a case." The official added, "The initial questioning of (Sgt. Clayton Lonetree) was probably less than carefully done from a law enforcement standpoint."

(Howard Kurtz & Bill McAllister, Washington Post, A1)

8 SENATORS SEEK TO BLOCK NEW U.N. INFORMATION UNIT

UNITED NATIONS -- Eight U.S. senators have protested an American-backed move to set up a new information-gathering office at the U.N., charging that it would benefit Soviet spy operations.

U.N. Ambassador Vernon Walters, who had championed to move a part of the office out of a Soviet-controlled division of the U.N. Secretariat, said that two of the senators withdrew their objections after his personal appeals. But two of the other senators -- William Roth and Robert Dole -- have cosponsored a bill to block the U.S. share of funding for the new office.

(Michael Berlin, Washington Post, A27)

BAKER SAYS U.S. DOLLAR HAS FALLEN FAR ENOUGH
Japan Told To Accept 'Burdens' Of Power

Treasury Secretary James Baker said unequivocally that the decline in the foreign exchange value of the dollar has gone far enough.

Baker's statement came in a tough speech to the Japan Society in New York, in which he also declared, in an obvious reference to Japan, that economically strong nations must accept "the burdens, as well as the blessings, of being a great economic power. And, above all, economic leadership means accepting global responsibilities despite the sometimes parochial concerns of national constituencies."

Baker reiterated that he believes the currencies of major industrial nations "are within ranges broadly consistent with economic fundamentals, and all of us favor stability around current levels."

(John Berry, Washington Post, A1)

Baker Urges End To Dollar Fall

Treasury Secretary James Baker, long the chief advocate of a weaker dollar, has move strongly to halt a further decline in the U.S. currency for fear it could threaten global economic expansion.

In a speech to the Japan Society, Baker included several key remarks that U.S. officials suggested marked a change from his past pronouncements on currencies.

In particular, Baker joined Federal Reserve Board Chairman Paul Volcker in warning that a further decline of the dollar against other major currencies could harm faster economic growth in West Germany and Japan. And he stressed that possibility applied especially to Japan.

(Peter Torday, Reuter)

JAPANESE ELECTRONICS INDUSTRY LOBBIES TO DELAY SANCTIONS

Faced with certain retaliation for its failure to stop dumping computer chips, the Japanese electronic industry mounted a publicity campaign Wednesday to urge a delay in U.S. trade sanction.

"Both governments are acting out of ignorance," said H. William Tanaka, U.S. spokesman for the Electronic Industries Association of Japan.

"The U.S. doesn't have the patience to deal with Japan and Japan lacks sensitivity to U.S. concerns," Tanaka said at the headquarters of a high-priced Washington public relations firm.

He said the Japanese government has taken steps to assure Japanese computer chips are not dumped below cost of production in foreign markets, but added there is a misconception the government has total control over the matter.

(Mary Beth Franklin, UPI)

EUROPE PRESSURES JAPAN TO OPEN MARKETS

BRUSSELS -- Western Europe is intensifying pressure on Japan to widen its market to European goods, apparently hoping to capitalize on a toughened U.S. stance against Tokyo.

The 12-nation European Community has begun investigating industry allegations that Japan is selling semiconductors in Europe at unfairly low prices, and it is weighing new, stronger trade sanctions against Japan.

(Robert Burns, Washington Post, E2)

GADHAFI STAYS 20 SECONDS AT BOMBING ANNIVERSARY

TRIPOLI, Libya -- Col. Moammar Gadhafi walked out on the ceremony early this morning that marked the anniversary of the U.S. bombing raid on Tripoli and Benghazi.

The Libyan leader appeared for about 20 seconds before he seemed to change his mind and left through a green iron door, behind the stage from which speakers had been delivering anti-American tirades for three hours, having started before midnight.

In general, the anniversary was subdued, with the streets of the capital deserted. No rallies or public speeches marked the day. The main event was a well-orchestrated rally by 500 foreigners, so-called "peace delegates," who held a conference all day.

(Uli Schmetzer, Washington Post, A31)

SEOUL TIGHTENS CONTROL OVER OPPOSITION LEADER

SEOUL -- South Korean authorities have imposed an unusually strict house arrest on dissident leader Kin Dae Jung for the past week and are suggesting that it will not be lifted until Kim foreswears politics.

Many political analysts here see the detention as part of a new tightening of control by President Chun Doo Hwan, who this week canceled a deadlocked dialogue with the opposition on revising the South Korean constitution.

(John Burgess, Washington Post, A31)

NATIONAL NEWS

REGAN GIVES POOR MARKS TO FEDERAL MANAGERS
Ex-Chief Of Staff Addresses Business Leaders

DENVER -- Deposed White House Chief of Staff Donald Regan issued a report card on business management practices in the federal government here and essentially flunked federal managers on nearly every count.

In his first public discussion of his government experience since he was forced to step down as President Reagan's chief adviser seven weeks ago, Regan told the Economic Club of Colorado -- an organization restricted to corporate chief executives -- that "when you look at the details of government's management problems, it really is staggering."

The heart of Regan's speech was a long comparison of the federal government and private business. He said government financial management and management control are "pretty gloomy" and that resulting management problem "can be an important source of the spending problem in the government."
(T.R. Reid, Washington Post, A12)

PRESIDENT EXPECTED TO SETTLE
RIFT ON KEY DEFENSE POSITION

President Reagan is expected to nominate a new assistant secretary of defense today, a move that will quiet an intramural trench war between the White House and the Pentagon but may open a whole new front with Congress.

The problem has been finding a candidate acceptable to both the President and Secretary Weinberger, officials said.

Weinberger is said to have opposed the nomination of William Cowan, a legislative assistant to Sen. Warren Rudman in favor of Kenneth Bergquist, a deputy assistant attorney general.

"Weinberger wants someone who is qualified and won't make trouble," one official said. "Cowan is constantly going to be reporting back to the Hill."

But both the White House and Congress favor Cowan's appointment.

(James Dorsey, Washington Times, A3)

SPECIAL FORCES CHIEF IS CHOSEN

President Reagan has selected a four-star Army general with extensive service as a paratrooper, Ranger and Green Beret to become the first commander of the U.S. Special Operations Command, the Defense Department said yesterday.

If confirmed by the Senate, Gen. James Joseph Lindsay, 54, will be put in charge of creating a new military unit to command most of the Special Operations Forces from each of the military services.

(AP story, Washington Post, A19)

EX-HHS AIDE IS INDICTED ON FRAUD CHARGES

C. McClain Haddow, former chief of staff to the secretary of health and human services, was indicted on charges of fraudulently obtaining more than \$30,000 from a charitable foundation and additional kickbacks from contracts to write speeches for former HHS secretary Margaret Heckler.

In a seven-count indictment, Haddow was charged with secretly routing \$33,540 in payments from the nonprofit T. Bear Foundation, which he helped to create while at HHS, to a Senate credit union account that Haddow controlled with his wife, Alice.

As an HHS official, the indictment said, Haddow urged numerous health-care corporation to contribute to the foundation, which was created to promote hand-washing by children. He then pocketed 90 percent of the foundation's monthly payments to Michelle Magoon, a Haddow associate who was hired as a fund-raiser at his behest, according to the indictment.

(Howard Kurtz, Washington Post, A1)

ST. ELIZABETHS HOSPITAL WITHDRAWS REQUEST FOR HINCKLEY EASTER VISIT

St. Elizabeths Hospital withdrew its request to allow presidential assailant John Hinckley a one-day, unescorted Easter visit with his parents, but a hospital official said later that doctors still believe Hinckley is ready for expanded privileges.

Hospital spokesman Harold Thomas said the request was withdrawn for "administrative reasons" by Superintendent William Prescott.

"We have seen and heard evidence in this court that raises doubts at least in the government's mind, as to the management of Mr. Hinckley's case by the hospital," said Assistant U.S. Attorney Roger Adelman.

(Nancy Lewis, Washington Post, A1)

Hinckley Letters Kill His Chances For Holiday

John Hinckley, President Reagan's would-be assassin, has been forbidden to make an unescorted one-day visit to his parents because he wrote a sympathetic letter to a mass murderer.

His letter to Theodore Bundy on a Florida death row was made public in U.S. District Court yesterday, causing St. Elizabeths Hospital administrators to overrule a decision by Hinckley's psychiatrists to let him out on a 12-hour pass for Easter Sunday. (Robert Kearns, Reuter)

EDITORIAL PAGE EDITOR, 4 OTHERS QUIT
IN TIFF WITH EDITOR-IN-CHIEF

William Cheshire, the editor of the editorial page of The Washington Times, three editorial writers and a clerk have resigned after a dispute with the editor-in-chief over an editorial about political unrest in South Korea.

Cheshire characterized the cause of the dispute as "meddling" by the newspaper's owners, but Arnaud de Borchgrave, the editor-in-chief, called Cheshire's resignation "an emotional reaction" that had been "a long time building over basic disagreements." (Washington Times, A2)

Times Resignations 'Mutiny'

Washington Times editor-in-chief Arnaud de Borchgrave called the resignation of the newspaper's editorial page editor and four of his staff members "tantamount to a mutiny" but said it would not compromise the paper's credibility or editorial independence.

In announcing his resignation a few hours before the paper's deadline on Tuesday, editorial page editor William Cheshire charged that de Borchgrave had pressured him to tone down a proposed editorial that was critical of the South Korean government.

Cheshire said de Borchgrave acted at the behest of one of the paper's senior executives, Sang Kook Han, who is also a senior official of the Rev. Sun Myung Moon's Unification Church and a former member of the South Korean diplomatic corps.

"It's absolutely absurd to think there's been any interference from the owner," de Borchgrave said. "In two years, I have not received a single editorial suggestion -- let alone received any interference -- from any representative of the owners. And I'm quite willing to take a polygraph on that." (Michael Isikoff, Washington Post, A13)

IRAN-NICARAGUA

REGAN SAYS PRESIDENT UNAWARE OF DIVERSION SCHEME

DENVER -- Former White House Chief of Staff Donald Regan said he is convinced President Reagan did not know about the illegal funneling of money to the Nicaraguan rebels and never would have approved the scheme.

Regan, speaking in public for the first time since his resignation, said he also knew nothing about the diversion of profits from the Iran arms sales to the contra rebels.

"The American people deserve a full accounting and will receive it in a timely but responsible fashion," Regan said. "I remain confident their judgement and history's will be fair.

"I'm convinced the President had no knowledge of any illegal activity and would never have approved any had he known of it," Regan said

(Steve Gerstel, UPI)

SWISS REJECT PLEAS TO BLOCK PROBE OF ACCOUNTS

GENEVA -- The Swiss government has rejected attempts by two companies and five individuals to block U.S. investigators' access to bank accounts linked to the Iran arms sale, a government spokesman said.

In Washington, independent counsel Lawrence Walsh welcomed the decision. "We very much appreciate the cooperation of the Swiss authorities," he said.

All accounts named in a series of requests by Walsh can be opened under the terms of treaties between the two countries, a Justice Ministry statement said. But it added that the companies and individuals have 30 days to appeal to the Federal Court.

(John Parry, Washington Post, A37)

NORTH'S SHREDDER CHOKED FROM LOAD

Before Lt. Col. Oliver North was fired in November, he and his secretary destroyed so many documents that their White House shredding machine broke down under the load, government investigators have been told.

The shredder got backed up and jammed as Col. North and his secretary Fawn Hall shoved memos and other documents into it, a source familiar with the Iran-contra investigation said.

Meanwhile, sources said that investigators for both independent counsel Lawrence Walsh and congressional committees have obtained a wealth of material from Col. North's office, including a record of his telephone calls, meetings and other contacts, and original versions of four documents altered by his secretary.

(AP story, Washington Times, A3)

NETWORK NEWS SUMMARY FOR WEDNESDAY, APRIL 15, 1987

SHULTZ COMPLETES MOSCOW TRIP

NBC's TOM BROKAW: Secretary Shultz left Moscow tonight after three days of talks in which he apparently made some progress on the issue of medium-range nuclear missiles, but not enough progress to nail down a summit meeting. There is also the unexpected offer from Mikhail Gorbachev for both sides to eliminate short-range nuclear weapons. That concerns the Europeans since without nuclear weapons of any kind, they would have to rely on conventional weapons and the Soviets are thought to have a substantial lead in that area.

NBC's ANNE GARRELS: An exhausted George Shultz arrived in Brussels tonight.... He came from more than 20 hours of discussions. At their last meeting this afternoon, Shultz and Soviet Foreign Minister Shevardnadze agreed they are at least closer to an intermediate-range missile agreement. (SECRETARY SHULTZ: "I think we made quite a lot of progress and perhaps we can see the prospect with some negotiations ahead, but nevertheless the prospect close to hand of reaching an agreement in that area.")

According to Shevardnadze, the intermediate-range missiles talks are the only ones likely to succeed before President Reagan leaves office in a year and a half. And he said Soviet leader Gorbachev would go to Washington if an agreement is reached.

(FOREIGN MINISTER SHEVARDNADZE: "It will take a great deal of work, though, including Geneva and other levels -- the foreign minister level -- a great deal of work.")

There won't be a summit unless both sides agree on highly mobile shorter-range missiles capable of hitting Europe. The Soviets have 130 launchers, NATO has none. In Moscow both sides agreed to limit these missiles worldwide. The Soviets propose eliminating them altogether within a year. But Shultz has said he must consult with American allies on this first. Prospects are poor for the other key American arms control areas -- strategic arms and space defense.

(SECRETARY SHULTZ: "I can't say that our positions changed very much as a result of the discussions.")

Shultz and Soviet leader Gorbachev traded harsh words on espionage.

(SECRETARY SHULTZ: "There's no agreement of any kind.")

To dramatize religious freedom, Shultz visited a village church this morning. He repeatedly pressed for greater human rights during the trip. He met with divided families at the U.S. Embassy. The Soviets have promised to resolve more cases. But as he left for Brussels, it was clear that success depended on agreement on intermediate and shorter-range missiles. Some in NATO have already told Shultz they want to match some of the shorter-range missiles in order to maintain nuclear credibility. Otherwise, they fear, they will be vulnerable to other Soviet forces. The Soviet proposal to scrap these missiles is likely to cause a heated debate here.

BROKAW: When Shultz first arrived in Moscow, White House officials were talking confidently about the prospect for a summit meeting. Chris, are those same officials now concerned that this business of short-range missiles will hold up a summit meeting?

NBC's CHRIS WALLACE: Publicly officials here are echoing Shultz, saying that the talks were very positive, but privately they admit they didn't get that big breakthrough that they were hoping for and they say that Chief of Staff Howard Baker may have raised expectations too high. The general feeling here is that the Gorbachev proposals are very complicated, that they'll take more negotiations and that it's going to be some time before we get either an arms agreement or a Reagan-Gorbachev summit.

BROKAW: Did Gorbachev prove, once again, that he's a very crafty poker player?

WALLACE: There is some grudging admiration here for the fact that Gorbachev has once again thrown the U.S. on the defensive. His proposal to eliminate all short-range missiles sounds very good, but the fact is that if you get rid of all nuclear missiles in Europe, then the Soviet Union is left with a big advantage in troops and tanks. So, there is some questioning here tonight whether Mikhail Gorbachev really wants an arms deal or whether he's still playing propaganda games.

BROKAW: Caught in the middle of all this are the Europeans. They are deeply divided. Many don't like the idea of living with nuclear missiles on their soil, but many are afraid that they won't live without them....

(NBC-Lead)

ABC'S PETER JENNINGS: The President is pleased. The General Secretary is pleased and everyone is generally proclaiming caution. We are referring to the real possibility now that the United States and the Soviet Union may reach an agreement to completely eliminate medium-range nuclear weapons in Europe and the other possibility that Mr. Reagan and Mr. Gorbachev may sign such an agreement in person. The Secretary's mission to Moscow is over.

ABC's JOHN MCWETHY: Visibly exhausted after three days of contentious negotiations in Moscow, Secretary Shultz claimed the Reagan Administration's first arms control agreement with the Kremlin may be within reach.

(SECRETARY SHULTZ: "I think we made quite a lot of progress. And perhaps we can see the prospect with some hard negotiations ahead, but nevertheless the prospect close to hand of reaching an agreement in that area.")

Any treaty, of course, would be signed at a summit. There is now talk of one in the fall. The outlines of such a treaty: medium-range missiles out of Europe and Western Soviet Union, the Soviets keep 100 in Asia and the U.S. 100 in Alaska; on-site inspections to assure neither side cheats. On Soviet leader Gorbachev's surprise offer to eliminate all short-range nuclear missiles within a year as part of the deal, Shultz was cautious. He knows America's NATO allies strongly oppose such an outcome. They believe without some nuclear missiles they are more vulnerable to the Soviet Union's huge advantage in such non-nuclear forces as tanks, airplanes and artilleries.

(SECRETARY SHULTZ: "On matters of this importance, of course, we don't respond immediately. We consult carefully with our allies.")

On the issue of reducing long-range nuclear missiles -- no progress. On limiting weapons in space -- no progress. What about Soviet espionage?

(SECRETARY SHULTZ: "There's no agreement of any kind.")

This morning Shultz toured the new, but still unoccupied American Embassy in Moscow. The walls, he said, are bugged.

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MCWETHY continues:

(SECRETARY SHULTZ: "We now find they have a honeycomb of listening devices that have to be dealt with.")

The Secretary also raised the issue of the Marines' spy case during an unusual appearance on Soviet television. Shultz arrived in Brussels for his meeting with America's NATO allies in the morning where they will talk about the new Soviet offer to eliminate two whole classes of nuclear missiles. As strongly as West European government may oppose the idea, American analysts predict that public opinion may force them to say yes or risk making Mikhail Gorbachev the champion of nuclear arms reduction and not the greatest democracies of NATO.

ABC's WALTER RODGERS: After Secretary Shultz left, Soviet leader Gorbachev welcomed the delegation of American Congressmen to the Kremlin -- Gorbachev working to build a sympathetic arms control constituency one Capitol Hill. (SPEAKER JIM WRIGHT: "Well, I think it's positive. I think it's a move in the right direction. I have the sense that we both are moving toward on another.")

A strategic arms agreement, reducing long-range missiles, ballistic missile submarines and bombers, did not seem high on the Soviet's agenda. Soviet Foreign Minister Shevardnadze instead, pushing that deal on missiles in Europe leading to a summit.

(FOREIGN MINISTER SHEVARDNADE: "If we do get an agreement, then I think it is quite realistic to speak of the possibility of the general secretary making a visit to Washington and signing that agreement there.")

The Soviets are clearly signaling they want that deal on medium-range nuclear missiles before President Reagan leaves office. And Foreign Minister Shevardnadze concluded now is the time to roll up our sleeves and go to work. (ABC-Lead)

CBS's DAN RATHER: Secretary Shultz says a U.S.-Soviet agreement eliminating medium-range nuclear missiles in Europe is close. He says such a pact could be signed at a new summit in Washington this year. Shultz said this as he ended three days in Moscow.

CBS'S BILL MCLAUGHLIN: Agreement is close -- very close. That's the message Secretary Shultz brought to a news conference in Moscow at the end of three days of talks with the Soviet leadership. Shultz was referring to a proposed treaty to eliminate intermediate-range nuclear missiles in Europe.

(SECRETARY SHULTZ: "We can see the prospect close to hand of reaching an agreement in that area.")

Part of the deal: a surprising offer by Gorbachev to eliminate all short-range missiles in Eastern Europe within one year -- a response to Western fears about Soviet superiority. The Soviets have about 130 of the missiles. The U.S. has none. Shultz said there has been much less progress on reducing strategic intercontinental ballistic missiles and no sign of an agreement on weapons in space. Although he and Soviet Foreign Minister Shevardnadze did sign an agreement on the peaceful uses of outer space. There had been, he said, downright disagreement on the subject of espionage, especially at the new U.S. Embassy.

(SECRETARY SHULTZ: "There's no agreement of any kind.")

But both sides agreed that none of this would get in the way in intermediate-range missiles. There are now just two road blocks on the way to an arms control agreement and a summit.

-more-

MCLAUGHLIN continues: The Soviets must decide whether to accept the U.S. rules on verification and Shultz is here in Brussels to see if the U.S.'s NATO allies will accept the new Soviet proposal. But the mood is definitely positive and the sense is that an arms control treaty and a summit decision are now finally just within reach.

CBS'S WYATT ANDREWS: To the Soviets, George Shultz left Moscow with more than just arms control progress in his pocket. He left behind a changed super power relationship that is now the best it has been during the Reagan Presidency. During Shultz's three days of bargaining with the Soviet leadership, his arguments to Gorbachev and Shevardnadze were explained to the Soviet people like never before. The Soviets were clearly cultivating an atmosphere of respect for Shultz. In fact Gorbachev's offer to eliminate short-range missiles in Europe and Shultz's reply that he would consult the NATO allies was being fully reported by TASS last night at the very moment that an American spokesman would only issue a six sentence description of the talks. Foreign Minister Shevardnadze joked about the open reporting -- he said that's how we do it now. For his part, Shultz did things no secretary of state has even done in Russia. He attended a Russian orthodox mass and before that a passover seder. He visited the grave site of a censored Russian author. He attended a gathering of some of Russia's top writers and then talked about that at a free-wheeling press conference he controlled at the Soviet Foreign Ministry. After the press conference, an interview was taped for broadcast with the promise it would air in full. Shultz would be the first to admit that on issues like emigration, espionage, Afghanistan and arms control deep Soviet-American differences remain. But history is made when an American secretary of state gets the free reign Shultz enjoyed here and then explain Soviet-American differences directly to the Russian public.

RATHER: In California with the President, White House Chief of Staff Howard Baker made a point of being up-beat about the news from Moscow.

(SENATOR BAKER: "I remain optimistic that we've got a historic opportunity to get meaningful arms control agreements with the Soviet Union and I'm optimistic that this may lead to a meeting between the President and the general secretary some time yet this year.")

But to the NATO allies, the nuclear free Europe is not as appealing as it may sound. The major fear -- Soviet conventional forces which outnumber the west by a considerable margin.

CBS's TOM FENTON reports on European allies' mixed feelings about the prospect of a U.S.-Soviet arms control agreement. (CBS-Lead)

MARINES

BROKAW: In Quantico, Virginia, today, there was a military hearing for one of the Marines charged in that spy and sex scandal at the U.S. Embassy in Moscow. Afterwards, as Sgt. Clayton Lonetree was led away, his lawyers claimed that the military failed to make it's case for espionage. They said Lonetree is being made a scapegoat to cover up State Department negligence at the embassy. There was no decision on whether to courtmartial the marine. This hearing will continue tomorrow.

(NBC-2, ABC-2, CBS-2)

THATCHER'S ROLE IN SHULTZ'S VISIT

NBC's JOHN CHANCELLOR: There was another player at the table here in Moscow as George Shultz sat with Russians talking about arms control. She wasn't there physically, but she played a vital role. Her name is Margaret Thatcher and she is prime minister of Great Britian. She was here two weeks ago and she spent hours and hours with Mikhail Gorbachev. Mrs. Thatcher brought a serious message to the Kremlin from the Western allies. She said NATO has large and legitimate concerns about Soviet conventional forces bigger than NATO's. And she said the Western allies want something done about the short-range Soviet missiles which could drop nuclear warheads on European cities in minutes. Mrs. Thatcher is a formidable person -- one of her nicknames is "Attila the Hen." She carried a forceful message to Mr. Gorbachev -- don't try to divide the NATO allies -- we all want some action on those short-range missiles. And now that the Secretary of State has finished his talks here, the Soviets have put forth a new and more forthcoming offer on the short-range weapons. At least that's what it looks like from here. It's worth wondering if that new Russian position would have come about if Margaret Thatcher hadn't been here giving Gorbachev straight talk about the NATO allies sticking together. The Russians have been trying for years to split the alliance, so far the effort has not worked. Now that the Shultz meetings are over, the next thing on the agenda is American consultation with the allies. Often, that's just a formality. But this time it really means something and it means something to the Russians too thanks to Margaret Thatcher's mission to Moscow. (NBC-8)

HINCKLEY

BROKAW: John Hinckley, who tried to kill President Reagan six years ago, today was refused an Easter pass by the Washington mental hospital in which he's being held. The hospital originally recommended that Hinckley be allowed to be out of the hospital for the holiday. That changed after prosecutors revealed that Hinckley has been exchanging letters with convicted murderer Theodore Bundy.

(JOSEPH diGENOVA, U.S. Attorney: "The fact that the hospital didn't know, as it has said, that he had become penpals with Theodore Bundy is a very serious question which needs to be looked into. The question is -- why didn't they?")

The hospital said it didn't know about the letters because it has not been reading Hinckley's mail since 1984. The hospital said that wasn't necessary because his condition was improving. (NBC-3, ABC-3, CBS-3)

LINNIS

JENNINGS: There were reports today that Attorney General Edwin Meese had agreed to let an accused Nazi collaborator, Carl Linnis, go to Panama to live. However, after that became public the Panamanian government turned him down. Linnis, who is in jail in New York, is due to be deported to the Soviet Union where he has been condemned to death. He is accused by the Soviets of running a concentration camp during World War II.

(NBC-7, ABC-5, CBS-4)

IRAN-CONTRA

JENNINGS: Government investigators are quoted as saying that Col. Oliver North shredded so many papers after the scandal broke, that his shredding machine broke. There are also reports that investigators have found the original versions of other documents allegedly altered by North. Those papers reportedly itemize his secret plans to raise money for the contras in Central America. (ABC-6)

LIBYA

RATHER: Former Attorney General Ramsey Clark said he is suing the U.S. government for victims of last year's air attack on Libya. Clark said he would file claims, ranging up to \$5 million each for 65 people killed in the bombings. Although the U.S. calls the raid a success, the Libyans call it a victory.

CBS's ALAN PIZZEY reports of today's celebrations in Tripoli. (CBS-5)

ECONOMY

The U.S. economy continued its modest growth today as the government reported that retail sales in March were up two-tenths of one percent. The modest growth ended swings in sales caused by up and down automobile sales. Another indicator -- industrial production declined in March down three-tenths of one percent. Some economists say this reflects slower consumer spending due to high personal debt. (CBS-11, ABC-9)



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, APRIL 16, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

PRESIDENT AWAITS REPORT ON ARMS TALKS -- President Reagan, pushing for an arms-control treaty with the Soviets, is awaiting Secretary Shultz's report on the Kremlin's offer to eliminate short-range nuclear weapons.

(Washington Post, Washington Times, AP,
Newhouse, Reuter, Scripps Howard, UPI)

NATIONAL NEWS

HINCKLEY LETTERS KILL HIS CHANCES FOR HOLIDAY -- John Hinckley, President Reagan's would-be assassin, has been forbidden to make an unescorted one-day visit to his parents because he wrote a sympathetic letter to a mass murderer.

(Washington Post, Reuter)

IRAN-NICARAGUA

REGAN SAYS PRESIDENT UNAWARE OF DIVERSION SCHEME -- Former White House Chief of Staff Donald Regan said he is convinced President Reagan did not know about the illegal funneling of money to the Nicaraguan rebels and never would have approved the scheme.

(UPI)

NETWORK NEWS (Wednesday Evening)

SHULTZ COMPLETES TRIP -- Secretary Shultz left Moscow to consult with NATO allies on Soviet leader Gorbachev's arms control proposals.

MARINES -- A military hearing for Sgt. Clayton Lonetree was held in at Quantico Marine Base.

HINCKLEY -- John Hinckley was refused an Easter pass to visit his parents by the mental hospital in which he's being held.

INTERNATIONAL NEWS...A-2

NATIONAL NEWS.....A-9

IRAN-NICARAGUA.....A-12

NETWORK NEWS.....B-1

INTERNATIONAL NEWS

U.S. OFFICIALS CAUTIOUS Allies Expected To Oppose Gorbachev Offer

SANTA BARBARA -- President Reagan said that Secretary Shultz has improved the prospects for an agreement to limit medium-range missiles in Europe with his talks in Moscow, but other senior U.S. officials expressed concern about the latest proposal from Soviet leader Gorbachev.

The officials said that Gorbachev's proposal to eliminate short-range and tactical nuclear weapons in Europe would undoubtedly run into opposition from the NATO allies and that it conflicts with Western Doctrine. But they said the U.S. hopes to parlay the Gorbachev ideas into a possible counteroffer in the next round of negotiations, which begin in Geneva next week.

Officials said that, despite earlier optimism about a possible summit this year, Shultz is not returning to the U.S. with a summit announcement.

(David Hoffman, Washington Post, A29)

The President/Secretary Shultz's Trip

SANTA BARBARA -- President Reagan held out hope for an agreement on medium-range nuclear missiles "in the not-to-distant future" despite concern that new proposals by Soviet leader Gorbachev may complicate prospects for such a breakthrough.

Reagan had cautious praise for Secretary Shultz's mission to Moscow, amid indications Gorbachev injected a troubling new element into negotiations on the elimination of medium-range missiles from Europe.

In a statement, Reagan declared "progress was made" on all items of the agenda for the three days of talks Shultz held with Gorbachev and other senior Soviet officials, "although more clearly remains to be done."

(Norman Sandler, UPI)

President Awaits Report On Arms Talks

SANTA BARBARA -- President Reagan, pushing for an arms-control treaty with the Soviets, is awaiting Secretary Shultz's report on the Kremlin's offer to eliminate short-range nuclear weapons.

As Shultz wound up his talks with Soviet officials, Reagan voiced pleasure with the Moscow talks, in which the Soviets proposed to eliminate short-range nuclear weapons deployed in East Germany and Czechoslovakia.

"Reaching equitable, effectively verifiable and stabilizing arms reductions agreements has long been one of the primary objectives of my Administration," Reagan said in a statement. "The exchanges that Secretary Shultz had in this area hold promise for an agreement on intermediate nuclear forces at some point in the not-to-distant future."

But he also said agreements on long-range, strategic weapons and space-based defense systems "will be more difficult" to achieve.

(Merrill Hartson, AP)

Baker: Superpowers Close To 'Historic' Arms Control Progress

SANTA BARBARA -- The U.S. and the Soviet Union may be close to "historic progress" in arms control because of Moscow's offer to scrap its monopoly on short-range missiles, White House Chief of Staff Howard Baker says.

"As far as I know, this is the first time the Soviet Union has acknowledged publicly that they are willing to talk about short-range missiles, where they have a huge advantage.... So that's real progress," said Baker, who will participate in a mountaintop meeting today between President Reagan and Secretary Shultz after three days of talks in Moscow.

"The whole thing spells major forward movement between the U.S. and the Soviet Union that is the basis for optimism that we may be able to have historic progress in this field in the next several months," Baker said.

(Ira Allen, UPI)

Shultz Briefs NATO Allies On Soviet Arms Proposals

BRUSSELS -- Secretary Shultz will make no recommendations when he briefs NATO allies today on new Soviet proposals that would make huge reductions in Europe's nuclear weapon arsenals.

Shultz will brief foreign ministers of the 16-nation NATO alliance on the results of a Moscow trip in which the Soviet Union presented new ideas on nuclear missile cuts.

U.S. aides accompanying Shultz told reporters in Brussels last night after the delegation's arrival from three days of talks in Moscow that the U.S. would let NATO decide on its response to a crucial Soviet proposal to abolish all shorter-range missiles systems in Europe.

(Richard Balmforth, Reuter)

Arms Pact Hinges On European Views

European reaction to Soviet leader Gorbachev's latest offer to rid the continent of medium- and short-range nuclear missiles will make or break the U.S. response and chances for a treaty, Administration officials said.

Some officials here questioned whether the U.S.'s NATO allies, who face an overwhelming Soviet superiority in conventional arms, will go along with the offer.

Others were more optimistic, saying Gorbachev's proposal on the short-range weapons could remove the last major roadblock to a pact on intermediate-range nuclear forces.

(Warren Strobel, Washington Times, A8)

Shultz Briefs NATO Ministers On His Moscow Arms Talks

BRUSSELS -- Secretary Shultz consults today with 10 NATO foreign ministers on a Soviet nuclear weapons reduction proposal that could lead to President Reagan's first arms control treaty.

"We are very close to a deal," a senior U.S. official told reporters at a midnight briefing after Shultz flew from Moscow. "It all depends on how the discussions come out tomorrow (Thursday) and afterward."

(Barry Schweid, AP)

Shultz Cites Progress In Moscow Meetings

MOSCOW -- Secretary Shultz said that "quite a lot of progress" was made toward a treaty that would eliminate medium-range missiles in Europe during three days of talks with Soviet leaders and that he can see the prospect "close at hand" for reaching an agreement.

Shultz's assessment, one of the most optimistic that has been heard from a senior U.S. negotiator, was based on a new offer presented to him yesterday by Soviet leader Gorbachev and improved somewhat today by Foreign Minister Eduard Shevardnadze.

The new offer essentially combines elimination of the medium-range nuclear-armed missiles of both sides that can hit targets between 600 and 3,000 miles away, with the elimination of shorter-range missiles of 350- to 600-mile range, a category in which the Soviets have a monopoly.

Shultz told Gorbachev -- as he told a press conference shortly before leaving Moscow -- that he could not respond immediately to the offer because of the necessity to consult U.S. allies in Europe. Shultz flew to Brussels to begin the process of discussion within NATO which is likely to take several weeks.

(Don Oberdorfer, Washington Post, A1)

Shultz To Brief NATO Allies On Missile Talks

BRUSSELS -- Secretary Shultz arrived in Brussels Wednesday to brief European allies on the prospective medium-range missile agreement he discussed with Soviet leader Gorbachev.

While Shultz was optimistic about the results of his Moscow meetings, official Soviet news agencies attacked the secretary of state's refusal to signal immediate support for Gorbachev's proposal for eliminating all medium- and short-range missiles.

(Matthew Quinn, UPI)

Soviet Reaction To Shultz Caution

Within hours of Secretary Shultz's departure, the official Tass and Novosti news agency described the U.S. position as insufficient.

The news agency comments attacking Shultz's position were apparently aimed at Shultz's refusal to signal immediate support for Gorbachev's proposal for eliminating all medium- and short-range missiles.

"What was voiced by George Shultz shows that apparently it (the U.S.) has not yet decided on its attitude to the Soviet proposals," Tass said. "In any case, the views expressed here by the U.S. secretary of state do not represent a basis for an accord."

Novosti labeled as a "lame excuse" Shultz's explanation that he would first consult with the NATO allies whose territories are affected.

"To say that it (the visit) was very resultive would be premature, for there seems to be little new in what Secretary Shultz has brought with him to Moscow," Novosti said.

(Jack Redden, UPI)

U.S. And Soviet Union More Optimistic Over Missile Accord

MOSCOW -- The U.S. and the Soviet Union are voicing cautious optimism over prospects for a medium-range nuclear accord after three days of talks in Moscow by Secretary Shultz.

The Soviet news agency Tass said Shultz and Soviet leader Gorbachev had reached agreement in principle to step up work on a deal under which each superpower would scrap its intermediate-range nuclear forces in Europe.

(Patrick Worsnip, Reuter)

Congressional Delegation Meets With Gorbachev

MOSCOW -- Soviet leader Gorbachev, expressing optimism over the prospect of a U.S.-Soviet arms agreement, told a congressional delegation led by House Speaker Jim Wright: "Thank God, the movement has begun."

The Soviet leader met with the lawmakers as Secretary Shultz concluded three days of meeting with Gorbachev and other top Soviet officials.

Shultz and Foreign Minister Eduard Shevardnadze met for several hours Wednesday afternoon, and the Soviet official said that chances for a Washington summit were "rather good."

(Dave Montgomery, Scripps Howard)

Gorbachev Offer/European Reaction

America's nervous European allies now hold the key to a possible breakthrough U.S.-Soviet arms control agreement on medium- and short-range nuclear weapons.

Reagan wants allied reaction -- and support -- before responding to what some foreign policy experts are calling a "put up or shut up" offer from Soviet leader Gorbachev to eliminate 130 Soviet short-range nuclear missiles deployed in East Germany and Czechoslovakia as part of a deal to eliminate all U.S. and Soviet medium-range missiles from Europe.

The new Soviet offer to eliminate the short-range missiles entirely appeared to catch Shultz by surprise, though it is an alternative once proposed by U.S. arms negotiators.

"I think we've been had," said Jack Mendelsohn, deputy director of the Arms Control Association, a private group that monitors U.S.-Soviet negotiations. "They're calling our bluff. They're saying, 'All right, if you want zero you can have zero.' They know there's pressure from our allies not to move in that direction."

(Miles Benson, Newhouse)

SUPERPOWERS' NEW RIVALRY: 'GLASNOST'

MOSCOW -- Secretary Shultz got a full dose of glasnost today, and Soviet television viewers got a full dose of Shultz because of glasnost.

Glasnost, translated as openness, is one of the bywords of the new era of Soviet leader Gorbachev. Political scientists call it the engine behind his drive to shake up this society -- to vent frustrations, creative energy, criticism and ultimately the truth.

Shultz's visit tested the concept of glasnost in new ways.

In a 32-minute interview tonight on Soviet television, he challenged his audience with the view that the Afghan people want the 125,000 Soviet troops out of their country.

Shultz's taste of how the Soviets use glasnost on visitors began much earlier in the day, at 1 a.m., when his hosts spilled the beans on his supposedly private talks on nuclear arms control with Gorbachev.

(Celestine Bohlen, Washington Post, A1)

MOSCOW EMBASSY STRUCTURALLY FLAWED

The bug-laden new U.S. Embassy in Moscow also is riddled with construction flaws, said a National Bureau of Standards report.

"Major structural changes" may be needed, Secretary Shultz said Wednesday near the end of his Moscow visit -- which included a tour of the building.

But building snafus may prove minor compared with security problems. The under-construction chancery has a "honeycomb of listening devices," Shultz said.

(Richard Whitmore, USA Today, A6)

INTERAGENCY CONFLICT MAKING ESPIONAGE PROBE A 'MESS'

The government investigation of espionage charges against U.S. Marine security guards is "a mess" because of interagency conflicts and problems with the initial interrogation of a primary suspect, a knowledgeable Administration official said.

Another informed official said the issue of providing immunity from prosecution to some guards in return for their testimony is being hotly debated within the Administration.

The Administration official who said the investigation is "a mess" also said the probe is being hampered by the "institutional resistance" of conflicting government agencies trying to protect their interests. Agencies with a role in the investigation include the State Department, Defense Department, Navy Investigative Service, Marine Corps, and CIA. In addition, the chief of the Justice Department's internal security section has been providing informal advice to the military investigators, according to officials.

An Administration source said that investigators "are having difficulty putting together a case." The official added, "The initial questioning of (Sgt. Clayton Lonetree) was probably less than carefully done from a law enforcement standpoint."

(Howard Kurtz & Bill McAllister, Washington Post, A1)

8 SENATORS SEEK TO BLOCK NEW U.N. INFORMATION UNIT

UNITED NATIONS -- Eight U.S. senators have protested an American-backed move to set up a new information-gathering office at the U.N., charging that it would benefit Soviet spy operations.

U.N. Ambassador Vernon Walters, who had championed to move a part of the office out of a Soviet-controlled division of the U.N. Secretariat, said that two of the senators withdrew their objections after his personal appeals. But two of the other senators -- William Roth and Robert Dole -- have cosponsored a bill to block the U.S. share of funding for the new office.

(Michael Berlin, Washington Post, A27)

BAKER SAYS U.S. DOLLAR HAS FALLEN FAR ENOUGH
Japan Told To Accept 'Burdens' Of Power

Treasury Secretary James Baker said unequivocally that the decline in the foreign exchange value of the dollar has gone far enough.

Baker's statement came in a tough speech to the Japan Society in New York, in which he also declared, in an obvious reference to Japan, that economically strong nations must accept "the burdens, as well as the blessings, of being a great economic power. And, above all, economic leadership means accepting global responsibilities despite the sometimes parochial concerns of national constituencies."

Baker reiterated that he believes the currencies of major industrial nations "are within ranges broadly consistent with economic fundamentals, and all of us favor stability around current levels."

(John Berry, Washington Post, A1)

Baker Urges End To Dollar Fall

Treasury Secretary James Baker, long the chief advocate of a weaker dollar, has move strongly to halt a further decline in the U.S. currency for fear it could threaten global economic expansion.

In a speech to the Japan Society, Baker included several key remarks that U.S. officials suggested marked a change from his past pronouncements on currencies.

In particular, Baker joined Federal Reserve Board Chairman Paul Volcker in warning that a further decline of the dollar against other major currencies could harm faster economic growth in West Germany and Japan. And he stressed that possibility applied especially to Japan.

(Peter Torday, Reuter)

JAPANESE ELECTRONICS INDUSTRY LOBBIES TO DELAY SANCTIONS

Faced with certain retaliation for its failure to stop dumping computer chips, the Japanese electronic industry mounted a publicity campaign Wednesday to urge a delay in U.S. trade sanction.

"Both governments are acting out of ignorance," said H. William Tanaka, U.S. spokesman for the Electronic Industries Association of Japan.

"The U.S. doesn't have the patience to deal with Japan and Japan lacks sensitivity to U.S. concerns," Tanaka said at the headquarters of a high-priced Washington public relations firm.

He said the Japanese government has taken steps to assure Japanese computer chips are not dumped below cost of production in foreign markets, but added there is a misconception the government has total control over the matter.

(Mary Beth Franklin, UPI)

EUROPE PRESSURES JAPAN TO OPEN MARKETS

BRUSSELS -- Western Europe is intensifying pressure on Japan to widen its market to European goods, apparently hoping to capitalize on a toughened U.S. stance against Tokyo.

The 12-nation European Community has begun investigating industry allegations that Japan is selling semiconductors in Europe at unfairly low prices, and it is weighing new, stronger trade sanctions against Japan.

(Robert Burns, Washington Post, E2)

GADHAFI STAYS 20 SECONDS AT BOMBING ANNIVERSARY

TRIPOLI, Libya -- Col. Moammar Gadhafi walked out on the ceremony early this morning that marked the anniversary of the U.S. bombing raid on Tripoli and Benghazi.

The Libyan leader appeared for about 20 seconds before he seemed to change his mind and left through a green iron door, behind the stage from which speakers had been delivering anti-American tirades for three hours, having started before midnight.

In general, the anniversary was subdued, with the streets of the capital deserted. No rallies or public speeches marked the day. The main event was a well-orchestrated rally by 500 foreigners, so-called "peace delegates," who held a conference all day.

(Uli Schmetzer, Washington Post, A31)

SEOUL TIGHTENS CONTROL OVER OPPOSITION LEADER

SEOUL -- South Korean authorities have imposed an unusually strict house arrest on dissident leader Kim Dae Jung for the past week and are suggesting that it will not be lifted until Kim foreswears politics.

Many political analysts here see the detention as part of a new tightening of control by President Chun Doo Hwan, who this week canceled a deadlocked dialogue with the opposition on revising the South Korean constitution.

(John Burgess, Washington Post, A31)

NATIONAL NEWS

REGAN GIVES POOR MARKS TO FEDERAL MANAGERS
Ex-Chief Of Staff Addresses Business Leaders

DENVER -- Deposed White House Chief of Staff Donald Regan issued a report card on business management practices in the federal government here and essentially flunked federal managers on nearly every count.

In his first public discussion of his government experience since he was forced to step down as President Reagan's chief adviser seven weeks ago, Regan told the Economic Club of Colorado -- an organization restricted to corporate chief executives -- that "when you look at the details of government's management problems, it really is staggering."

The heart of Regan's speech was a long comparison of the federal government and private business. He said government financial management and management control are "pretty gloomy" and that resulting management problem "can be an important source of the spending problem in the government."
(T.R. Reid, Washington Post, A12)

PRESIDENT EXPECTED TO SETTLE
RIFT ON KEY DEFENSE POSITION

President Reagan is expected to nominate a new assistant secretary of defense today, a move that will quiet an intramural trench war between the White House and the Pentagon but may open a whole new front with Congress.

The problem has been finding a candidate acceptable to both the President and Secretary Weinberger, officials said.

Weinberger is said to have opposed the nomination of William Cowan, a legislative assistant to Sen. Warren Rudman in favor of Kenneth Bergquist, a deputy assistant attorney general.

"Weinberger wants someone who is qualified and won't make trouble," one official said. "Cowan is constantly going to be reporting back to the Hill."

But both the White House and Congress favor Cowan's appointment.
(James Dorsey, Washington Times, A3)

SPECIAL FORCES CHIEF IS CHOSEN

President Reagan has selected a four-star Army general with extensive service as a paratrooper, Ranger and Green Beret to become the first commander of the U.S. Special Operations Command, the Defense Department said yesterday.

If confirmed by the Senate, Gen. James Joseph Lindsay, 54, will be put in charge of creating a new military unit to command most of the Special Operations Forces from each of the military services.

(AP story, Washington Post, A19)

EX-HHS AIDE IS INDICTED ON FRAUD CHARGES

C. McClain Haddow, former chief of staff to the secretary of health and human services, was indicted on charges of fraudulently obtaining more than \$30,000 from a charitable foundation and additional kickbacks from contracts to write speeches for former HHS secretary Margaret Heckler.

In a seven-count indictment, Haddow was charged with secretly routing \$33,540 in payments from the nonprofit T. Bear Foundation, which he helped to create while at HHS, to a Senate credit union account that Haddow controlled with his wife, Alice.

As an HHS official, the indictment said, Haddow urged numerous health-care corporation to contribute to the foundation, which was created to promote hand-washing by children. He then pocketed 90 percent of the foundation's monthly payments to Michelle Magoon, a Haddow associate who was hired as a fund-raiser at his behest, according to the indictment.

(Howard Kurtz, Washington Post, A1)

ST. ELIZABETHS HOSPITAL WITHDRAWS REQUEST FOR HINCKLEY EASTER VISIT

St. Elizabeths Hospital withdrew its request to allow presidential assailant John Hinckley a one-day, unescorted Easter visit with his parents, but a hospital official said later that doctors still believe Hinckley is ready for expanded privileges.

Hospital spokesman Harold Thomas said the request was withdrawn for "administrative reasons" by Superintendent William Prescott.

"We have seen and heard evidence in this court that raises doubts at least in the government's mind, as to the management of Mr. Hinckley's case by the hospital," said Assistant U.S. Attorney Roger Adelman.

(Nancy Lewis, Washington Post, A1)

Hinckley Letters Kill His Chances For Holiday

John Hinckley, President Reagan's would-be assassin, has been forbidden to make an unescorted one-day visit to his parents because he wrote a sympathetic letter to a mass murderer.

His letter to Theodore Bundy on a Florida death row was made public in U.S. District Court yesterday, causing St. Elizabeths Hospital administrators to overrule a decision by Hinckley's psychiatrists to let him out on a 12-hour pass for Easter Sunday. (Robert Kearns, Reuter)

EDITORIAL PAGE EDITOR, 4 OTHERS QUIT
IN TIFF WITH EDITOR-IN-CHIEF

William Cheshire, the editor of the editorial page of The Washington Times, three editorial writers and a clerk have resigned after a dispute with the editor-in-chief over an editorial about political unrest in South Korea.

Cheshire characterized the cause of the dispute as "meddling" by the newspaper's owners, but Arnaud de Borchgrave, the editor-in-chief, called Cheshire's resignation "an emotional reaction" that had been "a long time building over basic disagreements." (Washington Times, A2)

Times Resignations 'Mutiny'

Washington Times editor-in-chief Arnaud de Borchgrave called the resignation of the newspaper's editorial page editor and four of his staff members "tantamount to a mutiny" but said it would not compromise the paper's credibility or editorial independence.

In announcing his resignation a few hours before the paper's deadline on Tuesday, editorial page editor William Cheshire charged that de Borchgrave had pressured him to tone down a proposed editorial that was critical of the South Korean government.

Cheshire said de Borchgrave acted at the behest of one of the paper's senior executives, Sang Kook Han, who is also a senior official of the Rev. Sun Myung Moon's Unification Church and a former member of the South Korean diplomatic corps.

"It's absolutely absurd to think there's been any interference from the owner," de Borchgrave said. "In two years, I have not received a single editorial suggestion -- let alone received any interference -- from any representative of the owners. And I'm quite willing to take a polygraph on that." (Michael Isikoff, Washington Post, A13)

IRAN-NICARAGUA

REGAN SAYS PRESIDENT UNAWARE OF DIVERSION SCHEME

DENVER -- Former White House Chief of Staff Donald Regan said he is convinced President Reagan did not know about the illegal funneling of money to the Nicaraguan rebels and never would have approved the scheme.

Regan, speaking in public for the first time since his resignation, said he also knew nothing about the diversion of profits from the Iran arms sales to the contra rebels.

"The American people deserve a full accounting and will receive it in a timely but responsible fashion," Regan said. "I remain confident their judgement and history's will be fair.

"I'm convinced the President had no knowledge of any illegal activity and would never have approved any had he known of it," Regan said

(Steve Gerstel, UPI)

SWISS REJECT PLEAS TO BLOCK PROBE OF ACCOUNTS

GENEVA -- The Swiss government has rejected attempts by two companies and five individuals to block U.S. investigators' access to bank accounts linked to the Iran arms sale, a government spokesman said.

In Washington, independent counsel Lawrence Walsh welcomed the decision. "We very much appreciate the cooperation of the Swiss authorities," he said.

All accounts named in a series of requests by Walsh can be opened under the terms of treaties between the two countries, a Justice Ministry statement said. But it added that the companies and individuals have 30 days to appeal to the Federal Court.

(John Parry, Washington Post, A37)

NORTH'S SHREDDER CHOKED FROM LOAD

Before Lt. Col. Oliver North was fired in November, he and his secretary destroyed so many documents that their White House shredding machine broke down under the load, government investigators have been told.

The shredder got backed up and jammed as Col. North and his secretary Fawn Hall shoved memos and other documents into it, a source familiar with the Iran-contra investigation said.

Meanwhile, sources said that investigators for both independent counsel Lawrence Walsh and congressional committees have obtained a wealth of material from Col. North's office, including a record of his telephone calls, meetings and other contacts, and original versions of four documents altered by his secretary.

(AP story, Washington Times, A3)

NETWORK NEWS SUMMARY FOR WEDNESDAY, APRIL 15, 1987

SHULTZ COMPLETES MOSCOW TRIP

NBC's TOM BROKAW: Secretary Shultz left Moscow tonight after three days of talks in which he apparently made some progress on the issue of medium-range nuclear missiles, but not enough progress to nail down a summit meeting. There is also the unexpected offer from Mikhail Gorbachev for both sides to eliminate short-range nuclear weapons. That concerns the Europeans since without nuclear weapons of any kind, they would have to rely on conventional weapons and the Soviets are thought to have a substantial lead in that area.

NBC's ANNE GARRELS: An exhausted George Shultz arrived in Brussels tonight.... He came from more than 20 hours of discussions. At their last meeting this afternoon, Shultz and Soviet Foreign Minister Shevardnadze agreed they are at least closer to an intermediate-range missile agreement. (SECRETARY SHULTZ: "I think we made quite a lot of progress and perhaps we can see the prospect with some negotiations ahead, but nevertheless the prospect close to hand of reaching an agreement in that area.")

According to Shevardnadze, the intermediate-range missiles talks are the only ones likely to succeed before President Reagan leaves office in a year and a half. And he said Soviet leader Gorbachev would go to Washington if an agreement is reached.

(FOREIGN MINISTER SHEVARDNADZE: "It will take a great deal of work, though, including Geneva and other levels -- the foreign minister level -- a great deal of work.")

There won't be a summit unless both sides agree on highly mobile shorter-range missiles capable of hitting Europe. The Soviets have 130 launchers, NATO has none. In Moscow both sides agreed to limit these missiles worldwide. The Soviets propose eliminating them altogether within a year. But Shultz has said he must consult with American allies on this first. Prospects are poor for the other key American arms control areas -- strategic arms and space defense.

(SECRETARY SHULTZ: "I can't say that our positions changed very much as a result of the discussions.")

Shultz and Soviet leader Gorbachev traded harsh words on espionage.

(SECRETARY SHULTZ: "There's no agreement of any kind.")

To dramatize religious freedom, Shultz visited a village church this morning. He repeatedly pressed for greater human rights during the trip. He met with divided families at the U.S. Embassy. The Soviets have promised to resolve more cases. But as he left for Brussels, it was clear that success depended on agreement on intermediate and shorter-range missiles. Some in NATO have already told Shultz they want to match some of the shorter-range missiles in order to maintain nuclear credibility. Otherwise, they fear, they will be vulnerable to other Soviet forces. The Soviet proposal to scrap these missiles is likely to cause a heated debate here.

BROKAW: When Shultz first arrived in Moscow, White House officials were talking confidently about the prospect for a summit meeting. Chris, are those same officials now concerned that this business of short-range missiles will hold up a summit meeting?

NBC's CHRIS WALLACE: Publicly officials here are echoing Shultz, saying that the talks were very positive, but privately they admit they didn't get that big breakthrough that they were hoping for and they say that Chief of Staff Howard Baker may have raised expectations too high. The general feeling here is that the Gorbachev proposals are very complicated, that they'll take more negotiations and that it's going to be some time before we get either an arms agreement or a Reagan-Gorbachev summit.

BROKAW: Did Gorbachev prove, once again, that he's a very crafty poker player?

WALLACE: There is some grudging admiration here for the fact that Gorbachev has once again thrown the U.S. on the defensive. His proposal to eliminate all short-range missiles sounds very good, but the fact is that if you get rid of all nuclear missiles in Europe, then the Soviet Union is left with a big advantage in troops and tanks. So, there is some questioning here tonight whether Mikhail Gorbachev really wants an arms deal or whether he's still playing propaganda games.

BROKAW: Caught in the middle of all this are the Europeans. They are deeply divided. Many don't like the idea of living with nuclear missiles on their soil, but many are afraid that they won't live without them....

(NBC-Lead)

ABC'S PETER JENNINGS: The President is pleased. The General Secretary is pleased and everyone is generally proclaiming caution. We are referring to the real possibility now that the United States and the Soviet Union may reach an agreement to completely eliminate medium-range nuclear weapons in Europe and the other possibility that Mr. Reagan and Mr. Gorbachev may sign such an agreement in person. The Secretary's mission to Moscow is over.

ABC's JOHN MCWETHY: Visibly exhausted after three days of contentious negotiations in Moscow, Secretary Shultz claimed the Reagan Administration's first arms control agreement with the Kremlin may be within reach.

(SECRETARY SHULTZ: "I think we made quite a lot of progress. And perhaps we can see the prospect with some hard negotiations ahead, but nevertheless the prospect close to hand of reaching an agreement in that area.")

Any treaty, of course, would be signed at a summit. There is now talk of one in the fall. The outlines of such a treaty: medium-range missiles out of Europe and Western Soviet Union, the Soviets keep 100 in Asia and the U.S. 100 in Alaska; on-site inspections to assure neither side cheats. On Soviet leader Gorbachev's surprise offer to eliminate all short-range nuclear missiles within a year as part of the deal, Shultz was cautious. He knows America's NATO allies strongly oppose such an outcome. They believe without some nuclear missiles they are more vulnerable to the Soviet Union's huge advantage in such non-nuclear forces as tanks, airplanes and artilleries.

(SECRETARY SHULTZ: "On matters of this importance, of course, we don't respond immediately. We consult carefully with our allies.")

On the issue of reducing long-range nuclear missiles -- no progress. On limiting weapons in space -- no progress. What about Soviet espionage?

(SECRETARY SHULTZ: "There's no agreement of any kind.")

This morning Shultz toured the new, but still unoccupied American Embassy in Moscow. The walls, he said, are bugged.

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MCWETHY continues:

(SECRETARY SHULTZ: "We now find they have a honeycomb of listening devices that have to be dealt with.")

The Secretary also raised the issue of the Marines' spy case during an unusual appearance on Soviet television. Shultz arrived in Brussels for his meeting with America's NATO allies in the morning where they will talk about the new Soviet offer to eliminate two whole classes of nuclear missiles. As strongly as West European government may oppose the idea, American analysts predict that public opinion may force them to say yes or risk making Mikhail Gorbachev the champion of nuclear arms reduction and not the greatest democracies of NATO.

ABC's WALTER RODGERS: After Secretary Shultz left, Soviet leader Gorbachev welcomed the delegation of American Congressmen to the Kremlin -- Gorbachev working to build a sympathetic arms control constituency one Capitol Hill. (SPEAKER JIM WRIGHT: "Well, I think it's positive. I think it's a move in the right direction. I have the sense that we both are moving toward on another.")

A strategic arms agreement, reducing long-range missiles, ballistic missile submarines and bombers, did not seem high on the Soviet's agenda. Soviet Foreign Minister Shevardnadze instead, pushing that deal on missiles in Europe leading to a summit.

(FOREIGN MINISTER SHEVARDNAZDE: "If we do get an agreement, then I think it is quite realistic to speak of the possibility of the general secretary making a visit to Washington and signing that agreement there.")

The Soviets are clearly signaling they want that deal on medium-range nuclear missiles before President Reagan leaves office. And Foreign Minister Shevardnadze concluded now is the time to roll up our sleeves and go to work. (ABC-Lead)

CBS's DAN RATHER: Secretary Shultz says a U.S.-Soviet agreement eliminating medium-range nuclear missiles in Europe is close. He says such a pact could be signed at a new summit in Washington this year. Shultz said this as he ended three days in Moscow.

CBS'S BILL MCLAUGHLIN: Agreement is close -- very close. That's the message Secretary Shultz brought to a news conference in Moscow at the end of three days of talks with the Soviet leadership. Shultz was referring to a proposed treaty to eliminate intermediate-range nuclear missiles in Europe.

(SECRETARY SHULTZ: "We can see the prospect close to hand of reaching an agreement in that area.")

Part of the deal: a surprising offer by Gorbachev to eliminate all short-range missiles in Eastern Europe within one year -- a response to Western fears about Soviet superiority. The Soviets have about 130 of the missiles. The U.S. has none. Shultz said there has been much less progress on reducing strategic intercontinental ballistic missiles and no sign of an agreement on weapons in space. Although he and Soviet Foreign Minister Shevardnadze did sign an agreement on the peaceful uses of outer space. There had been, he said, downright disagreement on the subject of espionage, especially at the new U.S. Embassy.

(SECRETARY SHULTZ: "There's no agreement of any kind.")

But both sides agreed that none of this would get in the way in intermediate-range missiles. There are now just two road blocks on the way to an arms control agreement and a summit.

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MCLAUGHLIN continues: The Soviets must decide whether to accept the U.S. rules on verification and Shultz is here in Brussels to see if the U.S.'s NATO allies will accept the new Soviet proposal. But the mood is definitely positive and the sense is that an arms control treaty and a summit decision are now finally just within reach.

CBS'S WYATT ANDREWS: To the Soviets, George Shultz left Moscow with more than just arms control progress in his pocket. He left behind a changed super power relationship that is now the best it has been during the Reagan Presidency. During Shultz's three days of bargaining with the Soviet leadership, his arguments to Gorbachev and Shevardnadze were explained to the Soviet people like never before. The Soviets were clearly cultivating an atmosphere of respect for Shultz. In fact Gorbachev's offer to eliminate short-range missiles in Europe and Shultz's reply that he would consult the NATO allies was being fully reported by TASS last night at the very moment that an American spokesman would only issue a six sentence description of the talks. Foreign Minister Shevardnadze joked about the open reporting -- he said that's how we do it now. For his part, Shultz did things no secretary of state has even done in Russia. He attended a Russian orthodox mass and before that a passover seder. He visited the grave site of a censored Russian author. He attended a gathering of some of Russia's top writers and then talked about that at a free-wheeling press conference he controlled at the Soviet Foreign Ministry. After the press conference, an interview was taped for broadcast with the promise it would air in full. Shultz would be the first to admit that on issues like emigration, espionage, Afghanistan and arms control deep Soviet-American differences remain. But history is made when an American secretary of state gets the free reign Shultz enjoyed here and then explain Soviet-American differences directly to the Russian public.

RATHER: In California with the President, White House Chief of Staff Howard Baker made a point of being up-beat about the news from Moscow. (SENATOR BAKER: "I remain optimistic that we've got a historic opportunity to get meaningful arms control agreements with the Soviet Union and I'm optimistic that this may lead to a meeting between the President and the general secretary some time yet this year.") But to the NATO allies, the nuclear free Europe is not as appealing as it may sound. The major fear -- Soviet conventional forces which outnumber the west by a considerable margin.

CBS's TOM FENTON reports on European allies' mixed feelings about the prospect of a U.S.-Soviet arms control agreement. (CBS-Lead)

MARINES

BROKAW: In Quantico, Virginia, today, there was a military hearing for one of the Marines charged in that spy and sex scandal at the U.S. Embassy in Moscow. Afterwards, as Sgt. Clayton Lonetree was led away, his lawyers claimed that the military failed to make it's case for espionage. They said Lonetree is being made a scapegoat to cover up State Department negligence at the embassy. There was no decision on whether to courtmartial the marine. This hearing will continue tomorrow.

(NBC-2, ABC-2, CBS-2)

THATCHER'S ROLE IN SHULTZ'S VISIT

NBC's JOHN CHANCELLOR: There was another player at the table here in Moscow as George Shultz sat with Russians talking about arms control. She wasn't there physically, but she played a vital role. Her name is Margaret Thatcher and she is prime minister of Great Britian. She was here two weeks ago and she spent hours and hours with Mikhail Gorbachev. Mrs. Thatcher brought a serious message to the Kremlin from the Western allies. She said NATO has large and legitimate concerns about Soviet conventional forces bigger than NATO's. And she said the Western allies want something done about the short-range Soviet missiles which could drop nuclear warheads on European cities in minutes. Mrs. Thatcher is a formidable person -- one of her nicknames is "Attila the Hen." She carried a forceful message to Mr. Gorbachev -- don't try to divide the NATO allies -- we all want some action on those short-range missiles. And now that the Secretary of State has finished his talks here, the Soviets have put forth a new and more forthcoming offer on the short-range weapons. At least that's what it looks like from here. It's worth wondering if that new Russian position would have come about if Margaret Thatcher hadn't been here giving Gorbachev straight talk about the NATO allies sticking together. The Russians have been trying for years to split the alliance, so far the effort has not worked. Now that the Shultz meetings are over, the next thing on the agenda is American consultation with the allies. Often, that's just a formality. But this time it really means something and it means something to the Russians too thanks to Margaret Thatcher's mission to Moscow. (NBC-8)

HINCKLEY

BROKAW: John Hinckley, who tried to kill President Reagan six years ago, today was refused an Easter pass by the Washington mental hospital in which he's being held. The hospital originally recommended that Hinckley be allowed to be out of the hospital for the holiday. That changed after prosecutors revealed that Hinckley has been exchanging letters with convicted murderer Theodore Bundy.

(JOSEPH diGENOVA, U.S. Attorney: "The fact that the hospital didn't know, as it has said, that he had become penpals with Theodore Bundy is a very serious question which needs to be looked into. The question is -- why didn't they?")

The hospital said it didn't know about the letters because it has not been reading Hinckley's mail since 1984. The hospital said that wasn't necessary because his condition was improving. (NBC-3, ABC-3, CBS-3)

LINNIS

JENNINGS: There were reports today that Attorney General Edwin Meese had agreed to let an accused Nazi collaborator, Carl Linnis, go to Panama to live. However, after that became public the Panamanian government turned him down. Linnis, who is in jail in New York, is due to be deported to the Soviet Union where he has been condemned to death. He is accused by the Soviets of running a concentration camp during World War II.

(NBC-7, ABC-5, CBS-4)

IRAN-CONTRA

JENNINGS: Government investigators are quoted as saying that Col. Oliver North shredded so many papers after the scandal broke, that his shredding machine broke. There are also reports that investigators have found the original versions of other documents allegedly altered by North. Those papers reportedly itemize his secret plans to raise money for the contras in Central America. (ABC-6)

LIBYA

RATHER: Former Attorney General Ramsey Clark said he is suing the U.S. government for victims of last year's air attack on Libya. Clark said he would file claims, ranging up to \$5 million each for 65 people killed in the bombings. Although the U.S. calls the raid a success, the Libyans call it a victory.

CBS's ALAN PIZZEY reports of today's celebrations in Tripoli. (CBS-5)

ECONOMY

The U.S. economy continued its modest growth today as the government reported that retail sales in March were up two-tenths of one percent. The modest growth ended swings in sales caused by up and down automobile sales. Another indicator -- industrial production declined in March down three-tenths of one percent. Some economists say this reflects slower consumer spending due to high personal debt. (CBS-11, ABC-9)



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, APRIL 16, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

PRESIDENT AWAITS REPORT ON ARMS TALKS -- President Reagan, pushing for an arms-control treaty with the Soviets, is awaiting Secretary Shultz's report on the Kremlin's offer to eliminate short-range nuclear weapons.

(Washington Post, Washington Times, AP,
Newhouse, Reuter, Scripps Howard, UPI)

NATIONAL NEWS

HINCKLEY LETTERS KILL HIS CHANCES FOR HOLIDAY -- John Hinckley, President Reagan's would-be assassin, has been forbidden to make an unescorted one-day visit to his parents because he wrote a sympathetic letter to a mass murderer.

(Washington Post, Reuter)

IRAN-NICARAGUA

REGAN SAYS PRESIDENT UNAWARE OF DIVERSION SCHEME -- Former White House Chief of Staff Donald Regan said he is convinced President Reagan did not know about the illegal funneling of money to the Nicaraguan rebels and never would have approved the scheme.

(UPI)

NETWORK NEWS (Wednesday Evening)

SHULTZ COMPLETES TRIP -- Secretary Shultz left Moscow to consult with NATO allies on Soviet leader Gorbachev's arms control proposals.

MARINES -- A military hearing for Sgt. Clayton Lonetree was held in at Quantico Marine Base.

HINCKLEY -- John Hinckley was refused an Easter pass to visit his parents by the mental hospital in which he's being held.

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INTERNATIONAL NEWS

U.S. OFFICIALS CAUTIOUS
Allies Expected To Oppose Gorbachev Offer

SANTA BARBARA -- President Reagan said that Secretary Shultz has improved the prospects for an agreement to limit medium-range missiles in Europe with his talks in Moscow, but other senior U.S. officials expressed concern about the latest proposal from Soviet leader Gorbachev.

The officials said that Gorbachev's proposal to eliminate short-range and tactical nuclear weapons in Europe would undoubtedly run into opposition from the NATO allies and that it conflicts with Western Doctrine. But they said the U.S. hopes to parlay the Gorbachev ideas into a possible counteroffer in the next round of negotiations, which begin in Geneva next week.

Officials said that, despite earlier optimism about a possible summit this year, Shultz is not returning to the U.S. with a summit announcement.

(David Hoffman, Washington Post, A29)

The President/Secretary Shultz's Trip

SANTA BARBARA -- President Reagan held out hope for an agreement on medium-range nuclear missiles "in the not-to-distant future" despite concern that new proposals by Soviet leader Gorbachev may complicate prospects for such a breakthrough.

Reagan had cautious praise for Secretary Shultz's mission to Moscow, amid indications Gorbachev injected a troubling new element into negotiations on the elimination of medium-range missiles from Europe.

In a statement, Reagan declared "progress was made" on all items of the agenda for the three days of talks Shultz held with Gorbachev and other senior Soviet officials, "although more clearly remains to be done."

(Norman Sandler, UPI)

President Awaits Report On Arms Talks

SANTA BARBARA -- President Reagan, pushing for an arms-control treaty with the Soviets, is awaiting Secretary Shultz's report on the Kremlin's offer to eliminate short-range nuclear weapons.

As Shultz wound up his talks with Soviet officials, Reagan voiced pleasure with the Moscow talks, in which the Soviets proposed to eliminate short-range nuclear weapons deployed in East Germany and Czechoslovakia.

"Reaching equitable, effectively verifiable and stabilizing arms reductions agreements has long been one of the primary objectives of my Administration," Reagan said in a statement. "The exchanges that Secretary Shultz had in this area hold promise for an agreement on intermediate nuclear forces at some point in the not-to-distant future."

But he also said agreements on long-range, strategic weapons and space-based defense systems "will be more difficult" to achieve.

(Merrill Hartson, AP)

Baker: Superpowers Close To 'Historic' Arms Control Progress

SANTA BARBARA -- The U.S. and the Soviet Union may be close to "historic progress" in arms control because of Moscow's offer to scrap its monopoly on short-range missiles, White House Chief of Staff Howard Baker says.

"As far as I know, this is the first time the Soviet Union has acknowledged publicly that they are willing to talk about short-range missiles, where they have a huge advantage.... So that's real progress," said Baker, who will participate in a mountaintop meeting today between President Reagan and Secretary Shultz after three days of talks in Moscow.

"The whole thing spells major forward movement between the U.S. and the Soviet Union that is the basis for optimism that we may be able to have historic progress in this field in the next several months," Baker said.

(Ira Allen, UPI)

Shultz Briefs NATO Allies On Soviet Arms Proposals

BRUSSELS -- Secretary Shultz will make no recommendations when he briefs NATO allies today on new Soviet proposals that would make huge reductions in Europe's nuclear weapon arsenals.

Shultz will brief foreign ministers of the 16-nation NATO alliance on the results of a Moscow trip in which the Soviet Union presented new ideas on nuclear missile cuts.

U.S. aides accompanying Shultz told reporters in Brussels last night after the delegation's arrival from three days of talks in Moscow that the U.S. would let NATO decide on its response to a crucial Soviet proposal to abolish all shorter-range missiles systems in Europe.

(Richard Balmforth, Reuter)

Arms Pact Hinges On European Views

European reaction to Soviet leader Gorbachev's latest offer to rid the continent of medium- and short-range nuclear missiles will make or break the U.S. response and chances for a treaty, Administration officials said.

Some officials here questioned whether the U.S.'s NATO allies, who face an overwhelming Soviet superiority in conventional arms, will go along with the offer.

Others were more optimistic, saying Gorbachev's proposal on the short-range weapons could remove the last major roadblock to a pact on intermediate-range nuclear forces.

(Warren Strobel, Washington Times, A8)

Shultz Briefs NATO Ministers On His Moscow Arms Talks

BRUSSELS -- Secretary Shultz consults today with 10 NATO foreign ministers on a Soviet nuclear weapons reduction proposal that could lead to President Reagan's first arms control treaty.

"We are very close to a deal," a senior U.S. official told reporters at a midnight briefing after Shultz flew from Moscow. "It all depends on how the discussions come out tomorrow (Thursday) and afterward."

(Barry Schweid, AP)

Shultz Cites Progress In Moscow Meetings

MOSCOW -- Secretary Shultz said that "quite a lot of progress" was made toward a treaty that would eliminate medium-range missiles in Europe during three days of talks with Soviet leaders and that he can see the prospect "close at hand" for reaching an agreement.

Shultz's assessment, one of the most optimistic that has been heard from a senior U.S. negotiator, was based on a new offer presented to him yesterday by Soviet leader Gorbachev and improved somewhat today by Foreign Minister Eduard Shevardnadze.

The new offer essentially combines elimination of the medium-range nuclear-armed missiles of both sides that can hit targets between 600 and 3,000 miles away, with the elimination of shorter-range missiles of 350- to 600-mile range, a category in which the Soviets have a monopoly.

Shultz told Gorbachev -- as he told a press conference shortly before leaving Moscow -- that he could not respond immediately to the offer because of the necessity to consult U.S. allies in Europe. Shultz flew to Brussels to begin the process of discussion within NATO which is likely to take several weeks.

(Don Oberdorfer, Washington Post, A1)

Shultz To Brief NATO Allies On Missile Talks

BRUSSELS -- Secretary Shultz arrived in Brussels Wednesday to brief European allies on the prospective medium-range missile agreement he discussed with Soviet leader Gorbachev.

While Shultz was optimistic about the results of his Moscow meetings, official Soviet news agencies attacked the secretary of state's refusal to signal immediate support for Gorbachev's proposal for eliminating all medium- and short-range missiles.

(Matthew Quinn, UPI)

Soviet Reaction To Shultz Caution

Within hours of Secretary Shultz's departure, the official Tass and Novosti news agency described the U.S. position as insufficient.

The news agency comments attacking Shultz's position were apparently aimed at Shultz's refusal to signal immediate support for Gorbachev's proposal for eliminating all medium- and short-range missiles.

"What was voiced by George Shultz shows that apparently it (the U.S.) has not yet decided on its attitude to the Soviet proposals," Tass said. "In any case, the views expressed here by the U.S. secretary of state do not represent a basis for an accord."

Novosti labeled as a "lame excuse" Shultz's explanation that he would first consult with the NATO allies whose territories are affected.

"To say that it (the visit) was very resultive would be premature, for there seems to be little new in what Secretary Shultz has brought with him to Moscow," Novosti said.

(Jack Redden, UPI)

U.S. And Soviet Union More Optimistic Over Missile Accord

MOSCOW -- The U.S. and the Soviet Union are voicing cautious optimism over prospects for a medium-range nuclear accord after three days of talks in Moscow by Secretary Shultz.

The Soviet news agency Tass said Shultz and Soviet leader Gorbachev had reached agreement in principle to step up work on a deal under which each superpower would scrap its intermediate-range nuclear forces in Europe.

(Patrick Worsnip, Reuter)

Congressional Delegation Meets With Gorbachev

MOSCOW -- Soviet leader Gorbachev, expressing optimism over the prospect of a U.S.-Soviet arms agreement, told a congressional delegation led by House Speaker Jim Wright: "Thank God, the movement has begun."

The Soviet leader met with the lawmakers as Secretary Shultz concluded three days of meeting with Gorbachev and other top Soviet officials.

Shultz and Foreign Minister Eduard Shevardnadze met for several hours Wednesday afternoon, and the Soviet official said that chances for a Washington summit were "rather good."

(Dave Montgomery, Scripps Howard)

Gorbachev Offer/European Reaction

America's nervous European allies now hold the key to a possible breakthrough U.S.-Soviet arms control agreement on medium- and short-range nuclear weapons.

Reagan wants allied reaction -- and support -- before responding to what some foreign policy experts are calling a "put up or shut up" offer from Soviet leader Gorbachev to eliminate 130 Soviet short-range nuclear missiles deployed in East Germany and Czechoslovakia as part of a deal to eliminate all U.S. and Soviet medium-range missiles from Europe.

The new Soviet offer to eliminate the short-range missiles entirely appeared to catch Shultz by surprise, though it is an alternative once proposed by U.S. arms negotiators.

"I think we've been had," said Jack Mendelsohn, deputy director of the Arms Control Association, a private group that monitors U.S.-Soviet negotiations. "They're calling our bluff. They're saying, 'All right, if you want zero you can have zero.' They know there's pressure from our allies not to move in that direction."

(Miles Benson, Newhouse)

SUPERPOWERS' NEW RIVALRY: 'GLASNOST'

MOSCOW -- Secretary Shultz go a full dose of glasnost today, and Soviet television viewers got a full dose of Shultz because of glasnost.

Glasnost, translated as openness, is one of the bywords of the new era of Soviet leader Gorbachev. Political scientists call it the engine behind his drive to shake up this society -- to vent frustrations, creative energy, criticism and ultimately the truth.

Shultz's visit tested the concept of glasnost in new ways.

In a 32-minute interview tonight on Soviet television, he challenged his audience with the view that the Afghan people want the 125,000 Soviet troops out of their country.

Shultz's taste of how the Soviets use glasnost on visitors began much earlier in the day, at 1 a.m., when his hosts spilled the beans on his supposedly private talks on nuclear arms control with Gorbachev.

(Celestine Bohlen, Washington Post, A1)

MOSCOW EMBASSY STRUCTURALLY FLAWED

The bug-laden new U.S. Embassy in Moscow also is riddled with construction flaws, said a National Bureau of Standards report.

"Major structural changes" may be needed, Secretary Shultz said Wednesday near the end of his Moscow visit -- which included a tour of the building.

But building snafus may prove minor compared with security problems. The under-construction chancery has a "honeycomb of listening devices," Shultz said.

(Richard Whitmore, USA Today, A6)

INTERAGENCY CONFLICT MAKING ESPIONAGE PROBE A 'MESS'

The government investigation of espionage charges against U.S. Marine security guards is "a mess" because of interagency conflicts and problems with the initial interrogation of a primary suspect, a knowledgeable Administration official said.

Another informed official said the issue of providing immunity from prosecution to some guards in return for their testimony is being hotly debated within the Administration.

The Administration official who said the investigation is "a mess" also said the probe is being hampered by the "institutional resistance" of conflicting government agencies trying to protect their interests. Agencies with a role in the investigation include the State Department, Defense Department, Navy Investigative Service, Marine Corps, and CIA. In addition, the chief of the Justice Department's internal security section has been providing informal advice to the military investigators, according to officials.

An Administration source said that investigators "are having difficulty putting together a case." The official added, "The initial questioning of (Sgt. Clayton Lonetree) was probably less than carefully done from a law enforcement standpoint."

(Howard Kurtz & Bill McAllister, Washington Post, A1)

8 SENATORS SEEK TO BLOCK NEW U.N. INFORMATION UNIT

UNITED NATIONS -- Eight U.S. senators have protested an American-backed move to set up a new information-gathering office at the U.N., charging that it would benefit Soviet spy operations.

U.N. Ambassador Vernon Walters, who had championed to move a part of the office out of a Soviet-controlled division of the U.N. Secretariat, said that two of the senators withdrew their objections after his personal appeals. But two of the other senators -- William Roth and Robert Dole -- have cosponsored a bill to block the U.S. share of funding for the new office.

(Michael Berlin, Washington Post, A27)

BAKER SAYS U.S. DOLLAR HAS FALLEN FAR ENOUGH
Japan Told To Accept 'Burdens' Of Power

Treasury Secretary James Baker said unequivocally that the decline in the foreign exchange value of the dollar has gone far enough.

Baker's statement came in a tough speech to the Japan Society in New York, in which he also declared, in an obvious reference to Japan, that economically strong nations must accept "the burdens, as well as the blessings, of being a great economic power. And, above all, economic leadership means accepting global responsibilities despite the sometimes parochial concerns of national constituencies."

Baker reiterated that he believes the currencies of major industrial nations "are within ranges broadly consistent with economic fundamentals, and all of us favor stability around current levels."

(John Berry, Washington Post, A1)

Baker Urges End To Dollar Fall

Treasury Secretary James Baker, long the chief advocate of a weaker dollar, has move strongly to halt a further decline in the U.S. currency for fear it could threaten global economic expansion.

In a speech to the Japan Society, Baker included several key remarks that U.S. officials suggested marked a change from his past pronouncements on currencies.

In particular, Baker joined Federal Reserve Board Chairman Paul Volcker in warning that a further decline of the dollar against other major currencies could harm faster economic growth in West Germany and Japan. And he stressed that possibility applied especially to Japan.

(Peter Torday, Reuter)

JAPANESE ELECTRONICS INDUSTRY LOBBIES TO DELAY SANCTIONS

Faced with certain retaliation for its failure to stop dumping computer chips, the Japanese electronic industry mounted a publicity campaign Wednesday to urge a delay in U.S. trade sanction.

"Both governments are acting out of ignorance," said H. William Tanaka, U.S. spokesman for the Electronic Industries Association of Japan.

"The U.S. doesn't have the patience to deal with Japan and Japan lacks sensitivity to U.S. concerns," Tanaka said at the headquarters of a high-priced Washington public relations firm.

He said the Japanese government has taken steps to assure Japanese computer chips are not dumped below cost of production in foreign markets, but added there is a misconception the government has total control over the matter.

(Mary Beth Franklin, UPI)

EUROPE PRESSURES JAPAN TO OPEN MARKETS

BRUSSELS -- Western Europe is intensifying pressure on Japan to widen its market to European goods, apparently hoping to capitalize on a toughened U.S. stance against Tokyo.

The 12-nation European Community has begun investigating industry allegations that Japan is selling semiconductors in Europe at unfairly low prices, and it is weighing new, stronger trade sanctions against Japan.

(Robert Burns, Washington Post, E2)

GADHAFI STAYS 20 SECONDS AT BOMBING ANNIVERSARY

TRIPOLI, Libya -- Col. Moammar Gadhafi walked out on the ceremony early this morning that marked the anniversary of the U.S. bombing raid on Tripoli and Benghazi.

The Libyan leader appeared for about 20 seconds before he seemed to change his mind and left through a green iron door, behind the stage from which speakers had been delivering anti-American tirades for three hours, having started before midnight.

In general, the anniversary was subdued, with the streets of the capital deserted. No rallies or public speeches marked the day. The main event was a well-orchestrated rally by 500 foreigners, so-called "peace delegates," who held a conference all day.

(Uli Schmetzer, Washington Post, A31)

SEOUL TIGHTENS CONTROL OVER OPPOSITION LEADER

SEOUL -- South Korean authorities have imposed an unusually strict house arrest on dissident leader Kim Dae Jung for the past week and are suggesting that it will not be lifted until Kim foreswears politics.

Many political analysts here see the detention as part of a new tightening of control by President Chun Doo Hwan, who this week canceled a deadlocked dialogue with the opposition on revising the South Korean constitution.

(John Burgess, Washington Post, A31)

NATIONAL NEWS

REGAN GIVES POOR MARKS TO FEDERAL MANAGERS
Ex-Chief Of Staff Addresses Business Leaders

DENVER -- Deposed White House Chief of Staff Donald Regan issued a report card on business management practices in the federal government here and essentially flunked federal managers on nearly every count.

In his first public discussion of his government experience since he was forced to step down as President Reagan's chief adviser seven weeks ago, Regan told the Economic Club of Colorado -- an organization restricted to corporate chief executives -- that "when you look at the details of government's management problems, it really is staggering."

The heart of Regan's speech was a long comparison of the federal government and private business. He said government financial management and management control are "pretty gloomy" and that resulting management problem "can be an important source of the spending problem in the government."
(T.R. Reid, Washington Post, A12)

PRESIDENT EXPECTED TO SETTLE
RIFT ON KEY DEFENSE POSITION

President Reagan is expected to nominate a new assistant secretary of defense today, a move that will quiet an intramural trench war between the White House and the Pentagon but may open a whole new front with Congress.

The problem has been finding a candidate acceptable to both the President and Secretary Weinberger, officials said.

Weinberger is said to have opposed the nomination of William Cowan, a legislative assistant to Sen. Warren Rudman in favor of Kenneth Bergquist, a deputy assistant attorney general.

"Weinberger wants someone who is qualified and won't make trouble," one official said. "Cowan is constantly going to be reporting back to the Hill."

But both the White House and Congress favor Cowan's appointment.
(James Dorsey, Washington Times, A3)

SPECIAL FORCES CHIEF IS CHOSEN

President Reagan has selected a four-star Army general with extensive service as a paratrooper, Ranger and Green Beret to become the first commander of the U.S. Special Operations Command, the Defense Department said yesterday.

If confirmed by the Senate, Gen. James Joseph Lindsay, 54, will be put in charge of creating a new military unit to command most of the Special Operations Forces from each of the military services.

(AP story, Washington Post, A19)

EX-HHS AIDE IS INDICTED ON FRAUD CHARGES

C. McClain Haddow, former chief of staff to the secretary of health and human services, was indicted on charges of fraudulently obtaining more than \$30,000 from a charitable foundation and additional kickbacks from contracts to write speeches for former HHS secretary Margaret Heckler.

In a seven-count indictment, Haddow was charged with secretly routing \$33,540 in payments from the nonprofit T. Bear Foundation, which he helped to create while at HHS, to a Senate credit union account that Haddow controlled with his wife, Alice.

As an HHS official, the indictment said, Haddow urged numerous health-care corporation to contribute to the foundation, which was created to promote hand-washing by children. He then pocketed 90 percent of the foundation's monthly payments to Michelle Magoon, a Haddow associate who was hired as a fund-raiser at his behest, according to the indictment.

(Howard Kurtz, Washington Post, A1)

ST. ELIZABETHS HOSPITAL WITHDRAWS REQUEST FOR HINCKLEY EASTER VISIT

St. Elizabeths Hospital withdrew its request to allow presidential assailant John Hinckley a one-day, unescorted Easter visit with his parents, but a hospital official said later that doctors still believe Hinckley is ready for expanded privileges.

Hospital spokesman Harold Thomas said the request was withdrawn for "administrative reasons" by Superintendent William Prescott.

"We have seen and heard evidence in this court that raises doubts at least in the government's mind, as to the management of Mr. Hinckley's case by the hospital," said Assistant U.S. Attorney Roger Adelman.

(Nancy Lewis, Washington Post, A1)

Hinckley Letters Kill His Chances For Holiday

John Hinckley, President Reagan's would-be assassin, has been forbidden to make an unescorted one-day visit to his parents because he wrote a sympathetic letter to a mass murderer.

His letter to Theodore Bundy on a Florida death row was made public in U.S. District Court yesterday, causing St. Elizabeths Hospital administrators to overrule a decision by Hinckley's psychiatrists to let him out on a 12-hour pass for Easter Sunday.

(Robert Kearns, Reuter)

EDITORIAL PAGE EDITOR, 4 OTHERS QUIT
IN TIFF WITH EDITOR-IN-CHIEF

William Cheshire, the editor of the editorial page of The Washington Times, three editorial writers and a clerk have resigned after a dispute with the editor-in-chief over an editorial about political unrest in South Korea.

Cheshire characterized the cause of the dispute as "meddling" by the newspaper's owners, but Arnaud de Borchgrave, the editor-in-chief, called Cheshire's resignation "an emotional reaction" that had been "a long time building over basic disagreements." (Washington Times, A2)

Times Resignations 'Mutiny'

Washington Times editor-in-chief Arnaud de Borchgrave called the resignation of the newspaper's editorial page editor and four of his staff members "tantamount to a mutiny" but said it would not compromise the paper's credibility or editorial independence.

In announcing his resignation a few hours before the paper's deadline on Tuesday, editorial page editor William Cheshire charged that de Borchgrave had pressured him to tone down a proposed editorial that was critical of the South Korean government.

Cheshire said de Borchgrave acted at the behest of one of the paper's senior executives, Sang Kook Han, who is also a senior official of the Rev. Sun Myung Moon's Unification Church and a former member of the South Korean diplomatic corps.

"It's absolutely absurd to think there's been any interference from the owner," de Borchgrave said. "In two years, I have not received a single editorial suggestion -- let alone received any interference -- from any representative of the owners. And I'm quite willing to take a polygraph on that." (Michael Isikoff, Washington Post, A13)

IRAN-NICARAGUA

REGAN SAYS PRESIDENT UNAWARE OF DIVERSION SCHEME

DENVER -- Former White House Chief of Staff Donald Regan said he is convinced President Reagan did not know about the illegal funneling of money to the Nicaraguan rebels and never would have approved the scheme.

Regan, speaking in public for the first time since his resignation, said he also knew nothing about the diversion of profits from the Iran arms sales to the contra rebels.

"The American people deserve a full accounting and will receive it in a timely but responsible fashion," Regan said. "I remain confident their judgement and history's will be fair.

"I'm convinced the President had no knowledge of any illegal activity and would never have approved any had he known of it," Regan said

(Steve Gerstel, UPI)

SWISS REJECT PLEAS TO BLOCK PROBE OF ACCOUNTS

GENEVA -- The Swiss government has rejected attempts by two companies and five individuals to block U.S. investigators' access to bank accounts linked to the Iran arms sale, a government spokesman said.

In Washington, independent counsel Lawrence Walsh welcomed the decision. "We very much appreciate the cooperation of the Swiss authorities," he said.

All accounts named in a series of requests by Walsh can be opened under the terms of treaties between the two countries, a Justice Ministry statement said. But it added that the companies and individuals have 30 days to appeal to the Federal Court.

(John Parry, Washington Post, A37)

NORTH'S SHREDDER CHOKED FROM LOAD

Before Lt. Col. Oliver North was fired in November, he and his secretary destroyed so many documents that their White House shredding machine broke down under the load, government investigators have been told.

The shredder got backed up and jammed as Col. North and his secretary Fawn Hall shoved memos and other documents into it, a source familiar with the Iran-contra investigation said.

Meanwhile, sources said that investigators for both independent counsel Lawrence Walsh and congressional committees have obtained a wealth of material from Col. North's office, including a record of his telephone calls, meetings and other contacts, and original versions of four documents altered by his secretary.

(AP story, Washington Times, A3)

NETWORK NEWS SUMMARY FOR WEDNESDAY, APRIL 15, 1987

SHULTZ COMPLETES MOSCOW TRIP

NBC's TOM BROKAW: Secretary Shultz left Moscow tonight after three days of talks in which he apparently made some progress on the issue of medium-range nuclear missiles, but not enough progress to nail down a summit meeting. There is also the unexpected offer from Mikhail Gorbachev for both sides to eliminate short-range nuclear weapons. That concerns the Europeans since without nuclear weapons of any kind, they would have to rely on conventional weapons and the Soviets are thought to have a substantial lead in that area.

NBC's ANNE GARRELS: An exhausted George Shultz arrived in Brussels tonight.... He came from more than 20 hours of discussions. At their last meeting this afternoon, Shultz and Soviet Foreign Minister Shevardnadze agreed they are at least closer to an intermediate-range missile agreement. (SECRETARY SHULTZ: "I think we made quite a lot of progress and perhaps we can see the prospect with some negotiations ahead, but nevertheless the prospect close to hand of reaching an agreement in that area.")

According to Shevardnadze, the intermediate-range missiles talks are the only ones likely to succeed before President Reagan leaves office in a year and a half. And he said Soviet leader Gorbachev would go to Washington if an agreement is reached.

(FOREIGN MINISTER SHEVARDNADZE: "It will take a great deal of work, though, including Geneva and other levels -- the foreign minister level -- a great deal of work.")

There won't be a summit unless both sides agree on highly mobile shorter-range missiles capable of hitting Europe. The Soviets have 130 launchers, NATO has none. In Moscow both sides agreed to limit these missiles worldwide. The Soviets propose eliminating them altogether within a year. But Shultz has said he must consult with American allies on this first. Prospects are poor for the other key American arms control areas -- strategic arms and space defense.

(SECRETARY SHULTZ: "I can't say that our positions changed very much as a result of the discussions.")

Shultz and Soviet leader Gorbachev traded harsh words on espionage.

(SECRETARY SHULTZ: "There's no agreement of any kind.")

To dramatize religious freedom, Shultz visited a village church this morning. He repeatedly pressed for greater human rights during the trip. He met with divided families at the U.S. Embassy. The Soviets have promised to resolve more cases. But as he left for Brussels, it was clear that success depended on agreement on intermediate and shorter-range missiles. Some in NATO have already told Shultz they want to match some of the shorter-range missiles in order to maintain nuclear credibility. Otherwise, they fear, they will be vulnerable to other Soviet forces. The Soviet proposal to scrap these missiles is likely to cause a heated debate here.

BROKAW: When Shultz first arrived in Moscow, White House officials were talking confidently about the prospect for a summit meeting. Chris, are those same officials now concerned that this business of short-range missiles will hold up a summit meeting?

NBC's CHRIS WALLACE: Publicly officials here are echoing Shultz, saying that the talks were very positive, but privately they admit they didn't get that big breakthrough that they were hoping for and they say that Chief of Staff Howard Baker may have raised expectations too high. The general feeling here is that the Gorbachev proposals are very complicated, that they'll take more negotiations and that it's going to be some time before we get either an arms agreement or a Reagan-Gorbachev summit.

BROKAW: Did Gorbachev prove, once again, that he's a very crafty poker player?

WALLACE: There is some grudging admiration here for the fact that Gorbachev has once again thrown the U.S. on the defensive. His proposal to eliminate all short-range missiles sounds very good, but the fact is that if you get rid of all nuclear missiles in Europe, then the Soviet Union is left with a big advantage in troops and tanks. So, there is some questioning here tonight whether Mikhail Gorbachev really wants an arms deal or whether he's still playing propaganda games.

BROKAW: Caught in the middle of all this are the Europeans. They are deeply divided. Many don't like the idea of living with nuclear missiles on their soil, but many are afraid that they won't live without them....

(NBC-Lead)

ABC'S PETER JENNINGS: The President is pleased. The General Secretary is pleased and everyone is generally proclaiming caution. We are referring to the real possibility now that the United States and the Soviet Union may reach an agreement to completely eliminate medium-range nuclear weapons in Europe and the other possibility that Mr. Reagan and Mr. Gorbachev may sign such an agreement in person. The Secretary's mission to Moscow is over.

ABC's JOHN MCWETHY: Visibly exhausted after three days of contentious negotiations in Moscow, Secretary Shultz claimed the Reagan Administration's first arms control agreement with the Kremlin may be within reach.

(SECRETARY SHULTZ: "I think we made quite a lot of progress. And perhaps we can see the prospect with some hard negotiations ahead, but nevertheless the prospect close to hand of reaching an agreement in that area.")

Any treaty, of course, would be signed at a summit. There is now talk of one in the fall. The outlines of such a treaty: medium-range missiles out of Europe and Western Soviet Union, the Soviets keep 100 in Asia and the U.S. 100 in Alaska; on-site inspections to assure neither side cheats. On Soviet leader Gorbachev's surprise offer to eliminate all short-range nuclear missiles within a year as part of the deal, Shultz was cautious. He knows America's NATO allies strongly oppose such an outcome. They believe without some nuclear missiles they are more vulnerable to the Soviet Union's huge advantage in such non-nuclear forces as tanks, airplanes and artilleries.

(SECRETARY SHULTZ: "On matters of this importance, of course, we don't respond immediately. We consult carefully with our allies.")

On the issue of reducing long-range nuclear missiles -- no progress. On limiting weapons in space -- no progress. What about Soviet espionage?

(SECRETARY SHULTZ: "There's no agreement of any kind.")

This morning Shultz toured the new, but still unoccupied American Embassy in Moscow. The walls, he said, are bugged.

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MCWETHY continues:

(SECRETARY SHULTZ: "We now find they have a honeycomb of listening devices that have to be dealt with.")

The Secretary also raised the issue of the Marines' spy case during an unusual appearance on Soviet television. Shultz arrived in Brussels for his meeting with America's NATO allies in the morning where they will talk about the new Soviet offer to eliminate two whole classes of nuclear missiles. As strongly as West European government may oppose the idea, American analysts predict that public opinion may force them to say yes or risk making Mikhail Gorbachev the champion of nuclear arms reduction and not the greatest democracies of NATO.

ABC's WALTER RODGERS: After Secretary Shultz left, Soviet leader Gorbachev welcomed the delegation of American Congressmen to the Kremlin -- Gorbachev working to build a sympathetic arms control constituency one Capitol Hill. (SPEAKER JIM WRIGHT: "Well, I think it's positive. I think it's a move in the right direction. I have the sense that we both are moving toward on another.")

A strategic arms agreement, reducing long-range missiles, ballistic missile submarines and bombers, did not seem high on the Soviet's agenda. Soviet Foreign Minister Shevardnadze instead, pushing that deal on missiles in Europe leading to a summit.

(FOREIGN MINISTER SHEVARDNADZE: "If we do get an agreement, then I think it is quite realistic to speak of the possibility of the general secretary making a visit to Washington and signing that agreement there.")

The Soviets are clearly signaling they want that deal on medium-range nuclear missiles before President Reagan leaves office. And Foreign Minister Shevardnadze concluded now is the time to roll up our sleeves and go to work. (ABC-Lead)

CBS's DAN RATHER: Secretary Shultz says a U.S.-Soviet agreement eliminating medium-range nuclear missiles in Europe is close. He says such a pact could be signed at a new summit in Washington this year. Shultz said this as he ended three days in Moscow.

CBS'S BILL MCLAUGHLIN: Agreement is close -- very close. That's the message Secretary Shultz brought to a news conference in Moscow at the end of three days of talks with the Soviet leadership. Shultz was referring to a proposed treaty to eliminate intermediate-range nuclear missiles in Europe.

(SECRETARY SHULTZ: "We can see the prospect close to hand of reaching an agreement in that area.")

Part of the deal: a surprising offer by Gorbachev to eliminate all short-range missiles in Eastern Europe within one year -- a response to Western fears about Soviet superiority. The Soviets have about 130 of the missiles. The U.S. has none. Shultz said there has been much less progress on reducing strategic intercontinental ballistic missiles and no sign of an agreement on weapons in space. Although he and Soviet Foreign Minister Shevardnadze did sign an agreement on the peaceful uses of outer space. There had been, he said, downright disagreement on the subject of espionage, especially at the new U.S. Embassy.

(SECRETARY SHULTZ: "There's no agreement of any kind.")

But both sides agreed that none of this would get in the way in intermediate-range missiles. There are now just two road blocks on the way to an arms control agreement and a summit.

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MCLAUGHLIN continues: The Soviets must decide whether to accept the U.S. rules on verification and Shultz is here in Brussels to see if the U.S.'s NATO allies will accept the new Soviet proposal. But the mood is definitely positive and the sense is that an arms control treaty and a summit decision are now finally just within reach.

CBS'S WYATT ANDREWS: To the Soviets, George Shultz left Moscow with more than just arms control progress in his pocket. He left behind a changed super power relationship that is now the best it has been during the Reagan Presidency. During Shultz's three days of bargaining with the Soviet leadership, his arguments to Gorbachev and Shevardnadze were explained to the Soviet people like never before. The Soviets were clearly cultivating an atmosphere of respect for Shultz. In fact Gorbachev's offer to eliminate short-range missiles in Europe and Shultz's reply that he would consult the NATO allies was being fully reported by TASS last night at the very moment that an American spokesman would only issue a six sentence description of the talks. Foreign Minister Shevardnadze joked about the open reporting -- he said that's how we do it now. For his part, Shultz did things no secretary of state has even done in Russia. He attended a Russian orthodox mass and before that a passover seder. He visited the grave site of a censored Russian author. He attended a gathering of some of Russia's top writers and then talked about that at a free-wheeling press conference he controlled at the Soviet Foreign Ministry. After the press conference, an interview was taped for broadcast with the promise it would air in full. Shultz would be the first to admit that on issues like emigration, espionage, Afghanistan and arms control deep Soviet-American differences remain. But history is made when an American secretary of state gets the free reign Shultz enjoyed here and then explain Soviet-American differences directly to the Russian public.

RATHER: In California with the President, White House Chief of Staff Howard Baker made a point of being up-beat about the news from Moscow.

(SENATOR BAKER: "I remain optimistic that we've got a historic opportunity to get meaningful arms control agreements with the Soviet Union and I'm optimistic that this may lead to a meeting between the President and the general secretary some time yet this year.")

But to the NATO allies, the nuclear free Europe is not as appealing as it may sound. The major fear -- Soviet conventional forces which outnumber the west by a considerable margin.

CBS's TOM FENTON reports on European allies' mixed feelings about the prospect of a U.S.-Soviet arms control agreement. (CBS-Lead)

MARINES

BROKAW: In Quantico, Virginia, today, there was a military hearing for one of the Marines charged in that spy and sex scandal at the U.S. Embassy in Moscow. Afterwards, as Sgt. Clayton Lonetree was led away, his lawyers claimed that the military failed to make it's case for espionage. They said Lonetree is being made a scapegoat to cover up State Department negligence at the embassy. There was no decision on whether to courtmartial the marine. This hearing will continue tomorrow.

(NBC-2, ABC-2, CBS-2)

THATCHER'S ROLE IN SHULTZ'S VISIT

NBC's JOHN CHANCELLOR: There was another player at the table here in Moscow as George Shultz sat with Russians talking about arms control. She wasn't there physically, but she played a vital role. Her name is Margaret Thatcher and she is prime minister of Great Britain. She was here two weeks ago and she spent hours and hours with Mikhail Gorbachev. Mrs. Thatcher brought a serious message to the Kremlin from the Western allies. She said NATO has large and legitimate concerns about Soviet conventional forces bigger than NATO's. And she said the Western allies want something done about the short-range Soviet missiles which could drop nuclear warheads on European cities in minutes. Mrs. Thatcher is a formidable person -- one of her nicknames is "Attila the Hen." She carried a forceful message to Mr. Gorbachev -- don't try to divide the NATO allies -- we all want some action on those short-range missiles. And now that the Secretary of State has finished his talks here, the Soviets have put forth a new and more forthcoming offer on the short-range weapons. At least that's what it looks like from here. It's worth wondering if that new Russian position would have come about if Margaret Thatcher hadn't been here giving Gorbachev straight talk about the NATO allies sticking together. The Russians have been trying for years to split the alliance, so far the effort has not worked. Now that the Shultz meetings are over, the next thing on the agenda is American consultation with the allies. Often, that's just a formality. But this time it really means something and it means something to the Russians too thanks to Margaret Thatcher's mission to Moscow.

(NBC-8)

HINCKLEY

BROKAW: John Hinckley, who tried to kill President Reagan six years ago, today was refused an Easter pass by the Washington mental hospital in which he's being held. The hospital originally recommended that Hinckley be allowed to be out of the hospital for the holiday. That changed after prosecutors revealed that Hinckley has been exchanging letters with convicted murderer Theodore Bundy.

(JOSEPH diGENOVA, U.S. Attorney: "The fact that the hospital didn't know, as it has said, that he had become penpals with Theodore Bundy is a very serious question which needs to be looked into. The question is -- why didn't they?")

The hospital said it didn't know about the letters because it has not been reading Hinckley's mail since 1984. The hospital said that wasn't necessary because his condition was improving.

(NBC-3, ABC-3, CBS-3)

LINNIS

JENNINGS: There were reports today that Attorney General Edwin Meese had agreed to let an accused Nazi collaborator, Carl Linnis, go to Panama to live. However, after that became public the Panamanian government turned him down. Linnis, who is in jail in New York, is due to be deported to the Soviet Union where he has been condemned to death. He is accused by the Soviets of running a concentration camp during World War II.

(NBC-7, ABC-5, CBS-4)

IRAN-CONTRA

JENNINGS: Government investigators are quoted as saying that Col. Oliver North shredded so many papers after the scandal broke, that his shredding machine broke. There are also reports that investigators have found the original versions of other documents allegedly altered by North. Those papers reportedly itemize his secret plans to raise money for the contras in Central America. (ABC-6)

LIBYA

RATHER: Former Attorney General Ramsey Clark said he is suing the U.S. government for victims of last year's air attack on Libya. Clark said he would file claims, ranging up to \$5 million each for 65 people killed in the bombings. Although the U.S. calls the raid a success, the Libyans call it a victory.

CBS's ALAN PIZZEY reports of today's celebrations in Tripoli. (CBS-5)

ECONOMY

The U.S. economy continued its modest growth today as the government reported that retail sales in March were up two-tenths of one percent. The modest growth ended swings in sales caused by up and down automobile sales. Another indicator -- industrial production declined in March down three-tenths of one percent. Some economists say this reflects slower consumer spending due to high personal debt. (CBS-11, ABC-9)