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News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, MAY 28, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

Reagan Non-Committal On U.S. Strategy In Event Of Gulf Attack --
President Reagan insists the U.S. is not spoiling for a fight with Iran, but says the Iranians should "go to bed every night wondering what we might do" if they attack U.S. flag ships in the Persian Gulf.

(Baltimore Sun, Washington Post, Washington Times,
AP, Reuter, Scripps Howard)

IRAN-NICARAGUA

New Questions On Secord's Credibility -- Testimony at the Iran-contra hearings raised new questions Wednesday about retired Maj. Gen. Richard Secord's assertions he was not out to make millions in profits from his secret arms dealings.

(Christian Science Monitor, Washington Post,
Copley, Newhouse, Reuter, Scripps Howard, UPI)

Reagan: Media Has Me Miscast -- President Reagan, facing questions from foreign journalists about his credibility abroad in the wake of the Iran-contra affair, blamed U.S. media for miscasting him.

(New York Times, USA Today, Washington Times)

NETWORK NEWS (Wednesday Evening)

PERSIAN GULF -- President Reagan defended plans for the U.S. to provide protection for Kuwaiti oil tankers in the Persian Gulf.

IRAN-CONTRA -- Robert Dutton said he reported to both Richard Secord and Oliver North.

TRADE DEFICIT -- The Commerce Department reported the trade deficit shrunk to \$38.3 in the first three months of the year.



INTERNATIONAL NEWS

PRESIDENT MINIMIZES WAR RISK

But Senators Warn Of U.S. Involvement In Iran-Iraq Conflict

President Reagan played down the possibility of direct U.S. involvement in warfare in the Persian Gulf, but senators of both parties warned that the country was steadily being drawn into armed conflict with Iran that was likely to result in attacks on American ships.

In an interview with six foreign journalists, the President scoffed at warnings that Iran might attack Kuwaiti oil tankers in the Gulf sailing under the American flag. Reagan, who at one point referred to Iran as "this barbaric country," said that Iranian leaders understood the "inevitable consequence" they would suffer if they launched an attack.

But Sen. Jim Sasser, who has just returned from the region, said it's "just a matter of time" before an American ship is attacked, and Sen. Richard Lugar warned that "the environment surrounding our Navy in the Persian Gulf is as dangerous as the exposure of our Marines in Beirut."

Both Lugar and Sasser have called upon Reagan to invoke the War Powers Resolution, requiring consultation with Congress if hostilities are deemed "imminent or likely." The Administration has taken the position that use of the resolution is unnecessary.

(Lou Cannon, Washington Post, A1)

Reagan Non-Committal On U.S. Strategy In Event Of Gulf Attack

President Reagan insists the U.S. is not spoiling for a fight with Iran, but says the Iranians should "go to bed every night wondering what we might do" if they attack U.S. flag ships in the Persian Gulf.

Reagan is expected to discuss his policy at a meeting with Republican congressional leaders at the White House today.

"When we label something that is of vital interest to our security in this country and to the free world...that means that we are willing to go to war over that," said Sen. John Glenn. (Gene Gibbons, Reuter)

Senators Say Reagan Adopting Risky Gulf Policy

Reagan Administration plans to protect Kuwaiti tankers in the Persian Gulf starting next week are being met with warnings from the Senate that the proposal is as risky as putting U.S. Marines into Beirut in 1983.

Sen. John Glenn said, "We're not neutral now. We're getting away from that fig leaf of neutrality. ...It's not a bluff anymore as it was in Beirut where we wound up with 241 body bags."

"I think the Administration erred in going forward on the reflagging without fully consulting Congress," Sen. Jim Sasser said at a news conference.

But Sen. John Warner said, "We have a difference of opinion on that," saying at the same news conference that the White House had adequately consulted with the Senate. (Tim Ahern, AP)

Senator Says U.S. Being Sucked Into Gulf War

The U.S. Navy is "being sucked into the violent and savage war" raging in the Persian Gulf, says Sen. Jim Sasser just back from inspecting a crippled U.S. frigate on which 37 U.S. sailors died May 17.

The House has not yet taken action (on compelling the Administration to report to Congress on the Gulf situation). Speaker Jim Wright said that he was waiting to hear the reaction of Sens. Glenn and Warner, who left for the Mideast, also at the Senate's request.

Wright said the White House needs to give Congress "a clear explanation of the extent of our commitment and the reasons for it."

(James Brosnan, Scripps Howard)

Risking U.S. Lives In Gulf Deplored By Lawmakers

The Reagan Administration is putting U.S. servicemen in jeopardy in the Persian Gulf without gaining either the approval of Congress or the support of the American public, a bipartisan chorus of lawmakers contends.

At worst, the Administration's plan to protect Kuwaiti oil tankers that have been targeted for attack by Iran is being called illegal adventurism undertaken by a President who wants to divert attention from the Iran-contra controversy, and an action that will almost surely cost more American lives.

At best, the lawmakers are saying the Reagan Administration appears to be repeating mistakes of the past by moving with too little caution and too little consultation.

There seems to be almost universal disagreement on Capitol Hill with President Reagan's assertion that he sees no danger of war despite the increased U.S. military presence in the region.

(Karen Hosler, Baltimore Sun, A1)

Navy Gulf Force Needs Upgrading

Unless the Navy assigns additional and more modern warships to the Persian Gulf and nearby waters, it will face difficulty and danger as it attempts to protect Kuwaiti oil tankers in the region.

According to current and former Navy officials, the Middle East Task Force needs upgrading for the new mission, especially in the quality of its ships, which lack many of the service's top-of-the-line armaments.

(Warren Strobel & Jennifer Spevacek, Washington Times, A4)

Key Question In Kuwaiti Ship Plan: What Happens If U.S. Flag Attacked?

In all the Administration rhetoric about self-defense and free passage in the Persian Gulf, one question remains conspicuously unanswered: What happens if Iran attacks a Kuwaiti ship flying a U.S. flag?

"I don't think that's a question that I should even attempt" to answer, President Reagan said during an interview with foreign journalists.

He did hint that missile batteries on Iranian soil might be targets.

"Now, it is true that the Iranians have placed missiles on shore that can reach targets at sea," Reagan said. "That has to be considered with regard to more than just shooting at another vessel or shooting at an airplane."

But that's about as specific as anybody would get.

(News Analysis, Dale Nelson, AP)

IRAQ STONEWALLS STARK PROBES, REFUSES TO IDENTIFY JET'S WEAPONS

BAGHDAD, Iraq -- The chief of the American team probing Iraq's missile raid on the USS Stark said the confidential joint investigation had hit a snag.

Rear Adm. David Rogers would not elaborate, but diplomatic sources said the hitch arose from Iraq's refusal to specify what weapons it has adapted its French-built Mirage jet fighters to carry.

(Ed Blanche, Washington Times, A1)

NATO REJECTS U.S. BID TO HELP IN PERSIAN GULF

BRUSSELS -- America's NATO allies gave a cold shoulder to a U.S. request for assistance in U.S., British and French efforts to guarantee freedom of navigation in the Persian Gulf.

A final communique issued at the end of a two-day meeting of NATO's Defense Planning Council failed to mention the Gulf, although it was discussed both in bilateral meetings between Secretary Weinberger and various of his NATO counterparts as well as in the council itself.

(James Dorsey, Washington Times, A6)

NATO AGREES IT MUST UPGRADE CONVENTIONAL FORCES

BRUSSELS -- NATO defense ministers agreed NATO must upgrade its conventional forces in step with nuclear disarmament. But they left unanswered U.S. pleas for help in protecting tanker traffic in the Persian Gulf.

The meeting of the NATO Defense Planning Committee yielded a communique saying conventional forces had been improved by measures taken in May 1985, but that "serious deficiencies still remain in important areas."

Secretary Weinberger said he encouraged the allies to join the U.S. effort to keep the Gulf open to oil tankers amid the Iran-Iraq war. But he conceded some nations are constitutionally barred from doing this, and he described his bilateral talks on the matter as "preliminary in nature and confidential."

(Edward Roby, UPI)

NATO Defense Unit Calls For Buildup Of Conventional Forces

BRUSSELS -- NATO defense ministers ended a two-day meeting with a call for increased spending on conventional forces if there is a superpower accord to remove medium- and short-range nuclear missiles from Europe.

The NATO Defense Planning Council's final communique emphasizes the importance of the continued presence of the U.S. and Canadian troops in Europe, and urges the Soviet Union to take a constructive attitude toward the effective verification of arms control agreements.

(James Dorsey, Washington Times, A1)

REAGAN WORRIED ABOUT EUROPEAN VIEW THAT GORBACHEV MORE TRUSTWORTHY

President Reagan says he hopes Europeans who trust Mikhail Gorbachev more than him "wake up soon" but at the same time he says he hopes to have a summit meeting with the Soviet leader this fall.

"It is up to General Secretary Gorbachev now to set the date," Reagan said.

In an interview, Reagan said he is optimistic about prospects for an agreement to abolish medium-range missiles from U.S. and Soviet arsenals in Europe.

"I do believe that great progress has been made (in negotiations), more than in all the years since World War II, and that we have the best opportunity for beginning the reduction of nuclear weapons that we've ever had," Reagan said. (Terence Hunt, AP)

SOVIET ARMS NEGOTIATOR SAY PACT POSSIBLE BY FALL

MOSCOW -- A chief Soviet arms negotiator said an agreement on medium-range nuclear missiles in Europe might be reached by autumn and urged the current round of talks continue without delays.

Alexei Obukhov, deputy Soviet delegation leader at the nuclear arms and space talks in Geneva, told the Izvestia newspaper an agreement on eliminating medium-range nuclear weapons, or Euromissiles, could be signed at a summit meeting of President Reagan and Soviet leader Gorbachev.

Without interruptions between negotiating rounds, he said, "In my opinion it is quite possible to hope that in the fall we will have a draft of a treaty on medium-range missiles." (UPI)

ARMS OFFERS UP TO WEST, SAY SOVIETS Comments Precede East Berlin Summit

EAST BERLIN -- Warsaw Pact leaders gathered here for a summit meeting as Soviet officials dampened expectations that the conference would produce a major arms control initiative.

Four Soviet foreign policy experts suggested at a news conference that the seven-nation Eastern Bloc already had gone as far as it could in making disarmament proposals for European-based nuclear missiles and conventional forces. They said that is was up to the West to make concessions in both fields to achieve progress.

(Robert McCartney, Washington Post, A27)

MEESE, BREMER FLY TO COUNTERROR TALKS

Attorney General Meese and State Department counterterrorism chief Paul Bremer fly today to Paris, a city under threat of renewed attacks, for a nine-nation meeting to coordinate the fight against terrorism.

The Paris meeting will focus on law enforcement and judicial cooperation. It will give Washington another opportunity to persuade the West German government to extradite terrorist Mohammed Ali Hamadei to the U.S. to stand trial for the hijacking of a TWA jet in 1985 and the murder of U.S. Navy diver Robert Stethem.

(Richard Beeston, Washington Times, A6)

REAGAN SAYS JAPAN LAGS ON SEMICONDUCTOR ACCORD

President Reagan declared that Japan still isn't abiding by the terms of its agreement with the U.S. to end dumping of semiconductors, and thus retaliatory tariffs can't be removed yet.

In an interview with foreign television correspondents, the President said that "while there seems to be some progress being made, we still have not reached what I think must be the answer, and that is a return to abiding by the agreement." He said that once the U.S. feels Japan is carrying out the anti-dumping pact, "we shall immediately lift the sanctions."
(Wall Street Journal, A66)

U.S. ONLY PARTLY PLEASED AT YEN-DOLLAR TALKS

The U.S. and Japan ended a fifth round on opening and liberalizing Japan's financial markets, with U.S. officials urging Japan to speed changes and Japanese pleading for time for a "soft landing."

Assistant Treasury Secretary David Mulford said he is pleased to see several recent changes in which Japanese won access to U.S. futures markets and U.S. banks will be able to have subsidiaries sell securities in Japan.

Mulford added, however, that he was less encouraged by Japan's commitment to liberalize its financial markets to the Japanese. For example, people have to deposit over \$75,000 before they get anything but an artificially low interest rate, he added.
(Craig Webb, UPI)

TRADE GAP NARROWS IN 1ST QUARTER

The nation's merchandise trade deficit narrowed slightly to \$438.3 billion from January through March as the weaker dollar boosted export sales and slowed import growth, the government said.

The Commerce Department said the trade deficit declined 0.7 percent in the first quarter of the year after hitting a record high of \$38.6 billion from October through December.

(Martin Crutsinger, Washington Post, E1)

DOLLAR'S CLIMB SURPRISES ANALYSTS

The dollar was stronger in foreign exchange markets for the second day in a row, leaving currency specialists groping for an explanation.

While Treasury officials offered no comment, it was clear that the Reagan Administration could only be pleased to see a show of strength in the dollar, which can help lift stock and bond prices, just before the Venice summit.

President Reagan, discussing the summit at a meeting with foreign reporters, said the dollar "is at the place it should be" and that he does not "look for any further serious drops in the value of the dollar."

(Hobart Rowen, Washington Post, E1)

U.S. TO SUPPLY PAKISTAN WITH RADAR PLANES Several Options Offered To Guard Against Soviet Intrusions

The Reagan Administration has agreed in principle to supply Pakistan with an airborne warning capability to defend its airspace against Soviet incursions from Afghanistan and has provided several options that Pakistan is to consider in coming weeks, official sources said.

The options were provided to senior Pakistani diplomatic and military officials here last week. They suggest that lease or purchases of top-of-the-line AWACS planes is not likely to come in time to meet the immediate need for protection of Pakistan's Afghan border, according to U.S. officials.

Chances are described as much better for early supply of less sophisticated and less costly E2C Hawkeye airborne radar planes, which are being supplied to Egypt, Israel and other countries.

(Don Oberdorfer, Washington Post, A23)

SPY CASE REPORTS SEEN CHANGING LITTLE IN ISRAEL Pollard Affair Is Now Closed, Shamir Says

JERUSALEM -- Politicians and political commentators predicted that there will be no major political repercussions and no heads will roll as a result of two critical official reports by panels looking at Israel's role in the Jonathan Pollard spy affair.

Prime Minister Yitzhak Shamir told reporters that the Israeli Cabinet's acceptance of the panel's report closed the matter. "In our view, this is the end," he said. "I hope we won't have to concern ourselves further with this affair."

(Glenn Frankel, Washington Post, A21)

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IRAN — NICARAGUA

NORTH SAID TO PLEDGE REAGAN'S SUPPORT

Contra Figure Cites Assurance: 'We Were Working For The President'

The retired Air Force colonel who ran a private airlift to the Nicaraguan rebels during the cutoff of U.S. military support testified that Marine Lt. Col. Oliver North assured him that "we were working for the President of the United States."

"Bob, you're never going to get a medal for this, but someday the President will shake your hand and thank you for it," retired colonel Robert Dutton quoted North as saying last September. About that time Dutton gave North a photograph album of the Central American operation and North commented that he wanted to show it to his "top boss."

After the hearing, the Senate committee's chief counsel, Arthur Liman, said there was no evidence of Reagan's fingerprints on the book.

(Dan Morgan & Walter Pincus, Washington Post, A1)

Panels Hear From Contra Supplier

Whose fingerprints are on the book?

One of the continuing questions surrounding the Iran-contra affair may be answered in part by some straightforward detective work.

According to Robert Dutton's testimony, Col. Oliver North borrowed a photo album that documented the network and said he intended to show it to his "top boss."

(Apparently) The FBI, at the instructions of special prosecutor Lawrence Walsh, had "dusted" the album for fingerprints, to determine who might have perused it.

(Gary Thatcher, Christian Science Monitor, A3)

Dutton Testifies That CIA Provided Assistance To Contra Airdrop Operations

Retired Air Force Col. Robert Dutton...said the CIA provided crucial assistance to contra airdrop operations during the period Congress barred such aid.

Retired CIA operative Felix Rodriguez, who headed the contra resupply operation from El Salvador, told the committees he uncovered evidence showing Secord's operatives were only profiteers.

(Lance Gay & Walter Friedenberg, Scripps Howard)

New Questions On Secord's Credibility

Testimony at the Iran-contra hearings raised new questions Wednesday about retired Maj. Gen. Richard Secord's assertions he was not out to make millions in profits from his secret arms dealings.

Retired Air Force Col. Robert Dutton, Secord's field general in supplying arms to the contras, contradicted Secord's sworn testimony that it was Dutton's idea to try and sell the airlift operation to the CIA for \$4 million.

Later, former CIA operative Felix Rodriguez, who worked for the private supply network in Central America, complained bitterly about Secord's network and said Secord had supplied planes that could barely fly.

(Judi Hasson, IPI)

North Boasts That Reagan's Friendship Was Protection Against His Enemies In Congress

Former White House aide Oliver North boasted about a year ago that he could not be successfully attacked by enemies in Congress because of his friendship with President Reagan, according to testimony by a one-time CIA operative.

Felix Rodriguez described how North, watching television coverage of a congressional debate over aiding the contras said, "Those people want me but they can't touch me because the old man loves my ass."

Rodriguez testified of warning North that "people are stealing" from a contra resupply effort but that North appeared unconcerned. Rodriguez said he was outraged by the way the contras were being victimized by profiteers and by the use of unsafe aircraft to ferry arms and supplies from a staging area in El Salvador to drop zones inside Nicaragua.

Quite a different picture emerged from the testimony earlier by retired Air Force Col. Robert Dutton, the operations chief of the resupply effort. Dutton described Rodriguez as a trouble maker who maneuvered to get control of a \$10,000 "emergency" fund and a \$50,000 fuel fund.

(Finlay Lewis, Copley)

Rodriguez Warned White House Of Possible Profiteering In Arms Deals

The Senate-House committee investigating the secret campaign to airlift supplies to the Nicaraguan contras has been told that profiteering by retired military and intelligence officers who ran the network undermined its success and threatened a "Watergate" scandal that "could destroy the President."

Former CIA agent Felix Rodriguez, a Cuban-American who helped direct the resupply operation from an airfield in El Salvador, said he warned White House officials of possible profiteering by retired Maj. Gen. Richard Secord and another ex-CIA agent, Thomas Clines.

He said Lt. Col. Oliver North dismissed the charge.

But Donald Gregg, an assistant to Vice President Bush, was "outraged" and carried the warning to officials in the State Department, Rodriguez testified.

(Robert Gettlin & Robert Lewis, Newhouse)

Rodriguez Says He Never Discussed Contras With Bush

Former CIA operative Felix Rodriguez, who helped in the effort to aid the Nicaraguan rebels, told Congress he met with Vice President Bush three times in 1985 and 1986 but never discussed the pro-contra operation with him.

The testimony by Rodriguez to the congressional Iran-contra committees follows the recollection of events by Bush, who has strongly denied any wrongdoing in connection with efforts to aid the anti-Sandinista rebels.

(Robert Doherty, UPI)

Iran-Contra Hearings Delve Deeper Into Rebel Aid Operation

The Iran-contra hearings in Congress are delving deeper into the White House-directed arms supply operation for Nicaraguan rebels, going into secret session to question a former Costa Rica-based CIA agent.

Known as Tomas Castillo, the former Costa Rica station chief played a key role in facilitating arms shipments from the private network directed by Oliver North.

Committee investigators said they hoped to release much of Castillo's secret testimony, but probably not until tomorrow after the CIA has had a chance to review it. (Sue Baker, Reuter)

REAGAN SAYS MEDIA HURT HIS CREDIBILITY

President Reagan acknowledged the Iran-contra affair had damaged his credibility but blamed the Washington media rather than "anything that has been proven."

In an interview with European television reporters, Reagan mounted a vigorous defense of the damage he said has been done to his reputation.

"But it has not been by anything that has been proven, quite the contrary," Reagan said. "It has been the image that has been created by our own Washington press corps in describing what took place."

He said the press would have had no word of the linkage between the covert U.S. arms sales to Iran and efforts to aid the Nicaraguan resistance had he not informed Congress and the press about the diversion of funds.

(Jeremiah O'Leary, Washington Times, A4)

President Asserts He Broke No Laws

President Reagan, acknowledging that his credibility had been damaged, said that he had not been involved in illegal acts in the Iran-contra affair and blamed the Washington press corps for creating a false impression that he had.

Displaying irritation, Reagan told foreign journalists in an interview that he had not known which private groups and individuals were contributing money to the Nicaraguan insurgents and that he had never personally solicited money for the rebels from foreign leaders.

Reagan's comments appeared to be a further refinement of his account of his involvement in efforts to supply the rebels. While he has recently acknowledged that he was aware of such efforts, he today drew a new distinction: that none of his activities had been illegal.

(Gerald Boyd, New York Times, A12)

Reagan: Media Has Me Miscast

President Reagan, facing questions from foreign journalists about his credibility abroad in the wake of the Iran-contra affair, blamed U.S. media for miscasting him.

"I'm being portrayed as having, behind the scenes, violated the law and done all sorts of shady things to try and violate the Congress' restriction on aid to the freedom fighters," Reagan said. "And it just isn't true."

(Johanna Neuman, USA Today, A4)

COURT MAY RULE ON FOREIGN POLICY

Attorney General Meese said arguments being raised over the Boland amendment in the Iran-contra affair may have to be resolved by the Supreme Court, in an interview by Bill Moyers for the program "In Search of the Constitution."

"If the Congress operated unconstitutionally, passed a law which was unconstitutional to bind the President and which would limit him in an unconstitutional manner from performing his duties under the Constitution, then that's the kind of thing that would not be binding on a President because it was not a valid law," Meese said.

"Who's going to decide that?" Meese was asked.

"Well, it may well be decided by the Supreme Court," Meese said.

(AP story, Washington Times, A4)

EDITOR'S NOTES: "Legal Limits On Aid To The Contras (A chronology of the various Boland amendments)," appears in The Washington Post, A14.

"Week Four Of Testimony," appears in The Washington Post, A14.

"Highlights Of The Testimony," appears in The Washington Post, A15.

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NATIONAL NEWS

CANADA PROTESTS ATTEMPT TO SUBPOENA ENVOY, WIFE

Canada filed a stiff diplomatic protest after independent counsel Whitney North Seymour tried to subpoena Canadian Ambassador Allan Gotlieb and his wife to testify at the upcoming perjury trial of former White House aide Michael Deaver.

The State Department sided with the Canadians and asked Seymour to drop his attempt to subpoena Ambassador Gotlieb.

In a court motion, however, Seymour accused the Canadian government of "duplicitous behavior," saying that it is "seeking to put itself in a position where it can tell critics of Canada that it has cooperated fully with our investigation, while it has actually taken a position to block the prosecution of Deaver for perjury concerning his dealing with Canadian representatives."

(Howard Kurtz, Washington Post, A20)

WEDTECH HELPED MEESE'S LAWYER MEET EXPENSES, INVESTIGATORS SAY

The Wedtech Corp. paid a consultant more than \$100,000 after he said he was representing Attorney General Meese without pay and was having trouble meeting his expenses, according to accounts provided to federal investigators.

The consultant, E. Robert Wallach, a San Francisco lawyer, and a close friend of Meese, helped defend Meese against charges of misconduct after his nomination as Attorney General in January 1984.

While investigators have previously reported that Wallach was paid more than \$1 million by Wedtech over three years for consulting work, the accounts given federal officials were the first suggestion that Meese was connected with the payments.

(Josh Barbanel, New York Times, A1)

FORMER SBA OFFICIAL: I WAS PRESSURED TO HELP WEDTECH GET NAVY CONTRACT

A former Small Business Administration official says he was pressured by superiors in 1983 and 1984 to support Wedtech Corp. in its attempts to win a contract to build Navy pontoons.

Henry Wilfong, the former SBA official, said in a telephone interview from Los Angeles that he often attended SBA meetings where higher-ups emphasized that the Bronx-based minority contractor was favored by the Administration to win no-bid defense contracts.

An independent counsel has been investigating whether Attorney General Edwin Meese and former White House aide Lyn Nofziger violated conflict of interest laws in pushing for Wedtech to be awarded a \$32 million Army contract in 1982.

Now, the investigation is widening to include the Navy contract as well.

(John Bennett, Scripps Howard)

RESEARCHERS PROTEST EXCLUSION
OF HOMOSEXUALS FROM AIDS PANEL

Letter To Reagan Urges Rethinking Of Commission's Composition

The Reagan Administration's decision not to appoint an openly gay person to the President's new AIDS commission has drawn a sharp protest from several of the nation's leading AIDS researchers.

Several experts on AIDS have written to President Reagan to express "alarm" over the Administration decision. Many of those who signed the letter, which is scheduled to be delivered to the White House today, indicated they would not participate on a panel that did not include gays.

"This Administration has opposed in the past appointing people to jobs or giving them assignments solely because of race or sex," said Gary Bauer, a domestic policy adviser to the President. "I just don't know how one can philosophically believe that and then turn around and appoint somebody based on sexual preference."

(Michael Specter, Washington Post, A9)

HILL FINDS RAISING TAXES AN ESPECIALLY
UNSAVORY PROSPECT THIS YEAR

Less than a year after approving the most extensive rewrite of the tax code ever, Congress is facing the prospect of raising taxes. This tax increase is being handled in typical style: Members are divided, parochial, fearful and confused.

The House is expected to take its first small step toward raising taxes today, when Democrats on the Ways and Means Committee meet to tell Chairman Dan Rostenkowski which kinds of tax increases they favor -- or oppose.

In addition to the revenue for deficit reduction -- about \$18 billion in fiscal 1988 -- new taxes also may be needed to pay for restoring a few tax breaks eliminated by the 1986 law, perhaps \$2 billion to \$3 billion worth.

(Anne Swardson, Washington Post, A7)

USDA RESOLVES TO EXCLUDE ALIENS

Despite Hill Protests, Cane Harvesters Being Denied Residency

Despite a strong protest from a powerful group of House members, the Agriculture Department has refused to back away from a decision that would bar thousands of foreign workers who harvest sugar cane in the U.S. from obtaining permanent residency in this country.

USDA's decision is expected to be published Friday in the Federal Register, setting the stage for exclusion of more than 10,000 alien workers from coverage under the immigration law enacted by Congress last year.

(Ward Sinclair, Washington Post, A4)

EDITOR'S NOTE: "Interim Prosecutors Tussle Between Meese, Courts" by Howard Kurtz, appears in The Washington Post, A17.

NETWORK NEWS SUMMARY

(Wednesday Evening, May 27, 1987)

PERSIAN GULF

NBC's Tom Brokaw: President Reagan today called the Iranians barbaric as he defended plans for the U.S. to provide protection for Kuwaiti oil tankers in the Persian Gulf -- a policy that has been sharply criticized since the attack on the USS Stark. At the same time NATO today turned down U.S. requests for help in protecting Gulf shipping. But individual members of the alliance may choose to get involved.

NBC's Chris Wallace: The President stood firm today on his plans to put Kuwaiti tankers under U.S. naval protection -- stood firm despite threats from Iran to attack those ships.

(The President: "Can you imagine the precedent that would be set if we all stepped back and said, 'Well, this barbaric country has a right to close down these international waters' and bring down the economic havoc that it would on so many countries? No.")

(TV coverage: The President in the Oval Office talking with foreign media representatives.)

But despite the tough words, Mr. Reagan continued a new White House campaign to lessen tensions in the Gulf -- refusing to tell foreign reporters what the U.S. will do if Iran attacks.

(The President: "The reason why I don't think I should go farther is I think it's far better if the Iranians go to bed every night wondering what we might do than us telling them in advance.")

The President said he doesn't think Iran will take on the U.S., but a Senator just back from the Persian Gulf said on NBC's Today program, "It's only a matter of time" -- noting the Iranians recently attacked a Soviet tanker.

(Senator James Sasser: "The Iranians make no distinction between the superpowers and others in the Persian Gulf. And as we've seen in times past, the Iranians like nothing better than trying to humiliate the United States.")

Meanwhile tensions build in the region. The U.S. carrier Constellation is headed for the Arabian Sea -- from there its planes could patrol the Gulf. Pentagon sources now say the U.S. set up a picket line of four ships this week to protect a Kuwaiti freighter carrying American tanks to Bahrain. And at the NATO meeting in Brussels, Defense Secretary Weinberger asked the allies to help individually, even if the alliance won't act as a group.

(Secretary Weinberger: "All things that are done I think are improved by a cooperative response and by a number of different people participating.")

White House officials maintain the threat is being exaggerated -- that the U.S. will be able to protect Kuwaiti tankers without creating a crisis. But, while they keep expressing confidence here, the Iranians keep making threats. And many in Congress keep having doubts.

(NBC-2)

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ABC's Peter Jennings: In Baghdad today the commission investigating the attack on the USS Stark met again with Iraqi defense officials. ABC's David Ensor reports from Baghdad that commission members are having a hard time persuading the Iraqis to turn over specific military information.... The White House said today that the Navy will begin escorting Kuwaiti oil tankers in the Persian Gulf within the next week or so. The tankers will be flying the U.S. flag in an effort to protect them from becoming targets. Some overseas journalists today had a chance to ask President Reagan about the American commitment in the Gulf.

ABC's Sheilah Kast: ...President Reagan insisted the mission of U.S. forces in the Persian Gulf is defensive.

(The President: "Any time they are attacked, they will retaliate. They will fire back in self defense.")

Just how far the U.S. will go the President left unclear. He himself hinted that self defense might mean more than firing back at a ship or plane if the Iranians fire from the shore.

(The President: "I think it's far better if the Iranians go to bed every night wondering what we might do than us telling them in advance. I doubt that Iran would ever declare war on the United States knowing what the inevitable consequences would be.")

One of the Senators leaving for a fact-finding mission in the Gulf said the risk of combat there has increased and he would support doing even more.

(Senator John Glenn: "We're getting away from this fig leaf of neutrality that we've had up until now. I think we definitely need more force in there than we have now.")

There were continued cries from members of both parties for the President to consult with Congress before putting 11 Kuwaiti ships under the U.S. flag.

(Senator James Sasser: "I think the Administration erred in going forward with the program of extending the protection of the American flag to the vessels of Kuwait without proper consultation with the Congress.")

At a NATO meeting in Brussels, Defense Secretary Weinberger sought to enlist the help of allies in preserving free navigation in the Gulf. He came away without any commitments. Whether or not the allies come through and whether or not Congress wants more information, the White House is moving ahead with putting American flags and American Merchant Marine captains on the Kuwaiti ships. (ABC-5)

CBS's Bob Schieffer: President Reagan brushed off warnings about danger to the U.S. in the Persian Gulf today; and in a new development, the Pentagon disclosed that earlier this week U.S. Navy ships and planes had escorted a Kuwaiti ship bound for Bahrain (full of) cargo of American tanks and ammunition. The Reagan Administration is planning to expand the Navy role as guardian of shipping in the Gulf and in an interview today the President said he is not worried about getting into a war with Iran.

CBS's Terrence Smith: Escalating his rhetoric against Iran, President Reagan said U.S. ships in the Persian Gulf will retaliate if attacked by Iranian missiles. But he declined to spell out how far an American response might go.

Smith continues:

(The President: "I think it's far better if the Iranians go to bed every night wondering what we might do than us telling them in advance.")

The President told a group of foreign journalists that the U.S. is determined to proceed with its plan to protect Kuwaiti tankers under the U.S. flag and to prevent Iran from blocking the shipping lanes in the Persian Gulf.

(The President: "Those are international waters and can you imagine the precedent that would be set if we all stepped back and said, 'Well, this barbaric country has a right to close down these international waters?'")

...Few in Congress challenge the importance of the Gulf but many wonder if Mr. Reagan's harsh criticism of Tehran, coupled with his willingness to except Iraq's apology for the attack on the USS Stark, amounts to taking sides in the Iran-Iraq war.... Defense Secretary Weinberger stopped short of asking for allies' naval support.

(Secretary Weinberger: "No demands were made at all. No requests were made. But everyone I think is completely familiar with the importance of oil to the West and to Japan and to other countries that don't have oil.")

The President's tough language on Iran is partly a response to Iranian threats to attack U.S. flag tankers, but it also reflects a strongly held White House view that it is Iran that is prolonging the Gulf war.

CBS's Doug Tunnel: In addition to a formal request to interview the pilot who fired on the Stark, the Pentagon team posed a battery of questions about the attack to their Iraqi counterparts. They expected today would bring a lot of answers, but instead it brought more frustration.

(Rear Admiral David Rogers: "There have been snags. I can't discuss those. We're working on them and working towards an agreement on those snags.... I can't discuss that right now. As I said, we're in a very delicate stage of our discussions and I just can tell you that we're making progress and we're very close to being on track at this point.")

Every indication here is that so far the Pentagon team has not been permitted to meet with the pilot, their most important request....

(CBS-Lead)

IRAN-CONTRA

Brokaw: The President said today that he knows that his credibility has been damaged, however, he said this has resulted not from anything that has been proven in his words, but by the way the press has described what took place. Lt. Col. Oliver North, the fired White House aide, was quoted today as saying that the private air supply effort for the contras, "was something we were doing for the boss." Apparently that was a reference to President Reagan. And this was disclosed in testimony today at the Iran-contra hearings.

NBC's John Dancy: Robert Dutton was the nuts-and-bolts guy -- a retired Air Force Colonel with years of experience in secret operations. He was brought in by Oliver North and Gen. Richard Secord to repair a secret contra resupply operation that was in chaos. Dutton put together a photo album to document the problems and his solutions. The problem -- tons of supplies bought with Saudi money and U.S. private contributions -- supplies sitting in warehouses. But in the jungles of southern Nicaragua communications are so primitive that flights to drop supplies to the rebels often couldn't find their targets. Dutton went along on one flight to see for himself.

(Dutton: "We spent an hour inside the country flying between 400-1500 feet just trying to locate somebody and if we could have located them, we would have dropped to them. We were unsuccessful after an hour of searching and the weather was getting worse, so the decision was made to come back out.")

...(Dutton) met with North, who said the President was indebted to him.

(Dutton: "He said, you know, 'This has been a success -- you'll never get a medal for this but some day the President will shake your hand and thank you.'")

Later this afternoon a former CIA agent, Felix Rodriguez, said North bragged of his relationship with the President. Rodriguez said he once met with North as North has watching on t.v. contra opponents lead a Congressional vote denying aid to the rebels.

(Rodriguez: "He looked at the t.v. and said, 'Those people want me, but they cannot touch me because the old man love(s) my ass.'")

Rodriguez...testified he had met with Vice President Bush on several occasions, but he said he had never briefed the Vice President on the plans to resupply the contras.

Brokaw: Another man linked to the contra aid effort, former White House staffer John Miller today went before a special grand jury investigating the affair but apparently he declined to testify. His lawyer said that Miller looked forward to speaking out, "at the appropriate time and in the appropriate forum." Miller resigned from his White House job on May 14th after testimony that he helped funnel money to the contras. (NBC-3)

ABC's Brit Hume: First up today was Dutton who said he retired from the Air Force and went right to work for Richard Secord trying to improve a contra supply airlift.... He said he reported to both Secord and White House aide Oliver North.

(Question: Did Col. North ever indicate to you who you were working for?"

Dutton: "He indicated to me that we were working for the President of the United States.")

And by Dutton's account, he succeeded in getting the airlift moving so well that he put together a photo album to demonstrate it. He showed it to Oliver North.

(Dutton: "He liked it very much and said he would like to take it and show it to his top boss.")

Question: "Who did you understand Col. North to be referring to when he said he'd like to take the photograph album to his top boss?"

Dutton: "I understood he was talking about the President."

Question: "And why did you understand that?"

Hume continues:

Dutton: "I'd never heard him use the term talking about anybody else that he had been working with as 'a top boss' -- he didn't refer to Ad. Poindexter that way. So it was just the way he said it. It was my impression.")

The committee...then produced that photo album.... The FBI has found no evidence of the President's fingerprints on the album and Dutton made it clear he had no direct knowledge of any involvement by the President.

(Dutton: "I don't recall him [Col. North] ever saying that the President was in charge or was running it.")

This afternoon the committee heard from former CIA man Felix Rodriguez.... Rodriguez is also a friend of Vice President Bush with whom he had three meetings during his work for the contras -- meetings that have prompted speculation that Bush knew more than he has said. Rodriguez denied it.

(Rodriguez: "I want to make clear that at no point in any of the conversation [did I] ever mention doing anything that was remotely connected to Nicaragua -- to the contras.")

Last August, however, Rodriguez said he briefed Bush's aide Donald Gregg on the contra supply network and his reasons for leaving it. He said Gregg was outraged by what he heard, but Bush has said Gregg never told him about it.... (ABC-3)

Schieffer: A witness at the Iran-contra hearings on Capitol Hill said today that he was often told he was working for President Reagan in helping to ferrying secret aid to the contras. Retired Air Force Col. Robert Dutton said it was Oliver North who told him so. Another witness today, former CIA operative Felix Rodriguez, said he once warned North that people were stealing from the contras' supply network and that this could be worse than Watergate and could destroy the President. (CBS-2)

PTL

Brokaw: Jerry Falwell and Jim Bakker sound more like television wrestlers than television evangelists as they trade insults which include lying, stealing, homosexual advances and failure to repent. This latest round in the holy war began last night when Bakker accused Falwell of stealing his PTL ministry.

NBC's Robert Hager reports on these recent events between Bakker and Falwell. (NBC-Lead, ABC-Lead, CBS-3)

WEBSTER/FBI

CBS's Rita Braver: It was William Webster's day to say farewell to the FBI after nine years....

(Webster: "We have come to work together to enforce the laws of our nation -- to uphold the law.")

In tributes by top Justice Department and Bureau officials, one subject was avoided -- who will be the next FBI director? After two months the Administration still has not nominated anyone to fill the 10-year term....

-more-

Braver continues:

Attorney General Edwin Meese, who's conducting the search denies any problem, pointing out it took Jimmy Carter a year to find Webster.

(Attorney General Meese: "We're going to be sure that we take enough time to have the right person to succeed Bill Webster.")

...Members of Congress grumble that Meese is too secretive and the Administration too intent on finding an ideological conservative.

(Rep. Robert Kastenmeier: "I think it has to give that up really and more broadly seek someone who doesn't necessarily represent the President's point of view, but certainly can represent a national point of view for years to come.")

Other Administration officials fret that 1988 presidential politics may soon interfere and the next FBI chief could be named by the next President. (CBS-5)

HEALTH CARE LOBBYING

Schieffer: The St. Petersburg Times said today that former aides to President Reagan receive thousands of dollars in lobbying and legal fees from a major supplier for health care to medicare recipients. The company, a small clinic that ballooned into the nation's largest government certified health maintenance organization is now in deep financial trouble and has legal problems.

CBS's Juan Vasquez reports on these charges against IMC and mentions the fact that former White House aide Lyn Nofziger reportedly received \$300,000 in fees from IMC. (CBS-6)

FAA

Schieffer: Federal Aviation Administration today rejected a call by government experts for cutbacks in airline flights this summer. The National Transportation Safety Board had called for the flight reductions citing air traffic controllers' mistakes and the growing numbers of near misses. But the FAA said today that increased air traffic during the summer peak won't be a safety problem. (CBS-7)

SOVIET ARMS SALES

Jennings: The Soviet Union has rejected as fabrication a report in today's New York Times that the Soviets sent \$18 million worth of arms to Iran. The Times said a French arms dealer was the middle man and that the weapons were sent from Poland to Iran using aircrafts chartered in Israel. The Soviets say this is an act of disinformation. (ABC-4)

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TRADE DEFICIT

Schieffer: The Commerce Department reported today that the nation's trade deficit shrunk to \$38.3 billion in the first three months of the year. That is down less than a percentage point from the all-time high trade deficit rolled up in the last quarter of 1986.

CBS's Ray Brady reports on business leaders' favorable reactions to this news. (CBS-10)

QUOTAS/JAPANESE CARS

Brokaw: A report out tonight says that when Japanese car makers agreed to a quota limiting their sales in the U.S. it cost them less than it cost American car buyers. The IMF explains that over four years Japanese car sales in the U.S. fell by \$15 billion. But at the same time it says that American car makers, facing less competition, were able to raise their prices and American car buyers had to shell out \$18 billion more. (NBC-6)

AIDS

Schieffer: AIDS cases worldwide topped 50,000 for the first time today....As AIDS increases so does the desperate search for medicine to combat it. It's estimated that AIDS victims will spend \$1 billion this year on ineffective treatment. And now federal researchers say one widely used anti-AIDS drug may do more harm than good.... (CBS-4)

-End of B-Section-

EDITORIALS/COLUMNISTS

ECONOMIC SUMMIT

The Venetian Blind Summit -- "The gathering in Venice early next month is no more likely than its predecessors to produce concrete results. If past experience is any guide, the political deadlock over economic policy among the U.S., Japan and West Germany is practically certain to continue. As a result, market forces will take over. The artificial calm in international currency markets should dissipate by early summer. Further declines in the dollar, higher U.S. interest rates and an economic downturn lie ahead." (H. Erich Heinemann, Journal of Commerce, 5/27)

PERSIAN GULF POLICY

U.S. Must Lower Ante In Persian Gulf -- "Iraq's attack on the American frigate, the Stark, appears to have been an accident, but it was no less deadly for that. It also shot holes in the Reagan Administration policy toward the region and the war.... The best authority for caution is Ronald Reagan himself. When he first spoke about the arms sales to Iran, he stressed Iran's strategic importance and the compelling U.S. interest to contain Soviet influence. That interest continues; it would be damaged by U.S. military action against Iran, especially if that took place in response to action that might be designed to drag the U.S. into the conflict.... Wisdom and prudence, however, call for lowering the ante, not raising it. If we want to help protect shipping in the Persian Gulf, it should be all shipping, not just that of one side, and we should have international help." (Robert E. Hunter, Milwaukee Journal, 5/21)

Fighter Cover -- "Another U.S. military disaster is in the making if our frigates and destroyers in the Persian Gulf are not given fighter cover to help them escort Kuwaiti tankers.... If the U.S. picks up its sword, it must give its young men and women in uniform the tools to do the job. They must go in harm's way as warriors. For a quarter century and more, far too many have come home as victims."

(Charleston, West Virginia, Daily Mail, 5/23)

On Showing The Flag -- "If there is any such thing as a collective international responsibility, keeping the Gulf open is it. The U.S. should insist on tangible help before it expands its role as the Gulf's guardian. The real risk is not that the Gulf could become a Soviet lake, but that U.S. readiness to go it alone could produce a costly American humiliation."

(Los Angeles Times, 5/27)

Ready To Do More Than Show The Flag? -- "Administration officials say they and the President will be meeting this week to work out the strategy and the rules of engagement for carrying out Mr. Reagan's commitment (in the Persian Gulf). For a start, they will have to decide if the U.S. is prepared to counter-attack Iran, to strike directly at Iran if those land-based missiles attack the Kuwaiti tankers or an American naval vessel. The decision appears obvious. It also ought to be publicly proclaimed. No one, least of all Iran, should be left with any room for doubt."

(Chicago Tribune, 5/27)

PERSIAN GULF POLICY (continued)

U.S. Should Limit Gulf Role -- "The Administration owes a clear explanation to the American people of its aims in the Gulf.... The White House says the U.S. ships operating in the Gulf will now take whatever steps are necessary to defend themselves. Militarily, that is to be welcomed. And yet, has Washington considered what steps it would take if U.S. ships were to be attacked by Iranian jets? Would the U.S. actually consider attacking Iran itself? The Soviets, it might be noted, were careful not to retaliate against Iran after a recent Iranian assault on a Soviet tanker. Congress should insist that whatever role the U.S. now exercises in the Gulf, it must be part of a larger joint command with its allies. The stakes are far too great for unilateral U.S. action in the Gulf."
(Christian Science Monitor, 5/27)

Persian Gulf -- "Official Washington appears to believe Iraq's representations that the attack on the Stark was an accident. Perhaps it was. Treating the attack as a mistake gives the U.S. an excuse for doing nothing. Clearly, U.S. security interests require a presence in the Persian Gulf, and wherever there is also a risk. But most Americans will wonder if turning the other cheek after an attack by a third-rate power is the best means of sustaining the credibility of American power and influence. The entire world, to be sure, has a stake in seeing the bloody war ended -- on terms that deny both sides victory. But the weekend's loss of American lives makes the challenge a particularly poignant one for the U.S."
(Cincinnati Enquirer, 5/19)

Reagan: Keep Cool In Gulf -- "The Senate was right to insist that President Reagan, in compliance with the War Powers Act, consult with Congress about his decision to provide escort for Kuwaiti oil tankers. It's obvious that the U.S. has vital interests in the Gulf.... The Iran-Iraq war is as irrational as any other religious conflict. That's why it is important to have thorough discussions of America's position in the Persian Gulf. U.S. interests must be protected with the best equipment and the most astute strategic thinking that can possibly be mustered."
(Dallas Times Herald, 5/26)

Shore Up The Navy -- "The American fleet serves a valuable purpose in the Persian Gulf: to protect the sea lanes against Iranian air strikes, and to keep the OPEC oil supplies flowing to the West. To that end, U.S. officials recently affirmed their commitment to extend military protection to Kuwaiti tankers by registering them under the American flag. That promise would be more impressive if the U.S. made it clear it could safeguard its own fleet."
(Los Angeles Herald Examiner, 5/22)

USS Stark And The Future -- "The President's grief over the Stark is as genuine as anyone else's, we do not doubt. But he also has a responsibility to decide what this country's future role will be in a region where 'harm's way' lies in every direction. There is a point at which it is necessary either to attempt less or be committed to doing much more. The Iraqi tragedy is more than a gentle hint that we could be nearing that point at flank speed."
(Sarasota Herald Tribune, 5/22)

FOREIGN MEDIA REACTION

PRESIDENT REAGAN'S INTERVIEW WITH FOREIGN MEDIA

"President Reagan, in an interview...in the Oval Office, scoffed at the idea that America's special relationship with Britain, including an American military presence with nuclear weapons on British soil, would be changed if a Labor Government came to power. 'The relationship does go back many, many years and it would take more than an election in any one of our countries to change this,' Mr. Reagan said without making specific reference to the Labor Party's proposal to negotiate an end to U.S. nuclear weapons in Britain." (Independent, Britain)

"[President Reagan] was not told of the questions in advance and often appeared uncertain of what the group was going to ask him. He only left this somewhat tense position when he was on familiar ground -- talking about the Iran-contra scandal and the war in Afghanistan. He appeared much more relaxed, however, than at his formal press conferences with the American media.... He showed good recall of a question even when he chose to divert from his answer into telling stories about visits to his office of Afghan children.... He appeared, as he so often does and is so good at doing, at ease with himself and his job. He was amazingly successful at making his troubles seem far away, even to the point that they might not exist."

(Peter Pringle, Independent, Britain)

"Two weeks before the Venice summit, Reagan was interviewed by six foreign newsmen.... On denuclearization of Europe, Reagan said it will never be total since the Americans will maintain enough nuclear forces on the Old Continent to assure its protection. On the Gulf war, (he said) if U.S. ships are attacked by Iran, they will respond. On protectionism, the President hopes that solutions will be found in Venice allowing lifting of the sanctions decided against Japan. On Irangate, Reagan never thought of resigning because he told the truth and he feels he has no reason to feel guilty."

(Figaro, France)

"President Reagan does not see the danger of a war with Iran.... Asked...if now was not the time to bring up the issue of human rights in the dialogue with the Soviet Union...Reagan said he would naturally comment on the Berlin Wall during his visit to Berlin. However, at the same time, Reagan pointed out that certain headway had recently been made in the area of human rights even if this progress was not as comprehensive and was not realized as quickly 'as we would like.' ...Reagan expressed hopes that a meeting with Gorbachev will still take place in the U.S. this year.... Reagan also dispersed some allies' concerns that the aspired zero-zero solution for INF would lead to a denuclearization of Europe."

• (Die Welt, West Germany)

"[President Reagan appeared] elegant in a gray suit and red tie, was in excellent shape.... The language during the interview was optimistic. With Irangate in full swing, instead of a leader facing a crisis and close to the end of his mandate, Reagan appeared self-confident, firm and convinced of his personal role in history.... He expressed positive thoughts regarding his dialogue with Gorbachev: 'I believe we will have a summit in the United States by the end of the year.'" (La Stampa, Italy)

PRESIDENT REAGAN'S INTERVIEW WITH FOREIGN MEDIA (continued)

"The American President believes that the Canadian position on Arctic sovereignty 'has a lot of merit.' And he does not believe that the purchase of submarines by Ottawa is going to lead to a confrontation.... The President believes that the Canadian claim is legitimate."

(La Presse, Canada)

VENICE SUMMIT

"Senior officials and bankers believe this [Citicorp's decision to add \$3 billion to its loan loss reserve] will undermine Mr. Baker's own plan to boost new commercial lending to developing countries by \$20 billion over three years and put Free World leaders at the Venice summit under severe pressure to hold the fragile Baker strategy together." (Times, Britain)

"Instead of seeking their own solutions to what are essentially domestic industrial deficiencies, they (the U.S.) are looking towards Japan not only for the causes of their problems, but also for their solutions. This outlook raises not only the frequently cited danger of protectionism, which can and must be mitigated by changes in policy in Tokyo, as well as in Washington." (Financial Times, Britain)

"The FRG wants to push vigorously for the elimination of the international trade imbalance during the economic summit and primarily appeals to the U.S. and Japan to stick to their self-imposed obligations. In (several) interviews Chancellor Kohl reminded the U.S. of its promise to reduce the U.S. budget deficit. The Chancellor reminded Japan to implement its planned economic program in order to strengthen the demand (for international products)." (General-Anzeiger, West Germany)

"Japan and Britain will hold an unusual adjustment of views to prepare for the June Venice summit.... A Japanese government source revealed that the Foreign Ministry's Economic Affairs Bureau Director Watanbe will be sent to London for talks with British government officials." (Sankei, Japan)

"With the Venice summit only two weeks away, Deputy Foreign Minister Kitamura has been holding consultations with other summit participants as part of Japan's public relations activities. Kitamura stated that there will be no Japan bashing at the summit." (Mainichi, Japan)

"The Finance Ministry's Gyoten told a news conference that the nations participating in the Venice summit agree that a further fluctuation in the exchange market will cause difficulties. Gyoten hinted that this agreement will be included in the economic declaration of the summit." (Nihon Keizai, Japan)

"Prime Minister Mulroney has a tough row to hoe at the seven-nation economic summit in Venice next month. Mr. Mulroney will be the standard-bearer of a diverse group of 14 smaller-and middle-power countries that depend on agricultural exports. His task is to try to convince the European Community, the U.S. and Japan to end their heavily protectionist farm policies." (Montreal Gazette, Canada)



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, MAY 28, 1987 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

Reagan Non-Committal On U.S. Strategy In Event Of Gulf Attack --
President Reagan insists the U.S. is not spoiling for a fight with Iran, but says the Iranians should "go to bed every night wondering what we might do" if they attack U.S. flag ships in the Persian Gulf.

(Baltimore Sun, Washington Post, Washington Times,
AP, Reuter, Scripps Howard)

IRAN-NICARAGUA

New Questions On Secord's Credibility -- Testimony at the Iran-contra hearings raised new questions Wednesday about retired Maj. Gen. Richard Secord's assertions he was not out to make millions in profits from his secret arms dealings.

(Christian Science Monitor, Washington Post,
Copley, Newhouse, Reuter, Scripps Howard, UPI)

Reagan: Media Has Me Miscast -- President Reagan, facing questions from foreign journalists about his credibility abroad in the wake of the Iran-contra affair, blamed U.S. media for miscasting him.

(New York Times, USA Today, Washington Times)

NETWORK NEWS (Wednesday Evening)

PERSIAN GULF -- President Reagan defended plans for the U.S. to provide protection for Kuwaiti oil tankers in the Persian Gulf.

IRAN-CONTRA -- Robert Dutton said he reported to both Richard Secord and Oliver North.

TRADE DEFICIT -- The Commerce Department reported the trade deficit shrunk to \$38.3 in the first three months of the year.



By Morrie Brickman

INTERNATIONAL NEWS

PRESIDENT MINIMIZES WAR RISK

But Senators Warn Of U.S. Involvement In Iran-Iraq Conflict

President Reagan played down the possibility of direct U.S. involvement in warfare in the Persian Gulf, but senators of both parties warned that the country was steadily being drawn into armed conflict with Iran that was likely to result in attacks on American ships.

In an interview with six foreign journalists, the President scoffed at warnings that Iran might attack Kuwaiti oil tankers in the Gulf sailing under the American flag. Reagan, who at one point referred to Iran as "this barbaric country," said that Iranian leaders understood the "inevitable consequence" they would suffer if they launched an attack.

But Sen. Jim Sasser, who has just returned from the region, said it's "just a matter of time" before an American ship is attacked, and Sen. Richard Lugar warned that "the environment surrounding our Navy in the Persian Gulf is as dangerous as the exposure of our Marines in Beirut."

Both Lugar and Sasser have called upon Reagan to invoke the War Powers Resolution, requiring consultation with Congress if hostilities are deemed "imminent or likely." The Administration has taken the position that use of the resolution is unnecessary.

(Lou Cannon, Washington Post, A1)

Reagan Non-Committal On U.S. Strategy In Event Of Gulf Attack

President Reagan insists the U.S. is not spoiling for a fight with Iran, but says the Iranians should "go to bed every night wondering what we might do" if they attack U.S. flag ships in the Persian Gulf.

Reagan is expected to discuss his policy at a meeting with Republican congressional leaders at the White House today.

"When we label something that is of vital interest to our security in this country and to the free world...that means that we are willing to go to war over that," said Sen. John Glenn. (Gene Gibbons, Reuter)

Senators Say Reagan Adopting Risky Gulf Policy

Reagan Administration plans to protect Kuwaiti tankers in the Persian Gulf starting next week are being met with warnings from the Senate that the proposal is as risky as putting U.S. Marines into Beirut in 1983.

Sen. John Glenn said, "We're not neutral now. We're getting away from that fig leaf of neutrality. ...It's not a bluff anymore as it was in Beirut where we wound up with 241 body bags."

"I think the Administration erred in going forward on the reflagging without fully consulting Congress," Sen. Jim Sasser said at a news conference.

But Sen. John Warner said, "We have a difference of opinion on that," saying at the same news conference that the White House had adequately consulted with the Senate. (Tim Ahern, AP)

Senator Says U.S. Being Sucked Into Gulf War

The U.S. Navy is "being sucked into the violent and savage war" raging in the Persian Gulf, says Sen. Jim Sasser just back from inspecting a crippled U.S. frigate on which 37 U.S. sailors died May 17.

The House has not yet taken action (on compelling the Administration to report to Congress on the Gulf situation). Speaker Jim Wright said that he was waiting to hear the reaction of Sens. Glenn and Warner, who left for the Mideast, also at the Senate's request.

Wright said the White House needs to give Congress "a clear explanation of the extent of our commitment and the reasons for it."

(James Brosnan, Scripps Howard)

Risking U.S. Lives In Gulf Deplored By Lawmakers

The Reagan Administration is putting U.S. servicemen in jeopardy in the Persian Gulf without gaining either the approval of Congress or the support of the American public, a bipartisan chorus of lawmakers contends.

At worst, the Administration's plan to protect Kuwaiti oil tankers that have been targeted for attack by Iran is being called illegal adventurism undertaken by a President who wants to divert attention from the Iran-contra controversy, and an action that will almost surely cost more American lives.

At best, the lawmakers are saying the Reagan Administration appears to be repeating mistakes of the past by moving with too little caution and too little consultation.

There seems to be almost universal disagreement on Capitol Hill with President Reagan's assertion that he sees no danger of war despite the increased U.S. military presence in the region.

(Karen Hosler, Baltimore Sun, A1)

Navy Gulf Force Needs Upgrading

Unless the Navy assigns additional and more modern warships to the Persian Gulf and nearby waters, it will face difficulty and danger as it attempts to protect Kuwaiti oil tankers in the region.

According to current and former Navy officials, the Middle East Task Force needs upgrading for the new mission, especially in the quality of its ships, which lack many of the service's top-of-the-line armaments.

(Warren Strobel & Jennifer Spevacek, Washington Times, A4)

Key Question In Kuwaiti Ship Plan: What Happens If U.S. Flag Attacked?

In all the Administration rhetoric about self-defense and free passage in the Persian Gulf, one question remains conspicuously unanswered: What happens if Iran attacks a Kuwaiti ship flying a U.S. flag?

"I don't think that's a question that I should even attempt" to answer, President Reagan said during an interview with foreign journalists.

He did hint that missile batteries on Iranian soil might be targets.

"Now, it is true that the Iranians have placed missiles on shore that can reach targets at sea," Reagan said. "That has to be considered with regard to more than just shooting at another vessel or shooting at an airplane."

But that's about as specific as anybody would get.

(News Analysis, Dale Nelson, AP)

IRAQ STONEWALLS STARK PROBES, REFUSES TO IDENTIFY JET'S WEAPONS

BAGHDAD, Iraq -- The chief of the American team probing Iraq's missile raid on the USS Stark said the confidential joint investigation had hit a snag.

Rear Adm. David Rogers would not elaborate, but diplomatic sources said the hitch arose from Iraq's refusal to specify what weapons it has adapted its French-built Mirage jet fighters to carry.

(Ed Blanche, Washington Times, A1)

NATO REJECTS U.S. BID TO HELP IN PERSIAN GULF

BRUSSELS -- America's NATO allies gave a cold shoulder to a U.S. request for assistance in U.S., British and French efforts to guarantee freedom of navigation in the Persian Gulf.

A final communique issued at the end of a two-day meeting of NATO's Defense Planning Council failed to mention the Gulf, although it was discussed both in bilateral meetings between Secretary Weinberger and various of his NATO counterparts as well as in the council itself.

(James Dorsey, Washington Times, A6)

NATO AGREES IT MUST UPGRADE CONVENTIONAL FORCES

BRUSSELS -- NATO defense ministers agreed NATO must upgrade its conventional forces in step with nuclear disarmament. But they left unanswered U.S. pleas for help in protecting tanker traffic in the Persian Gulf.

The meeting of the NATO Defense Planning Committee yielded a communique saying conventional forces had been improved by measures taken in May 1985, but that "serious deficiencies still remain in important areas."

Secretary Weinberger said he encouraged the allies to join the U.S. effort to keep the Gulf open to oil tankers amid the Iran-Iraq war. But he conceded some nations are constitutionally barred from doing this, and he described his bilateral talks on the matter as "preliminary in nature and confidential."

(Edward Roby, UPI)

NATO Defense Unit Calls For Buildup Of Conventional Forces

BRUSSELS -- NATO defense ministers ended a two-day meeting with a call for increased spending on conventional forces if there is a superpower accord to remove medium- and short-range nuclear missiles from Europe.

The NATO Defense Planning Council's final communique emphasizes the importance of the continued presence of the U.S. and Canadian troops in Europe, and urges the Soviet Union to take a constructive attitude toward the effective verification of arms control agreements.

(James Dorsey, Washington Times, A1)

REAGAN WORRIED ABOUT EUROPEAN VIEW THAT GORBACHEV MORE TRUSTWORTHY

President Reagan says he hopes Europeans who trust Mikhail Gorbachev more than him "wake up soon" but at the same time he says he hopes to have a summit meeting with the Soviet leader this fall.

"It is up to General Secretary Gorbachev now to set the date," Reagan said.

In an interview, Reagan said he is optimistic about prospects for an agreement to abolish medium-range missiles from U.S. and Soviet arsenals in Europe.

"I do believe that great progress has been made (in negotiations), more than in all the years since World War II, and that we have the best opportunity for beginning the reduction of nuclear weapons that we've ever had," Reagan said. (Terence Hunt, AP)

SOVIET ARMS NEGOTIATOR SAY PACT POSSIBLE BY FALL

MOSCOW -- A chief Soviet arms negotiator said an agreement on medium-range nuclear missiles in Europe might be reached by autumn and urged the current round of talks continue without delays.

Alexei Obukhov, deputy Soviet delegation leader at the nuclear arms and space talks in Geneva, told the Izvestia newspaper an agreement on eliminating medium-range nuclear weapons, or Euromissiles, could be signed at a summit meeting of President Reagan and Soviet leader Gorbachev.

Without interruptions between negotiating rounds, he said, "In my opinion it is quite possible to hope that in the fall we will have a draft of a treaty on medium-range missiles." (UPI)

ARMS OFFERS UP TO WEST, SAY SOVIETS Comments Precede East Berlin Summit

EAST BERLIN -- Warsaw Pact leaders gathered here for a summit meeting as Soviet officials dampened expectations that the conference would produce a major arms control initiative.

Four Soviet foreign policy experts suggested at a news conference that the seven-nation Eastern Bloc already had gone as far as it could in making disarmament proposals for European-based nuclear missiles and conventional forces. They said that is was up to the West to make concessions in both fields to achieve progress.

(Robert McCartney, Washington Post, A27)

MEESE, BREMER FLY TO COUNTERROR TALKS

Attorney General Meese and State Department counterterrorism chief Paul Bremer fly today to Paris, a city under threat of renewed attacks, for a nine-nation meeting to coordinate the fight against terrorism.

The Paris meeting will focus on law enforcement and judicial cooperation. It will give Washington another opportunity to persuade the West German government to extradite terrorist Mohammed Ali Hamadei to the U.S. to stand trial for the hijacking of a TWA jet in 1985 and the murder of U.S. Navy diver Robert Stethem.

(Richard Beeston, Washington Times, A6)

REAGAN SAYS JAPAN LAGS ON SEMICONDUCTOR ACCORD

President Reagan declared that Japan still isn't abiding by the terms of its agreement with the U.S. to end dumping of semiconductors, and thus retaliatory tariffs can't be removed yet.

In an interview with foreign television correspondents, the President said that "while there seems to be some progress being made, we still have not reached what I think must be the answer, and that is a return to abiding by the agreement." He said that once the U.S. feels Japan is carrying out the anti-dumping pact, "we shall immediately lift the sanctions."
(Wall Street Journal, A66)

U.S. ONLY PARTLY PLEASED AT YEN-DOLLAR TALKS

The U.S. and Japan ended a fifth round on opening and liberalizing Japan's financial markets, with U.S. officials urging Japan to speed changes and Japanese pleading for time for a "soft landing."

Assistant Treasury Secretary David Mulford said he is pleased to see several recent changes in which Japanese won access to U.S. futures markets and U.S. banks will be able to have subsidiaries sell securities in Japan.

Mulford added, however, that he was less encouraged by Japan's commitment to liberalize its financial markets to the Japanese. For example, people have to deposit over \$75,000 before they get anything but an artificially low interest rate, he added.
(Craig Webb, UPI)

TRADE GAP NARROWS IN 1ST QUARTER

The nation's merchandise trade deficit narrowed slightly to \$438.3 billion from January through March as the weaker dollar boosted export sales and slowed import growth, the government said.

The Commerce Department said the trade deficit declined 0.7 percent in the first quarter of the year after hitting a record high of \$38.6 billion from October through December.

(Martin Crutsinger, Washington Post, E1)

DOLLAR'S CLIMB SURPRISES ANALYSTS

The dollar was stronger in foreign exchange markets for the second day in a row, leaving currency specialists groping for an explanation.

While Treasury officials offered no comment, it was clear that the Reagan Administration could only be pleased to see a show of strength in the dollar, which can help lift stock and bond prices, just before the Venice summit.

President Reagan, discussing the summit at a meeting with foreign reporters, said the dollar "is at the place it should be" and that he does not "look for any further serious drops in the value of the dollar."

(Hobart Rowen, Washington Post, E1)

U.S. TO SUPPLY PAKISTAN WITH RADAR PLANES
Several Options Offered To Guard Against Soviet Intrusions

The Reagan Administration has agreed in principle to supply Pakistan with an airborne warning capability to defend its airspace against Soviet incursions from Afghanistan and has provided several options that Pakistan is to consider in coming weeks, official sources said.

The options were provided to senior Pakistani diplomatic and military officials here last week. They suggest that lease or purchases of top-of-the-line AWACS planes is not likely to come in time to meet the immediate need for protection of Pakistan's Afghan border, according to U.S. officials.

Chances are described as much better for early supply of less sophisticated and less costly E2C Hawkeye airborne radar planes, which are being supplied to Egypt, Israel and other countries.

(Don Oberdorfer, Washington Post, A23)

SPY CASE REPORTS SEEN CHANGING LITTLE IN ISRAEL
Pollard Affair Is Now Closed, Shamir Says

JERUSALEM -- Politicians and political commentators predicted that there will be no major political repercussions and no heads will roll as a result of two critical official reports by panels looking at Israel's role in the Jonathan Pollard spy affair.

Prime Minister Yitzhak Shamir told reporters that the Israeli Cabinet's acceptance of the panel's report closed the matter. "In our view, this is the end," he said. "I hope we won't have to concern ourselves further with this affair."

(Glenn Frankel, Washington Post, A21)

IRAN — NICARAGUA

NORTH SAID TO PLEDGE REAGAN'S SUPPORT

Contra Figure Cites Assurance: 'We Were Working For The President'

The retired Air Force colonel who ran a private airlift to the Nicaraguan rebels during the cutoff of U.S. military support testified that Marine Lt. Col. Oliver North assured him that "we were working for the President of the United States."

"Bob, you're never going to get a medal for this, but someday the President will shake your hand and thank you for it," retired colonel Robert Dutton quoted North as saying last September. About that time Dutton gave North a photograph album of the Central American operation and North commented that he wanted to show it to his "top boss."

After the hearing, the Senate committee's chief counsel, Arthur Liman, said there was no evidence of Reagan's fingerprints on the book.

(Dan Morgan & Walter Pincus, Washington Post, A1)

Panels Hear From Contra Supplier

Whose fingerprints are on the book?

One of the continuing questions surrounding the Iran-contra affair may be answered in part by some straightforward detective work.

According to Robert Dutton's testimony, Col. Oliver North borrowed a photo album that documented the network and said he intended to show it to his "top boss."

(Apparently) The FBI, at the instructions of special prosecutor Lawrence Walsh, had "dusted" the album for fingerprints, to determine who might have perused it.

(Gary Thatcher, Christian Science Monitor, A3)

Dutton Testifies That CIA Provided Assistance To Contra Airdrop Operations

Retired Air Force Col. Robert Dutton...said the CIA provided crucial assistance to contra airdrop operations during the period Congress barred such aid.

Retired CIA operative Felix Rodriguez, who headed the contra resupply operation from El Salvador, told the committees he uncovered evidence showing Secord's operatives were only profiteers.

(Lance Gay & Walter Friedenberg, Scripps Howard)

New Questions On Secord's Credibility

Testimony at the Iran-contra hearings raised new questions Wednesday about retired Maj. Gen. Richard Secord's assertions he was not out to make millions in profits from his secret arms dealings.

Retired Air Force Col. Robert Dutton, Secord's field general in supplying arms to the contras, contradicted Secord's sworn testimony that it was Dutton's idea to try and sell the airlift operation to the CIA for \$4 million.

Later, former CIA operative Felix Rodriguez, who worked for the private supply network in Central America, complained bitterly about Secord's network and said Secord had supplied planes that could barely fly.

(Judi Hasson, UPI)

North Boasts That Reagan's Friendship Was Protection Against His Enemies In Congress

Former White House aide Oliver North boasted about a year ago that he could not be successfully attacked by enemies in Congress because of his friendship with President Reagan, according to testimony by a one-time CIA operative.

Felix Rodriguez described how North, watching television coverage of a congressional debate over aiding the contras said, "Those people want me but they can't touch me because the old man loves my ass."

Rodriguez testified of warning North that "people are stealing" from a contra resupply effort but that North appeared unconcerned. Rodriguez said he was outraged by the way the contras were being victimized by profiteers and by the use of unsafe aircraft to ferry arms and supplies from a staging area in El Salvador to drop zones inside Nicaragua.

Quite a different picture emerged from the testimony earlier by retired Air Force Col. Robert Dutton, the operations chief of the resupply effort. Dutton described Rodriguez as a trouble maker who maneuvered to get control of a \$10,000 "emergency" fund and a \$50,000 fuel fund.

(Finlay Lewis, Copley)

Rodriguez Warned White House Of Possible Profiteering In Arms Deals

The Senate-House committee investigating the secret campaign to airlift supplies to the Nicaraguan contras has been told that profiteering by retired military and intelligence officers who ran the network undermined its success and threatened a "Watergate" scandal that "could destroy the President."

Former CIA agent Felix Rodriguez, a Cuban-American who helped direct the resupply operation from an airfield in El Salvador, said he warned White House officials of possible profiteering by retired Maj. Gen. Richard Secord and another ex-CIA agent, Thomas Clines.

He said Lt. Col. Oliver North dismissed the charge.

But Donald Gregg, an assistant to Vice President Bush, was "outraged" and carried the warning to officials in the State Department, Rodriguez testified.

(Robert Gettlin & Robert Lewis, Newhouse)

Rodriguez Says He Never Discussed Contras With Bush

Former CIA operative Felix Rodriguez, who helped in the effort to aid the Nicaraguan rebels, told Congress he met with Vice President Bush three times in 1985 and 1986 but never discussed the pro-contra operation with him.

The testimony by Rodriguez to the congressional Iran-contra committees follows the recollection of events by Bush, who has strongly denied any wrongdoing in connection with efforts to aid the anti-Sandinista rebels.

(Robert Doherty, UPI)

Iran-Contra Hearings Delve Deeper Into Rebel Aid Operation

The Iran-contra hearings in Congress are delving deeper into the White House-directed arms supply operation for Nicaraguan rebels, going into secret session to question a former Costa Rica-based CIA agent.

Known as Tomas Castillo, the former Costa Rica station chief played a key role in facilitating arms shipments from the private network directed by Oliver North.

Committee investigators said they hoped to release much of Castillo's secret testimony, but probably not until tomorrow after the CIA has had a chance to review it. (Sue Baker, Reuter)

REAGAN SAYS MEDIA HURT HIS CREDIBILITY

President Reagan acknowledged the Iran-contra affair had damaged his credibility but blamed the Washington media rather than "anything that has been proven."

In an interview with European television reporters, Reagan mounted a vigorous defense of the damage he said has been done to his reputation.

"But it has not been by anything that has been proven, quite the contrary," Reagan said. "It has been the image that has been created by our own Washington press corps in describing what took place."

He said the press would have had no word of the linkage between the covert U.S. arms sales to Iran and efforts to aid the Nicaraguan resistance had he not informed Congress and the press about the diversion of funds.

(Jeremiah O'Leary, Washington Times, A4)

President Asserts He Broke No Laws

President Reagan, acknowledging that his credibility had been damaged, said that he had not been involved in illegal acts in the Iran-contra affair and blamed the Washington press corps for creating a false impression that he had.

Displaying irritation, Reagan told foreign journalists in an interview that he had not known which private groups and individuals were contributing money to the Nicaraguan insurgents and that he had never personally solicited money for the rebels from foreign leaders.

Reagan's comments appeared to be a further refinement of his account of his involvement in efforts to supply the rebels. While he has recently acknowledged that he was aware of such efforts, he today drew a new distinction: that none of his activities had been illegal.

(Gerald Boyd, New York Times, A12)

Reagan: Media Has Me Miscast

President Reagan, facing questions from foreign journalists about his credibility abroad in the wake of the Iran-contra affair, blamed U.S. media for miscasting him.

"I'm being portrayed as having, behind the scenes, violated the law and done all sorts of shady things to try and violate the Congress' restriction on aid to the freedom fighters," Reagan said. "And it just isn't true."

(Johanna Neuman, USA Today, A4)

COURT MAY RULE ON FOREIGN POLICY

Attorney General Meese said arguments being raised over the Boland amendment in the Iran-contra affair may have to be resolved by the Supreme Court, in an interview by Bi'l Moyers for the program "In Search of the Constitution."

"If the Congress operated unconstitutionally, passed a law which was unconstitutional to bind the President and which would limit him in an unconstitutional manner from performing his duties under the Constitution, then that's the kind of thing that would not be binding on a President because it was not a valid law," Meese said.

"Who's going to decide that?" Meese was asked.

"Well, it may well be decided by the Supreme Court," Meese said.

(AP story, Washington Times, A4)

EDITOR'S NOTES: "Legal Limits On Aid To The Contras (A chronology of the various Boland amendments)," appears in The Washington Post, A14.

"Week Four Of Testimony," appears in The Washington Post, A14.

"Highlights Of The Testimony," appears in The Washington Post, A15.

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NATIONAL NEWS

CANADA PROTESTS ATTEMPT TO SUBPOENA ENVOY, WIFE

Canada filed a stiff diplomatic protest after independent counsel Whitney North Seymour tried to subpoena Canadian Ambassador Allan Gotlieb and his wife to testify at the upcoming perjury trial of former White House aide Michael Deaver.

The State Department sided with the Canadians and asked Seymour to drop his attempt to subpoena Ambassador Gotlieb.

In a court motion, however, Seymour accused the Canadian government of "duplicitous behavior," saying that it is "seeking to put itself in a position where it can tell critics of Canada that it has cooperated fully with our investigation, while it has actually taken a position to block the prosecution of Deaver for perjury concerning his dealing with Canadian representatives."

(Howard Kurtz, Washington Post, A20)

WEDTECH HELPED MEESE'S LAWYER MEET EXPENSES, INVESTIGATORS SAY

The Wedtech Corp. paid a consultant more than \$100,000 after he said he was representing Attorney General Meese without pay and was having trouble meeting his expenses, according to accounts provided to federal investigators.

The consultant, E. Robert Wallach, a San Francisco lawyer, and a close friend of Meese, helped defend Meese against charges of misconduct after his nomination as Attorney General in January 1984.

While investigators have previously reported that Wallach was paid more than \$1 million by Wedtech over three years for consulting work, the accounts given federal officials were the first suggestion that Meese was connected with the payments.

(Josh Barbanel, New York Times, A1)

FORMER SBA OFFICIAL: I WAS PRESSURED TO HELP WEDTECH GET NAVY CONTRACT

A former Small Business Administration official says he was pressured by superiors in 1983 and 1984 to support Wedtech Corp. in its attempts to win a contract to build Navy pontoons.

Henry Wilfong, the former SBA official, said in a telephone interview from Los Angeles that he often attended SBA meetings where higher-ups emphasized that the Bronx-based minority contractor was favored by the Administration to win no-bid defense contracts.

An independent counsel has been investigating whether Attorney General Edwin Meese and former White House aide Lyn Nofziger violated conflict of interest laws in pushing for Wedtech to be awarded a \$32 million Army contract in 1982.

Now, the investigation is widening to include the Navy contract as well.

(John Bennett, Scripps Howard)

RESEARCHERS PROTEST EXCLUSION
OF HOMOSEXUALS FROM AIDS PANEL

Letter To Reagan Urges Rethinking Of Commission's Composition

The Reagan Administration's decision not to appoint an openly gay person to the President's new AIDS commission has drawn a sharp protest from several of the nation's leading AIDS researchers.

Several experts on AIDS have written to President Reagan to express "alarm" over the Administration decision. Many of those who signed the letter, which is scheduled to be delivered to the White House today, indicated they would not participate on a panel that did not include gays.

"This Administration has opposed in the past appointing people to jobs or giving them assignments solely because of race or sex," said Gary Bauer, a domestic policy adviser to the President. "I just don't know how one can philosophically believe that and then turn around and appoint somebody based on sexual preference."

(Michael Specter, Washington Post, A9)

HILL FINDS RAISING TAXES AN ESPECIALLY
UNSAVORY PROSPECT THIS YEAR

Less than a year after approving the most extensive rewrite of the tax code ever, Congress is facing the prospect of raising taxes. This tax increase is being handled in typical style: Members are divided, parochial, fearful and confused.

The House is expected to take its first small step toward raising taxes today, when Democrats on the Ways and Means Committee meet to tell Chairman Dan Rostenkowski which kinds of tax increases they favor -- or oppose.

In addition to the revenue for deficit reduction -- about \$18 billion in fiscal 1988 -- new taxes also may be needed to pay for restoring a few tax breaks eliminated by the 1986 law, perhaps \$2 billion to \$3 billion worth.

(Anne Swardson, Washington Post, A7)

USDA RESOLVES TO EXCLUDE ALIENS

Despite Hill Protests, Cane Harvesters Being Denied Residency

Despite a strong protest from a powerful group of House members, the Agriculture Department has refused to back away from a decision that would bar thousands of foreign workers who harvest sugar cane in the U.S. from obtaining permanent residency in this country.

USDA's decision is expected to be published Friday in the Federal Register, setting the stage for exclusion of more than 10,000 alien workers from coverage under the immigration law enacted by Congress last year.

(Ward Sinclair, Washington Post, A4)

EDITOR'S NOTE: "Interim Prosecutors Tussle Between Meese, Courts" by Howard Kurtz, appears in The Washington Post, A17.

NETWORK NEWS SUMMARY

(Wednesday Evening, May 27, 1987)

PERSIAN GULF

NBC's Tom Brokaw: President Reagan today called the Iranians barbaric as he defended plans for the U.S. to provide protection for Kuwaiti oil tankers in the Persian Gulf -- a policy that has been sharply criticized since the attack on the USS Stark. At the same time NATO today turned down U.S. requests for help in protecting Gulf shipping. But individual members of the alliance may choose to get involved.

NBC's Chris Wallace: The President stood firm today on his plans to put Kuwaiti tankers under U.S. naval protection -- stood firm despite threats from Iran to attack those ships.

(The President: "Can you imagine the precedent that would be set if we all stepped back and said, 'Well, this barbaric country has a right to close down these international waters' and bring down the economic havoc that it would on so many countries? No.")

(TV coverage: The President in the Oval Office talking with foreign media representatives.)

But despite the tough words, Mr. Reagan continued a new White House campaign to lessen tensions in the Gulf -- refusing to tell foreign reporters what the U.S. will do if Iran attacks.

(The President: "The reason why I don't think I should go farther is I think it's far better if the Iranians go to bed every night wondering what we might do than us telling them in advance.")

The President said he doesn't think Iran will take on the U.S., but a Senator just back from the Persian Gulf said on NBC's Today program, "It's only a matter of time" -- noting the Iranians recently attacked a Soviet tanker.

(Senator James Sasser: "The Iranians make no distinction between the superpowers and others in the Persian Gulf. And as we've seen in times past, the Iranians like nothing better than trying to humiliate the United States.")

Meanwhile tensions build in the region. The U.S. carrier Constellation is headed for the Arabian Sea -- from there its planes could patrol the Gulf. Pentagon sources now say the U.S. set up a picket line of four ships this week to protect a Kuwaiti freighter carrying American tanks to Bahrain. And at the NATO meeting in Brussels, Defense Secretary Weinberger asked the allies to help individually, even if the alliance won't act as a group.

(Secretary Weinberger: "All things that are done I think are improved by a cooperative response and by a number of different people participating.")

White House officials maintain the threat is being exaggerated -- that the U.S. will be able to protect Kuwaiti tankers without creating a crisis. But, while they keep expressing confidence here, the Iranians keep making threats. And many in Congress keep having doubts.

(NBC-2)

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ABC's Peter Jennings: In Baghdad today the commission investigating the attack on the USS Stark met again with Iraqi defense officials. ABC's David Ensor reports from Baghdad that commission members are having a hard time persuading the Iraqis to turn over specific military information.... The White House said today that the Navy will begin escorting Kuwaiti oil tankers in the Persian Gulf within the next week or so. The tankers will be flying the U.S. flag in an effort to protect them from becoming targets. Some overseas journalists today had a chance to ask President Reagan about the American commitment in the Gulf.

ABC's Sheilah Kast: ...President Reagan insisted the mission of U.S. forces in the Persian Gulf is defensive.

(The President: "Any time they are attacked, they will retaliate. They will fire back in self defense.")

Just how far the U.S. will go the President left unclear. He himself hinted that self defense might mean more than firing back at a ship or plane if the Iranians fire from the shore.

(The President: "I think it's far better if the Iranians go to bed every night wondering what we might do than us telling them in advance. I doubt that Iran would ever declare war on the United States knowing what the inevitable consequences would be.")

One of the Senators leaving for a fact-finding mission in the Gulf said the risk of combat there has increased and he would support doing even more.

(Senator John Glenn: "We're getting away from this fig leaf of neutrality that we've had up until now. I think we definitely need more force in there than we have now.")

There were continued cries from members of both parties for the President to consult with Congress before putting 11 Kuwaiti ships under the U.S. flag.

(Senator James Sasser: "I think the Administration erred in going forward with the program of extending the protection of the American flag to the vessels of Kuwait without proper consultation with the Congress.")

At a NATO meeting in Brussels, Defense Secretary Weinberger sought to enlist the help of allies in preserving free navigation in the Gulf. He came away without any commitments. Whether or not the allies come through and whether or not Congress wants more information, the White House is moving ahead with putting American flags and American Merchant Marine captains on the Kuwaiti ships. (ABC-5)

CBS's Bob Schieffer: President Reagan brushed off warnings about danger to the U.S. in the Persian Gulf today; and in a new development, the Pentagon disclosed that earlier this week U.S. Navy ships and planes had escorted a Kuwaiti ship bound for Bahrain (full of) cargo of American tanks and ammunition. The Reagan Administration is planning to expand the Navy role as guardian of shipping in the Gulf and in an interview today the President said he is not worried about getting into a war with Iran.

CBS's Terrence Smith: Escalating his rhetoric against Iran, President Reagan said U.S. ships in the Persian Gulf will retaliate if attacked by Iranian missiles. But he declined to spell out how far an American response might go.

Smith continues:

(The President: "I think it's far better if the Iranians go to bed every night wondering what we might do than us telling them in advance.")

The President told a group of foreign journalists that the U.S. is determined to proceed with its plan to protect Kuwaiti tankers under the U.S. flag and to prevent Iran from blocking the shipping lanes in the Persian Gulf.

(The President: "Those are international waters and can you imagine the precedent that would be set if we all stepped back and said, 'Well, this barbaric country has a right to close down these international waters?'"")

...Few in Congress challenge the importance of the Gulf but many wonder if Mr. Reagan's harsh criticism of Tehran, coupled with his willingness to except Iraq's apology for the attack on the USS Stark, amounts to taking sides in the Iran-Iraq war.... Defense Secretary Weinberger stopped short of asking for allies' naval support.

(Secretary Weinberger: "No demands were made at all. No requests were made. But everyone I think is completely familiar with the importance of oil to the West and to Japan and to other countries that don't have oil.")

The President's tough language on Iran is partly a response to Iranian threats to attack U.S. flag tankers, but it also reflects a strongly held White House view that it is Iran that is prolonging the Gulf war.

CBS's Doug Tunnel: In addition to a formal request to interview the pilot who fired on the Stark, the Pentagon team posed a battery of questions about the attack to their Iraqi counterparts. They expected today would bring a lot of answers, but instead it brought more frustration.

(Rear Admiral David Rogers: "There have been snags. I can't discuss those. We're working on them and working towards an agreement on those snags.... I can't discuss that right now. As I said, we're in a very delicate stage of our discussions and I just can tell you that we're making progress and we're very close to being on track at this point.")

Every indication here is that so far the Pentagon team has not been permitted to meet with the pilot, their most important request....

(CBS-Lead)

IRAN-CONTRA

Brokaw: The President said today that he knows that his credibility has been damaged, however, he said this has resulted not from anything that has been proven in his words, but by the way the press has described what took place. Lt. Col. Oliver North, the fired White House aide, was quoted today as saying that the private air supply effort for the contras, "was something we were doing for the boss." Apparently that was a reference to President Reagan. And this was disclosed in testimony today at the Iran-contra hearings.

NBC's John Dancy: Robert Dutton was the nuts-and-bolts guy -- a retired Air Force Colonel with years of experience in secret operations. He was brought in by Oliver North and Gen. Richard Secord to repair a secret contra resupply operation that was in chaos. Dutton put together a photo album to document the problems and his solutions. The problem -- tons of supplies bought with Saudi money and U.S. private contributions -- supplies sitting in warehouses. But in the jungles of southern Nicaragua communications are so primitive that flights to drop supplies to the rebels often couldn't find their targets. Dutton went along on one flight to see for himself.

(Dutton: "We spent an hour inside the country flying between 400-1500 feet just trying to locate somebody and if we could have located them, we would have dropped to them. We were unsuccessful after an hour of searching and the weather was getting worse, so the decision was made to come back out.")

...(Dutton) met with North, who said the President was indebted to him.

(Dutton: "He said, you know, 'This has been a success -- you'll never get a medal for this but some day the President will shake your hand and thank you.'")

Later this afternoon a former CIA agent, Felix Rodriguez, said North bragged of his relationship with the President. Rodriguez said he once met with North as North has watching on t.v. contra opponents lead a Congressional vote denying aid to the rebels.

(Rodriguez: "He looked at the t.v. and said, 'Those people want me, but they cannot touch me because the old man love(s) my ass.'")

Rodriguez...testified he had met with Vice President Bush on several occasions, but he said he had never briefed the Vice President on the plans to resupply the contras.

Brokaw: Another man linked to the contra aid effort, former White House staffer John Miller today went before a special grand jury investigating the affair but apparently he declined to testify. His lawyer said that Miller looked forward to speaking out, "at the appropriate time and in the appropriate forum." Miller resigned from his White House job on May 14th after testimony that he helped funnel money to the contras. (NBC-3)

ABC's Brit Hume: First up today was Dutton who said he retired from the Air Force and went right to work for Richard Secord trying to improve a contra supply airlift.... He said he reported to both Secord and White House aide Oliver North.

(Question: Did Col. North ever indicate to you who you were working for?"

Dutton: "He indicated to me that we were working for the President of the United States.")

And by Dutton's account, he succeeded in getting the airlift moving so well that he put together a photo album to demonstrate it. He showed it to Oliver North.

(Dutton: "He liked it very much and said he would like to take it and show it to his top boss.")

Question: "Who did you understand Col. North to be referring to when he said he'd like to take the photograph album to his top boss?"

Dutton: "I understood he was talking about the President."

Question: "And why did you understand that?"

Hume continues:

Dutton: "I'd never heard him use the term talking about anybody else that he had been working with as 'a top boss' -- he didn't refer to Ad. Poindexter that way. So it was just the way he said it. It was my impression.")

The committee...then produced that photo album.... The FBI has found no evidence of the President's fingerprints on the album and Dutton made it clear he had no direct knowledge of any involvement by the President.

(Dutton: "I don't recall him [Col. North] ever saying that the President was in charge or was running it.")

This afternoon the committee heard from former CIA man Felix Rodriguez.... Rodriguez is also a friend of Vice President Bush with whom he had three meetings during his work for the contras -- meetings that have prompted speculation that Bush knew more than he has said. Rodriguez denied it.

(Rodriguez: "I want to make clear that at no point in any of the conversation [did I] ever mention doing anything that was remotely connected to Nicaragua -- to the contras.")

Last August, however, Rodriguez said he briefed Bush's aide Donald Gregg on the contra supply network and his reasons for leaving it. He said Gregg was outraged by what he heard, but Bush has said Gregg never told him about it.... (ABC-3)

Schieffer: A witness at the Iran-contra hearings on Capitol Hi'l said today that he was often told he was working for President Reagan in helping to ferrying secret aid to the contras. Retired Air Force Col. Robert Dutton said it was Oliver North who told him so. Another witness today, former CIA operative Felix Rodriguez, said he once warned North that people were stealing from the contras' supply network and that this could be worse than Watergate and could destroy the President. (CBS-2)

PTL

Brokaw: Jerry Falwell and Jim Bakker sound more like television wrestlers than television evangelists as they trade insults which include lying, stealing, homosexual advances and failure to repent. This latest round in the holy war began last night when Bakker accused Falwell of stealing his PTL ministry.

NBC's Robert Hager reports on these recent events between Bakker and Falwell. (NBC-Lead, ABC-Lead, CBS-3)

WEBSTER/FBI

CBS's Rita Braver: It was William Webster's day to say farewell to the FBI after nine years....

(Webster: "We have come to work together to enforce the laws of our nation -- to uphold the law.")

In tributes by top Justice Department and Bureau officials, one subject was avoided -- who will be the next FBI director? After two months the Administration still has not nominated anyone to fill the 10-year term....

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Braver continues:

Attorney General Edwin Meese, who's conducting the search denies any problem, pointing out it took Jimmy Carter a year to find Webster.

(Attorney General Meese: "We're going to be sure that we take enough time to have the right person to succeed Bill Webster.")

...Members of Congress grumble that Meese is too secretive and the Administration too intent on finding an ideological conservative.

(Rep. Robert Kastenmeier: "I think it has to give that up really and more broadly seek someone who doesn't necessarily represent the President's point of view, but certainly can represent a national point of view for years to come.")

Other Administration officials fret that 1988 presidential politicals may soon interfere and the next FBI chief could be named by the next President. (CBS-5)

HEALTH CARE LOBBYING

Schieffer: The St. Petersburg Times said today that former aides to President Reagan receive thousands of dollars in lobbying and legal fees from a major supplier for health care to medicare recipients. The company, a small clinic that ballooned into the nation's largest government certified health maintenance organization is now in deep financial trouble and has legal problems.

CBS's Juan Vasquez reports on these charges against IMC and mentions the fact that former White House aide Lyn Nofziger reportedly received \$300,000 in fees from IMC. (CBS-6)

FAA

Schieffer: Federal Aviation Administration today rejected a call by government experts for cutbacks in airline flights this summer. The National Transportation Safety Board had called for the flight reductions citing air traffic controllers' mistakes and the growing numbers of near misses. But the FAA said today that increased air traffic during the summer peak won't be a safety problem. (CBS-7)

SOVIET ARMS SALES

Jennings: The Soviet Union has rejected as fabrication a report in today's New York Times that the Soviets sent \$18 million worth of arms to Iran. The Times said a French arms dealer was the middle man and that the weapons were sent from Poland to Iran using aircrafts chartered in Israel. The Soviets say this is an act of disinformation. (ABC-4)

TRADE DEFICIT

Schieffer: The Commerce Department reported today that the nation's trade deficit shrunk to \$38.3 billion in the first three months of the year. That is down less than a percentage point from the all-time high trade deficit rolled up in the last quarter of 1986.

CBS's Ray Brady reports on business leaders' favorable reactions to this news. (CBS-10)

QUOTAS/JAPANESE CARS

Brokaw: A report out tonight says that when Japanese car makers agreed to a quota limiting their sales in the U.S. it cost them less than it cost American car buyers. The IMF explains that over four years Japanese car sales in the U.S. fell by \$15 billion. But at the same time it says that American car makers, facing less competition, were able to raise their prices and American car buyers had to shell out \$18 billion more. (NBC-6)

AIDS

Schieffer: AIDS cases worldwide topped 50,000 for the first time today....As AIDS increases so does the desperate search for medicine to combat it. It's estimated that AIDS victims will spend \$1 billion this year on ineffective treatment. And now federal researchers say one widely used anti-AIDS drug may do more harm than good.... (CBS-4)

-End of B-Section-

EDITORIALS/COLUMNISTS

ECONOMIC SUMMIT

The Venetian Blind Summit -- "The gathering in Venice early next month is no more likely than its predecessors to produce concrete results. If past experience is any guide, the political deadlock over economic policy among the U.S., Japan and West Germany is practically certain to continue. As a result, market forces will take over. The artificial calm in international currency markets should dissipate by early summer. Further declines in the dollar, higher U.S. interest rates and an economic downturn lie ahead." (H. Erich Heinemann, Journal of Commerce, 5/27)

PERSIAN GULF POLICY

U.S. Must Lower Ante In Persian Gulf -- "Iraq's attack on the American frigate, the Stark, appears to have been an accident, but it was no less deadly for that. It also shot holes in the Reagan Administration policy toward the region and the war.... The best authority for caution is Ronald Reagan himself. When he first spoke about the arms sales to Iran, he stressed Iran's strategic importance and the compelling U.S. interest to contain Soviet influence. That interest continues; it would be damaged by U.S. military action against Iran, especially if that took place in response to action that might be designed to drag the U.S. into the conflict.... Wisdom and prudence, however, call for lowering the ante, not raising it. If we want to help protect shipping in the Persian Gulf, it should be all shipping, not just that of one side, and we should have international help." (Robert E. Hunter, Milwaukee Journal, 5/21)

Fighter Cover -- "Another U.S. military disaster is in the making if our frigates and destroyers in the Persian Gulf are not given fighter cover to help them escort Kuwaiti tankers.... If the U.S. picks up its sword, it must give its young men and women in uniform the tools to do the job. They must go in harm's way as warriors. For a quarter century and more, far too many have come home as victims."

(Charleston, West Virginia, Daily Mail, 5/23)

On Showing The Flag -- "If there is any such thing as a collective international responsibility, keeping the Gulf open is it. The U.S. should insist on tangible help before it expands its role as the Gulf's guardian. The real risk is not that the Gulf could become a Soviet lake, but that U.S. readiness to go it alone could produce a costly American humiliation."

(Los Angeles Times, 5/27)

Ready To Do More Than Show The Flag? -- "Administration officials say they and the President will be meeting this week to work out the strategy and the rules of engagement for carrying out Mr. Reagan's commitment (in the Persian Gulf). For a start, they will have to decide if the U.S. is prepared to counter-attack Iran, to strike directly at Iran if those land-based missiles attack the Kuwaiti tankers or an American naval vessel. The decision appears obvious. It also ought to be publicly proclaimed. No one, least of all Iran, should be left with any room for doubt."

(Chicago Tribune, 5/27)

PERSIAN GULF POLICY (continued)

U.S. Should Limit Gulf Role -- "The Administration owes a clear explanation to the American people of its aims in the Gulf.... The White House says the U.S. ships operating in the Gulf will now take whatever steps are necessary to defend themselves. Militarily, that is to be welcomed. And yet, has Washington considered what steps it would take if U.S. ships were to be attacked by Iranian jets? Would the U.S. actually consider attacking Iran itself? The Soviets, it might be noted, were careful not to retaliate against Iran after a recent Iranian assault on a Soviet tanker. Congress should insist that whatever role the U.S. now exercises in the Gulf, it must be part of a larger joint command with its allies. The stakes are far too great for unilateral U.S. action in the Gulf."
(Christian Science Monitor, 5/27)

Persian Gulf -- "Official Washington appears to believe Iraq's representations that the attack on the Stark was an accident. Perhaps it was. Treating the attack as a mistake gives the U.S. an excuse for doing nothing. Clearly, U.S. security interests require a presence in the Persian Gulf, and wherever there is also a risk. But most Americans will wonder if turning the other cheek after an attack by a third-rate power is the best means of sustaining the credibility of American power and influence. The entire world, to be sure, has a stake in seeing the bloody war ended -- on terms that deny both sides victory. But the weekend's loss of American lives makes the challenge a particularly poignant one for the U.S."
(Cincinnati Enquirer, 5/19)

Reagan: Keep Cool In Gulf -- "The Senate was right to insist that President Reagan, in compliance with the War Powers Act, consult with Congress about his decision to provide escort for Kuwaiti oil tankers. It's obvious that the U.S. has vital interests in the Gulf.... The Iran-Iraq war is as irrational as any other religious conflict. That's why it is important to have thorough discussions of America's position in the Persian Gulf. U.S. interests must be protected with the best equipment and the most astute strategic thinking that can possibly be mustered."
(Dallas Times Herald, 5/26)

Shore Up The Navy -- "The American fleet serves a valuable purpose in the Persian Gulf: to protect the sea lanes against Iranian air strikes, and to keep the OPEC oil supplies flowing to the West. To that end, U.S. officials recently affirmed their commitment to extend military protection to Kuwaiti tankers by registering them under the American flag. That promise would be more impressive if the U.S. made it clear it could safeguard its own fleet."
(Los Angeles Herald Examiner, 5/22)

USS Stark And The Future -- "The President's grief over the Stark is as genuine as anyone else's, we do not doubt. But he also has a responsibility to decide what this country's future role will be in a region where 'harm's way' lies in every direction. There is a point at which it is necessary either to attempt less or be committed to doing much more. The Iraqi tragedy is more than a gentle hint that we could be nearing that point at flank speed."
(Sarasota Herald Tribune, 5/22)

FOREIGN MEDIA REACTION

PRESIDENT REAGAN'S INTERVIEW WITH FOREIGN MEDIA

"President Reagan, in an interview...in the Oval Office, scoffed at the idea that America's special relationship with Britain, including an American military presence with nuclear weapons on British soil, would be changed if a Labor Government came to power. 'The relationship does go back many, many years and it would take more than an election in any one of our countries to change this,' Mr. Reagan said without making specific reference to the Labor Party's proposal to negotiate an end to U.S. nuclear weapons in Britain." (Independent, Britain)

"[President Reagan] was not told of the questions in advance and often appeared uncertain of what the group was going to ask him. He only left this somewhat tense position when he was on familiar ground -- talking about the Iran-contra scandal and the war in Afghanistan. He appeared much more relaxed, however, than at his formal press conferences with the American media.... He showed good recall of a question even when he chose to divert from his answer into telling stories about visits to his office of Afghan children.... He appeared, as he so often does and is so good at doing, at ease with himself and his job. He was amazingly successful at making his troubles seem far away, even to the point that they might not exist."

(Peter Pringle, Independent, Britain)

"Two weeks before the Venice summit, Reagan was interviewed by six foreign newsmen.... On denuclearization of Europe, Reagan said it will never be total since the Americans will maintain enough nuclear forces on the Old Continent to assure its protection. On the Gulf war, (he said) if U.S. ships are attacked by Iran, they will respond. On protectionism, the President hopes that solutions will be found in Venice allowing lifting of the sanctions decided against Japan. On Irangate, Reagan never thought of resigning because he told the truth and he feels he has no reason to feel guilty." (Figaro, France)

"President Reagan does not see the danger of a war with Iran.... Asked...if now was not the time to bring up the issue of human rights in the dialogue with the Soviet Union...Reagan said he would naturally comment on the Berlin Wall during his visit to Berlin. However, at the same time, Reagan pointed out that certain headway had recently been made in the area of human rights even if this progress was not as comprehensive and was not realized as quickly 'as we would like.' ...Reagan expressed hopes that a meeting with Gorbachev will still take place in the U.S. this year.... Reagan also dispersed some allies' concerns that the aspired zero-zero solution for INF would lead to a denuclearization of Europe."

(Die Welt, West Germany)

"[President Reagan appeared] elegant in a gray suit and red tie, was in excellent shape.... The language during the interview was optimistic. With Irangate in full swing, instead of a leader facing a crisis and close to the end of his mandate, Reagan appeared self-confident, firm and convinced of his personal role in history.... He expressed positive thoughts regarding his dialogue with Gorbachev: 'I believe we will have a summit in the United States by the end of the year.'" (La Stampa, Italy)

PRESIDENT REAGAN'S INTERVIEW WITH FOREIGN MEDIA (continued)

"The American President believes that the Canadian position on Arctic sovereignty 'has a lot of merit.' And he does not believe that the purchase of submarines by Ottawa is going to lead to a confrontation.... The President believes that the Canadian claim is legitimate."

(La Presse, Canada)

VENICE SUMMIT

"Senior officials and bankers believe this [Citicorp's decision to add \$3 billion to its loan loss reserve] will undermine Mr. Baker's own plan to boost new commercial lending to developing countries by \$20 billion over three years and put Free World leaders at the Venice summit under severe pressure to hold the fragile Baker strategy together." (Times, Britain)

"Instead of seeking their own solutions to what are essentially domestic industrial deficiencies, they (the U.S.) are looking towards Japan not only for the causes of their problems, but also for their solutions. This outlook raises not only the frequently cited danger of protectionism, which can and must be mitigated by changes in policy in Tokyo, as well as in Washington." (Financial Times, Britain)

"The FRG wants to push vigorously for the elimination of the international trade imbalance during the economic summit and primarily appeals to the U.S. and Japan to stick to their self-imposed obligations. In (several) interviews Chancellor Kohl reminded the U.S. of its promise to reduce the U.S. budget deficit. The Chancellor reminded Japan to implement its planned economic program in order to strengthen the demand (for international products)." (General-Anzeiger, West Germany)

"Japan and Britain will hold an unusual adjustment of views to prepare for the June Venice summit.... A Japanese government source revealed that the Foreign Ministry's Economic Affairs Bureau Director Watanbe will be sent to London for talks with British government officials." (Sankei, Japan)

"With the Venice summit only two weeks away, Deputy Foreign Minister Kitamura has been holding consultations with other summit participants as part of Japan's public relations activities. Kitamura stated that there will be no Japan bashing at the summit." (Mainichi, Japan)

"The Finance Ministry's Gyoten told a news conference that the nations participating in the Venice summit agree that a further fluctuation in the exchange market will cause difficulties. Gyoten hinted that this agreement will be included in the economic declaration of the summit."

(Nihon Keizai, Japan)

"Prime Minister Mulroney has a tough row to hoe at the seven-nation economic summit in Venice next month. Mr. Mulroney will be the standard-bearer of a diverse group of 14 smaller-and middle-power countries that depend on agricultural exports. His task is to try to convince the European Community, the U.S. and Japan to end their heavily protectionist farm policies."

(Montreal Gazette, Canada)