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# News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, JUNE 5, 1987 -- VENICE AFTERNOON EDITION  
6:00 A.M. EDT, NOON ITALY

## TODAY'S HEADLINES

### ECONOMIC SUMMIT

REAGAN SEES MAJOR STEP TO EAST-WEST PACT -- President Reagan hailed West Germany's conditional acceptance of the Soviets' arms reduction proposal as a major step in providing a foundation for a U.S.-Soviet arms control agreement.  
(Los Angeles Times, Washington Post, AP, Reuter)

### INTERNATIONAL NEWS

PREEMPTIVE U.S. STRIKE ON IRAN MISSILES DEBATED -- The Reagan Administration is debating whether or not to strike preemptively against Iran's Silkworm missiles if they are deployed against shipping in the Strait of Hormuz, U.S. officials said.  
(Washington Post, Washington Times, AP, Reuter, Scripps Howard)

### IRAN-NICARAGUA

IRAN-CONTRA PANELS VOTE NORTH IMMUNITY -- Congressional investigators probing the Iran-contra scandal voted to grant Oliver North limited immunity from prosecution to compel his public testimony before Congress, legislators said.  
(Los Angeles Times, Washington Post, Reuter)

### NETWORK NEWS (Thursday Evening)

ECONOMIC SUMMIT -- One problem sure to come up is the Western resentment of Japan's big trade surplus.

IRAN-CONTRA -- The congressional investigating committees voted to go ahead with limited immunity for Oliver North.

PERSIAN GULF -- Iranian officials warned the U.S. not to intervene in the Persian Gulf.

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## ECONOMIC SUMMIT

### REAGAN HOPES SUMMIT WILL BOOST IMAGE

VENICE -- President Reagan will try to rescue his damaged reputation for leadership at home by attempting to show that he can still function as an effective performer on the world stage, according to White House officials.

While one senior White House official acknowledged that Reagan had been damaged by a series of events, especially the Iran-contra scandal and the loss of the Senate to the Democrats last year, he contended that the President could still seize the initiative on arms control and other issues during the final 18 months of his term.

But some officials say privately that they are doubtful that Reagan can do more than simply survive. They are worried that the 76-year-old President may be slowing down and that the economy may be cooling off after a long period of prosperity.

"There's no juice anymore," said one official here, reflecting on the lack of Administration initiatives on a trip expected to be the last European visit of the Reagan presidency.

(Lou Cannon, Washington Post, A22)

### Reagan To Discuss Summit Aims, Arms Control In TV Speech

VENICE -- President Reagan, buoyed by West German support for a plan to rid Europe of intermediate-range nuclear missiles, discusses arms control and international economic issues in a major television speech today.

White House officials said Reagan would outline his aims at the summit and commemorate the 40th anniversary of the Marshall Plan, a \$13-billion U.S. reconstruction program for Western Europe and Japan after World War II.

(Gene Gibbons, Reuter)

### Reagan Sees Major Step To East-West Arms Pact

VENICE -- President Reagan hailed West Germany's conditional acceptance of the Soviets' arms reduction proposal as a major step in providing a foundation for a U.S.-Soviet agreement eliminating short- and intermediate-range missiles from Europe.

Reagan...said that based on discussions within NATO and those that will occur at the summit, he is confident that "a foundation will be laid for equal and verifiable global restraints" on U.S. and Soviet short- and medium-range missiles in the "near future."

The President...suggested that a common NATO position on the arms proposal will be established by the NATO foreign ministers when they meet in Reykjavik, Iceland, after the economic summit ends next Wednesday.

(Jack Nelson & James Gerstenzang, Los Angeles Times, A14)

### Reagan To Seek Summit Support For U.N. Resolution On Gulf War

VENICE -- President Reagan will ask leaders at next week's seven-nation summit to support a pending U.N. resolution calling for a ceasefire in the Iran-Iraq war, his spokesman said.

"The primary area of support and help we will be asking for relates to the United Nations," spokesman Marlin Fitzwater said when asked what kind of allied backing Reagan would seek for the U.S. policy of preserving freedom of navigation in the Persian Gulf.

(Peter Torday, Reuter)

### Senate Urges Reagan To Seek Help In Persian Gulf

The Senate overwhelmingly passed a resolution urging President Reagan to seek cooperation from other nations at the Venice economic summit to protect Western interests in the Persian Gulf.

The non-binding resolution, passed 90 to 1 without debate, also urges Reagan to seek agreement at the summit for liberalized agricultural trade, a reduction in West Germany's and Japan's trade surpluses with the U.S. and for cooperation on AIDS research. (Reuter)

### Iranian Urges Europe To Shun U.S. Plan

ROME -- On the eve of the Venice summit meeting, where President Reagan is expected to seek European support for his plan to provide naval protection for shipping in the volatile Persian Gulf, a senior Iranian emissary is touring European capitals this week to ask their opposition to the move.

"Iran is opposed to any foreign presence because it believes that such a presence not only fails to guarantee security in the Persian Gulf but it in fact constitutes a dangerous element in increasing tensions there," Iranian Deputy Foreign Minister Javad Lariajani said here after meeting with Italian Foreign Minister Giulio Andreotti.

According to Mohammed Hassan Ghadiri, an Iranian Foreign Ministry spokesman, Lariajani is in Europe to present Iran's views on the Gulf and to try to convince Europeans that their own best interest lies in opposing U.S. plans to provide military escorts to convoys headed for Kuwait.

(Loren Jenkins, Washington Post, A23)

### Japan Says It Could Play Limited Role In Gulf

TOKYO -- Japan is willing to contribute to "international cooperation" aimed at protecting commercial shipping in the Persian Gulf and will make new diplomatic initiatives to try to end the war there, Prime Minister Nakasone told foreign journalists.

Nakasone did not spell out what type of international cooperation he meant. He sidestepped questions over whether his government is prepared to help fund escort operations by U.S. or other military forces.

He said Japan would decide its role if and when an "international and workable scheme" to guard shipping is devised. In any case, Japan's role would be "peaceful and nonmilitary," Nakasone said.

(John Burgess, Washington Post, A23)

### Administration Weighing Whether To Ease Trade Sanctions As Summit Nears

VENICE -- President Reagan, lacking compelling evidence that Japan is complying with a computer chip agreement, is getting conflicting advice from his Cabinet on whether to lift \$300 million in sanctions, according to Administration sources.

The officials, who spoke only on the condition of anonymity, indicated the President is weighing a middle ground: removing some but not all of the penalty duties he imposed April 17.

Commerce Secretary Baldrige and U.S. Trade Representative Yeutter have argued for keeping the sanctions in place, while Secretary of State Shultz and Treasury Secretary Baker want them lifted, the sources said.

(Tom Raum, AP)

### Reagan Urged Not To Lift Japan Curbs

Senate leaders urged President Reagan not to give in to pleas from Prime Minister Nakasone to lift trade sanctions against Japan until there is "irrefutable evidence" that Tokyo has begun abiding by a semiconductor trade agreement.

Four key senators sent a letter to Reagan in Venice amid reports that the President might order at least a partial lifting of the \$300 million in trade sanctions as a good-will gesture to Nakasone during the seven-nation economic summit.

But the letter -- signed by Majority Leader Robert Byrd, Minority Leader Robert Dole, Finance Committee Chairman Lloyd Bentsen and Sen. John Danforth -- warned that any lifting of the sanctions "could damage future U.S.-Japanese trade relations and prospects for enactment of a sensible trade bill" this year. (Stuart Auerbach, Washington Post, F3)

### Reagan, Pope Meeting For Third Time To Discuss World Issues

President Reagan's Vatican session with Pope John Paul II will be the third meeting for the two men, and such issues as arms control, the Middle East, world debt and superpower relations are likely to be on the agenda.

The President and the Pontiff are scheduled to meet one-on-one in the 16th century Vatican library. Mrs. Reagan will join the two men at the end of the session, which is scheduled to last a little more than an hour.

(Susanne Schafer, AP)

INTERNATIONAL NEWS

PREEMPTIVE U.S. STRIKE ON IRAN MISSILES DEBATED  
July 1 Deployment Of Weapons Possible

The Reagan Administration is debating whether or not to strike preemptively against Iran's Silkworm missiles if they are deployed against shipping in the Strait of Hormuz, U.S. officials said.

Official sources said U.S. intelligence agencies now estimate that the antiship missiles could become operational as early as July 1.

The National Security Council has focused on the issue, sources said, with options under discussion ranging from a preemptive strike against the HY2 Silkworms to waiting until a ship flying the U.S. flag is actually threatened by the missiles. The Silkworm has been test-fired from the island of Qeshm into the Strait of Hormuz but has not yet been deployed.

A lack of key parts has prevented the Iranians from putting the Chinese-made Silkworms into service, sources said. But the parts recently arrived in Iran from China, they said, making it only a matter of time before the Silkworms could target vessels passing through the strait, which is only 30 miles wide at its narrowest point.

(George Wilson, Washington Post, A1)

Moscow May Be Increasing Force In Persian Gulf, U.S. Says

The Soviet Union has stationed three small navy ships in the Persian Gulf area and appears to be moving a guided missile cruiser to that trouble-spot to protect Soviet shipping, U.S. military officials said.

"In response to rising naval tensions, the Soviets have put three minesweepers armed with anti-aircraft missiles in or just outside the Gulf and are probably deploying additional naval units to the area," one of the officials told Reuter.

(Charles Aldinger, Reuter)

Secret Tanker Pact Ties Kuwait, Soviets

KUWAIT -- Moscow has agreed secretly to lease additional Kuwaiti oil tankers to operate under the Soviet flag if the U.S. reneges on its now-delayed deal to "reflag" half the Kuwaiti-owned tanker fleet, it was learned today.

The Soviet agreement was signed on April 1, but grew out of earlier arrangements worked out last December in a meeting with Kuwaiti officials in Moscow. It was the prime reason an initially reluctant Reagan Administration accepted Kuwait's request to protect 11 tankers against Iranian attack, according to Western diplomats.

Implementation of (the plan) "shall be agreed upon as soon as the Kuwait side expresses their desire," the agreement (a copy of which was obtained by the Washington Post) said. That allows Kuwait to turn swiftly to Moscow if the U.S. refuses to honor its commitment to register half of Kuwait's tanker fleet as U.S. shipping. (Jonathan Randal, Washington Post, A1)

### Pell Introduces Bill To Scuttle Reagan's Reflagging Plan

Decrying the idea as dangerous, Sen. Claiborne Pell proposed a bill to scuttle President Reagan's plan to guarantee U.S. Navy protection for Kuwait's oil tankers by reflagging them as American vessels.

In a sharply worded Senate speech, the Rhode Island Democrat said the "unspoken but real objective" of Reagan's reflagging plan is to help Iraq in its war against Iran by helping Iraq's close ally and financier, Kuwait. He said the new policy stems, in part, from the "folly" of Reagan's earlier policy of selling arms to Iran. (John Mulligan, Scripps Howard)

### Senators Move To Block Reflagging Of Tankers; Administration Plan 'Poorly Conceived'

Senate Foreign Relations Chairman Claiborne Pell introduced legislation to block the Reagan Administration from putting Kuwaiti tankers in the Persian Gulf under the protection of the U.S. flag.

The bill, cosponsored by Senate Majority Whip Alan Cranston and Sen. Mark Hatfield, also urges President Reagan to seek establishment of a U.N. peacekeeping force to protect non-belligerent shipping in the war-torn Gulf.

The Administration's plan to reflag Kuwaiti tankers and provide them with U.S. naval escorts is "poorly conceived and dangerous...undertaken without balancing the possible benefits against the very real risks of greater American involvement in the Persian Gulf hostilities," Pell said as he introduced the legislation.

Pell warned that Iran could interpret the reflagging as a provocation and attack U.S. escorts, leading to American retaliation. "Are we prepared to match Iran in an escalating spiral of violence?" he asked. "Are we prepared to commit young American lives to the defense of Persian Gulf Arab nations?" (Helen Dewar, Washington Post, A24)

### Move To Block Persian Gulf Plans, Senator Says Allies Won't Attack Iran

The Senate Foreign Relations Committee chairman is trying to get Congress to stop U.S. military plans in the Persian Gulf, as another senator says America's allies won't join any U.S. strike against Iran.

Sen. Claiborne Pell...introduced a bill that would prohibit reflagging (Kuwaiti tankers).

Sen. John Warner, who returned from a tour of the Gulf, said that if U.S. military action is required, "We're going to have to go that strike alone, It will only be Americans. The American people have to understand that very clearly."

France and Great Britain have token naval forces in the Gulf and "they're not going to increase that role substantially," Warner predicted.

"I don't like the idea of the Kuwait reflagging," Sen. John Glenn (who accompanied Warner to the Persian Gulf region) said, "but I think the Gulf states are looking at this as almost a kind of a litmus test" of American will to protect Western interests in the region. (Tim Ahern, AP)



## U.S. Seen Committed To Kuwait

The reputation of the U.S. in the Arab world -- hurt by the sale of arms to Iran -- would be further damaged if the government backs down from a plan to protect Kuwaiti ships in the Persian Gulf, two senators said.

"We lack credibility in the Arab world right now," said Sen. John Glenn. "I don't want to see another defeat for America in that part of the world.... We'd better go in there with enough force to prevail."

But "there's a very real chance" Congress will act to block the Administration's plan to provide U.S. military protection to 11 Kuwaiti oil tankers flying the American flag in the Persian Gulf, Glenn said.

(Jennifer Spevacek, Washington Times, A3)

## Senator Says Iranian Oil Port Is Being Defended By U.S Arms

Hawk missiles fitted with spare parts sold to Iran by the Reagan Administration are defending Iran's main Persian Gulf oil export port from Iraqi attack, Sen. John Glenn said.

"It's a quagmire the Administration got into with selling arms to Iran," Glenn said at a press conference after returning from a tour of the Gulf region with Sen. John Warner.

Both senators said U.S. credibility among friendly governments in the Gulf region has been damaged by the Administration's selling of arms to Iran while urging other nations to isolate it as a terrorist nation.

(Valerie Strauss, Reuter)

## Defense Secretary Discusses Gulf Security With Saudis

LONDON -- Secretary Weinberger discussed security in the Persian Gulf with Saudi Defense Minister Prince Sultan during a meeting in France, a Pentagon spokesman said.

After Weinberger arrived in London, spokesman Robert Sims said the six-hour meeting in the French Mediterranean resort of Nice had covered developments in the Iran-Iraq war and U.S.-Saudi relations, including military sales and training programs.

The two discussed way of improving security for Western shipping in the Gulf but details of their talks were not provided.

(Reuter)

## Iran Says It Had Role In Attack On USS Stark

LONDON -- A top defense spokesman in Tehran has said that Iran played a role in last month's Iraqi attack on the USS Stark, the Iranian news agency IRNA reported.

Ali Akbar Hashemi Rafsanjani, speaker of parliament and defense council spokesman, was asked about possible Iranian involvement in the attack at a news conference in Tehran.

"Our officers devised a plan which caused trouble in (implementation of) the joint U.S.-Saudi-Iraqi plot and resulted in the U.S. frigate being hit."

"This is a military secret which we cannot reveal," IRNA, received in London, quoted him as saying. "But if, one day, the U.S. nation wanted to follow up on the matter in a court, we are prepared to present some evidence."

(Reuter story, Washington Post, A24)



#### BRITAIN ORDERS IRANIAN CONSULATE CLOSED, EXPELS 5

LONDON -- Britain ordered the Iranian consulate in Manchester closed, and told the five diplomats there to leave the country within one week.

Foreign Secretary Geoffrey Howe described the action as a "measured response" to Tehran's refusal to explain or apologize for the 24-hour abduction and beating last week by Revolutionary Guards of Britain's number two diplomat in Tehran. (Karen DeYoung, Washington Post, A23)

#### Iranian Retaliation Likely After Britain Closes Consulate

LONDON -- Iran says it will retaliate against Britain's decision to close its consulate in northern England and expel five officials because a British diplomat was arrested and beaten by Revolutionary Guards in Tehran.

"This will have a very, very serious effect. I am afraid the British government thinks it is still in the 19th century," Iranian Charge D'Affairs Akhuzaden Basti told reporters.

He said he believed Iranian authorities would take counter-measures, but would not be specific. (Chris Peterson, Reuter)

#### PATH CLEARED FOR HONDURAS TO BUY JETS

A House Foreign Affairs subcommittee, on a tie vote, cleared the way for President Reagan to sell a dozen advanced F5 jet fighters and trainers to Honduras.

Members of the Western Hemisphere Subcommittee voted 6 to 6 on a resolution to block the sale, meaning Honduras will be able to receive the 10 F5E fighters and two F5F trainers it sought as a part of a \$75 million aid package.

"It's dead," subcommittee staff member Pete Quilter said of the effort to block the sale. He said the matter would not be taken up by the full Foreign Affairs Committee. (UPI story, Washington Post, A19)

#### ASSEMBLY BACKS KOHL ON MISSILES W. Germany Broadly Accepts Planned Cuts

BONN -- Chancellor Kohl won parliament's backing for his government's acceptance of the broad outline of a proposed U.S.-Soviet accord to slash arsenals of European-based nuclear missiles.

In an apparent slight hardening of Bonn's stance, Kohl said the deal must leave untouched the U.S.-controlled warheads on 72 West German Pershing 1A missiles. (Robert McCartney, Washington Post, A22)

#### SHULTZ REASSERTS U.S. SUPPORT OF OZONE PACT

Secretary Shultz has moved to quell an embarrassing flap over the Administration's position on protecting stratospheric ozone, telling Attorney General Meese that he intends to pursue an international agreement unless President Reagan personally decides otherwise.

In a letter to Meese this week, Shultz said the publicity (from the White House Domestic Policy Council's position encouraging the use of sunscreen, etc. instead of advocating an international agreement to reduce chlorofluorocarbons) threatened to damage the U.S. negotiating position when talks on the ozone agreement resume in Montreal this September.

Shultz said he intends to instruct his negotiators to keep working for the international agreement unless Meese can provide a "compelling reason" for changing the U.S. position. Shultz also told Meese that he believes that discussions aimed at changing that position are inappropriate at the Domestic Policy Council level. (Cass Peterson, Washington Post, A13)

#### RECENT CAIRO SHOOTINGS ALARM U.S., EGYPTIAN OFFICIALS

CAIRO -- Egyptian and U.S. security officials have expressed alarm in the wake of three shooting attacks here on American and Egyptian officials in the past month by terrorists using automatic weapons and striking brazenly in the heart of this crowded capital.

The attacks caught Egyptian security forces by surprise, "That's the worry," said one Western official. Still, U.S. and Western officials say they see no indication that the new violence is part of any general political discontent here and they are heartened that so far that Egypt's leadership under President Hosni Mubarak has not called for harsher police measures that would retard the country's gradual movement toward a more open democracy. (Patrick Tyler, Washington Post, A21)

IRAN-NICARAGUA

HILL PANELS VOTE TO COMPEL NORTH TO GIVE TESTIMONY

The congressional committees on the Iran-contra affair voted to compel Oliver North to testify under a grant of limited immunity from prosecution about his role in that affair, but agreed to postpone his public testimony until at least mid-July to give the criminal prosecutor more time to develop his case.

Independent counsel Lawrence Walsh, who asked the committees not to give North immunity or to delay it, said: "The precautions they have taken to prevent premature exposure of Col. North's testimony will reduce as much as is reasonably possible any adverse effect on our investigation."

The committees had wanted to grant immunity to North and John Poindexter...earlier, but delayed action after an agreement with Walsh. Under that agreement, they granted Poindexter immunity and began taking his testimony privately last month. He is not likely to appear publicly until early next month.

(Charles Babcock & Joe Pichirallo, Washington Post, A1)

Iran-Contra Panels Vote To Grant North Limited Immunity

Congressional investigators probing the Iran-contra scandal voted to grant Oliver North limited immunity from prosecution to compel his public testimony before Congress, legislators said.

Rep. Lee Hamilton (who announced the immunity votes) did not announce the vote tallies but congressional sources later told Reuter the Senate panel voted unanimously, 11-0, but there were three votes against the proposal on the 15-member House committee.

Rep. Jack Brooks, one of the three dissenters, said he was against immunity for North because he wanted to see him prosecuted to the fullest extent possible for his actions by Walsh.

(Sue Baker, Reuter)

North Limited Immunity Voted By Investigators

The congressional committees investigating the Iran-contra affair voted to grant Oliver North limited immunity from prosecution but gave independent counsel Lawrence Walsh more time before forcing the scandal's central figure to give public testimony that could interfere with Walsh's expected prosecution of him.

Under a provision approved by lopsided votes of both the House and Senate committees, North will be required to testify in private to a few committee staff members as soon as June 15 and may go before the committee in public on July 16. That is three weeks later than the original agreement between Walsh and the lawmakers, which could have forced North to testify publicly on June 23.

Moreover, the committees plan to vote again before making a final decision to compel North's public testimony.

(Karen Tumulty, Los Angeles Times, A1)

NORTH HOPED TO SWAY '86 ELECTION, HILL TOLD  
Hakim Describes Political Goals Of Hostage Talks

In his secret negotiations with Iranian officials last October, Oliver North "wanted to gain the release of the hostages to enhance the position of the President" before last year's congressional elections, businessman Albert Hakim told congressional committees.

In the most partisan moments to date in the 5-week-old House and Senate select committee hearings on the Iran-contra affair, Senate Chief Counsel Arthur Liman read to Hakim from a sworn statement given Sunday, in which Hakim said North's "prime objective at that time was to support the President...or the Republicans...in the elections -- and I found that to be counterproductive."

Hakim's assessment gave weight to investigators' long-held suspicion of a connection between the election and the release of hostage David Jacobsen, who was freed two days before the vote. The plan of North, then a National Security Council staff member, to release all the American hostages was changed by Hakim -- then a businessman lacking even a security clearance -- in private negotiations with the Iranians. The modification was ultimately accepted by the White House.

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

Hakim Says North Seemed To Know Of Fund For Him

Oliver North appeared to be fully aware that a secret \$200,000 Swiss bank account had been set up for him and that Albert Hakim had made him a beneficiary in his will for \$2 million, Hakim testified.

Under tough questioning by Arthur Liman, the chief counsel of the Senate Iran-contra committee, Hakim reversed his testimony of Wednesday, in which he insisted that Col. North had not known about financial transactions he had made in the colonel's favor.

Instead, Hakim said that it was "inconceivable" that North had been unaware of his efforts. The reason, he said, was that Hakim's lawyer had met with North's wife to discuss the matter.

(Fox Butterfield, New York Times, A1)

SHULTZ SAID 'ADAMANT' ON KEEPING ABRAMS  
Rejects Charges That Aid Misled Hill

VENICE -- Secretary Shultz had "adamantly" insisted to White House officials that Assistant Secretary of State Elliott Abrams remain on the job despite admissions by Abrams that he misled Congress about secret efforts to aid the Nicaraguan contras, Administration officials said.

Shultz telephoned senior White House officials accompanying President Reagan to the economic summit here and insisted that Abrams be given a vote of confidence, the officials said.

One senior official here, acknowledging the sharp attacks on Abrams' credibility this week during the Iran-contra hearings, said the White House has acquiesced to Shultz on the matter at this time. Abrams has said he will not resign.

(David Hoffman, Washington Post, A1)

NATIONAL NEWS

HILL COMPROMISE LIMITS FEDERAL DRUG TESTING  
White House Presses Controllers' Screening

A new, tentative congressional compromise will impose strict conditions on President Reagan's controversial drug-testing program, almost certainly delaying its implementation and holding down the number of federal employees to be tested.

Supporters of drug testing hailed the compromise, saying it would allow testing to move forward, albeit glacially, while protecting employees' rights. Opponents said drug testing had been "killed...with kindness," going so far to protect privacy and accuracy -- and thus elevating the costs -- that many agencies will back away from the program.

(Judith Havemann, Washington Post, A12)

DOLE SETS GROUND RULES ON AIR DELAYS

Airlines would have to tell ticket buyers about flight delays and face fines for late flights under rules proposed by Transportation Secretary Dole.

Dole is under pressure to reduce flight delays during the summer travel season.

"What she is asking is for the airlines to tell the truth. That's not too much to ask," said Dan Smith, International Passengers Association.

(Wayne Beissert, USA Today, A1)

HOUSE LIBERALS BALK AT BUDGET COMPROMISE

Members of the House Budget Committee rebelled against a compromise spending plan worked out by House and Senate leaders, dampening prospects that the Democratic-controlled Congress will soon reach a consensus on a fiscal 1988 budget.

Key liberal members of the House panel, in a closed-door meeting, objected to a level of defense spending \$8 billion higher than was contained in the \$1 trillion budget adopted by the full House in April.

(Tom Kenworthy, Washington Post, A4)

HOUSE REPUBLICANS PROMOTE CHENEY

House Republicans, in their first leadership shake-up since 1980, unanimously elected Rep. Dick Cheney as chairman of the Republican Conference.

Cheney, White House chief of staff under President Ford, succeeds Rep. Jack Kemp, who relinquished the No. 3 leadership post to concentrate on his bid for the Republican presidential nomination. Cheney's previous position as head of the GOP Policy Committee was taken by Rep. Jerry Lewis in a close contest with one of his California colleagues, Rep. Duncan Hunter.

The changes do not indicate any fundamental philosophical shift in the House Republican leadership, but they do position a new generation of younger Republicans for the challenge of directing the minority party in the post-Reagan era.

(Tom Kenworthy, Washington Post, A11)

NETWORK NEWS SUMMARY FOR THURSDAY, JUNE 4, 1987

VENICE ECONOMIC SUMMIT

CBS's CHARLES KURALT: The President is in Venice where he is preparing for next week's economic summit with five Western allies and Japan. One problem sure to come up is the Western resentment of Japan's big trade surplus. Last month CBS News and the NEW YORK TIMES joined with the Tokyo broadcasting system in trying to measure the damage to U.S.-Japanese relations. Thirteen hundred adults were interviewed in each country.

CBS's GORDAN JOSELOFF: For the first time since we began these polls two years ago, the Japanese see relations between the U.S. and Japan as more unfriendly than friendly.... Most Americans believe relations are friendly, but a smaller number than a year ago.... The trade imbalance in Japan's favor bothers Americans but not the Japanese.... Our poll shows twice as many Japanese as Americans think trade problems will worsen in the next few years.... Forty-three percent of the Japanese expressed dissatisfaction with their lives.... Japan hopes its allies in Venice will applaud its plans to increase domestic spending to try to correct the trade imbalance. Our poll shows if the spending improves the quality of life here, the action will be just as welcome at home. (CBS-4)

JAPANESE FEELINGS ON U.S./JAPANESE RELATIONS

Unfriendly: 55%  
Friendly: 43%

FEEL TRADE PROBLEMS WILL WORSEN

U.S.: 15%  
Japan: 34%

IRAN-CONTRA HEARINGS

NBC's JOHN DANCY: The Iran committee voted after a plea from the Special Prosecutor Lawrence Walsh for more time before Oliver North gives public testimony:

(REP. LEE HAMILTON: "Judge Walsh will have at least three more weeks before he would have to seal evidence concerning Col. North in his investigation.")

(WALSH: "I think it's the best that I could reasonably expect from the committees under the circumstances after I talked with them yesterday.")

If the courts agree with the arrangement, North would give private testimony beginning June 15th and public testimony a month later. But some committee members expect North to fight the immunity arrangement in court, arguing that testimony from the hearings could be used against him if he is eventually indicted. Iranian born arms dealer Albert Hakim testified yesterday that he had set up an account to pay North's family \$200,000 from the Iranian arms sales' profits. Today it emerged that one scheme considered and later discarded was to give Mrs. North a phoney \$70,000 real estate commission.

DANCY continues: Senate Committee Counsel Arthur Liman contended today Hakim was trying to give North a payoff in turn for using Hakim's company to sell U.S. arms to Iran.

(HAKIM: "I know very well making...kickbacks available to American officials is illegal.")

LIMAN: "And isn't it a fact that the instructions to the lawyer were to transfer the money in a way which would be secret?"

HAKIM: "In a way that it would be proper."

LIMAN: "Secret also?"

HAKIM: "Secret also.")

Hakim also arranged for North and Secord to inherit up to \$2 million if Hakim died. Liman asked, "Was North aware of that arrangement?" Hakim testified he had given Secord a chart showing how the money should be distributed.

(LIMAN: "Do you know how this chart ended up in Col. North's office?"

HAKIM: "I don't know."

LIMAN: "But you gave it to Secord?"

HAKIM: "Yes, I did.")

Also today Virginia Senator Paul Trible said the committee has developed evidence that Gen. Secord tapped one of the secret Swiss bank accounts for \$30,000 to buy a Porsche automobile, for \$50,000 to buy an airplane and \$2,300 for a trip to a fat farm.

NBC's TOM BROKAW: Hakim disclosed at the hearings today that he came up with a 9-point plan to exchange arms for hostages last October. This plan became the basis for negotiations with Iranians which resulted in the release of one hostage, American David Jacobsen. But after the Iran-contra affair became public the plan was abandoned by the U.S. State Department.

(NBC-Lead)

ABC's BRIT HUME: At midafternoon, House Committee Chairman Lee Hamilton announced that both the House and Senate Committees had voted to grant North immunity and to take his testimony in private by June 15th.

(HAMILTON: "The committees will vote later on whether to compel Lt. Col. North's testimony in public. In any event, Lt. Col. North's testimony in public would not be taken before July 16th.")

So Independent Counsel Lawrence Walsh, who wanted no immunity for North feeling his public testimony could make prosecution impossible, had lost....

(WALSH: "It goes a long way toward meeting it because the committee will then consider, after having all of Admiral Poindexter's public testimony and after having Col. North's private testimony, whether public testimony of Col. North must be taken to fulfill their obligations.")

In fact, there seems no way the committees will decide not to hear North in public. And Walsh clearly recognizes that.

(WALSH: "So my impression is that it's a very remote chance that he might not testify. But I think there is a significant chance that they would be able to perhaps limit the areas of his exposure.")

Back at the hearing, Albert Hakim told how an unnamed Iranian official...was taken on a private tour of the White House by him and Oliver North. He described a light moment when they passed a picture that contained a sleeping dog.

(HAKIM: "Ollie was feeling very upbeat and he asked me to translate for our guest that this represented our Cabinet and that Mr. Casey was taking a nap.")

-more-



HUME continues: Hakim also said that an Iranian involved in the second channel had suggested that there would be money in all this for President Reagan. Hakim said he "set him straight" and that was the end of it....

ABC's PETER JENNINGS: From Venice today the White House gave a full vote of confidence to yesterday's witness -- Assistant Secretary of State Elliott Abrams. Yesterday several committee members questioned whether Abrams should stay on the job as point man for Central American policy. Today the White House agreed with Secretary of State Shultz who said Abrams is a man of integrity and candor. (ABC-Lead)

CBS's PHIL JONES: The congressional Iran-contra investigating committees voted to go ahead with limited immunity for Lt. Col. Oliver North. This, despite a plea from Independent Counsel Lawrence Walsh that immunity not be given to avoid jeopardizing his criminal investigation against North.... Under heavy questioning Hakim said today it would have been impossible for Lt. Col. North not to know about his effort to provide money to the North family. (CBS-Lead)

#### ARMS CONTROL

BROKAW: In Venice, Italy, today President Reagan hailed a consensus that has emerged among NATO allies for eliminating U.S. and Soviet nuclear missiles from Europe. This will be an important issue at next week's economic summit meeting in Venice. Mr. Reagan's statement [came] after the West German parliament endorsed the idea of getting rid of most of these superpower missiles. (NBC-7, CBS-3)

#### PERSIAN GULF

JENNINGS: Iranian officials warned the U.S. today not to intervene in the Persian Gulf. One Iranian official in Rome was quoted as saying "the Persian Gulf is deep enough to swallow up American ships." The Administration insists that American presence in the Gulf is necessary to guarantee freedom of navigation.

ABC's JOHN MCWETHY: The Kuwaiti tankers that the U.S. will soon be escorting will sometimes carry loads that could have a direct impact on the Iran-Iraq War.... U.S. officials say it is Kuwait's way of helping Iraq stay solvent during the long war with Iran. Other moderate Gulf states do the same for Iraq, but only Kuwait has asked for American naval escorts. Though the U.S. claims to be neutral in the Iran-Iraq war, this represents a further tilt toward Iraq and could provoke an Iranian military response -- something Iran's speaker of the parliament again threatened yesterday. For the moment, Iran is not bothering American ships. It is increasingly aggressive, however, is stopping the vessels of other nations. Iranian TV show the search of a West German ship earlier in the week and as the search was under way, an American warship, the USS Stephen Grove, appeared in the distance. The U.S. frigate kept its distance and the German ship was released after it had been found to carry no war supplies for Iraq. As the U.S. is beefing up its naval presence in the Persian Gulf, it is also looking for help from the region.

MCWETHY continues: Defense Secretary Weinberger met today in France with Saudi Arabia's defense minister. U.S. officials said Weinberger asked to expand the coverage of the AWACS radar planes that fly from Saudi Arabia so aircraft movement in the entire Gulf can be monitored. He also requested that the Saudis use their own F-15 fighters to protect the AWACS in its expanded orbit. The other Gulf states will also be asked to help by providing flight rights for the AWACS and other American intelligence planes. Plus in the case of Kuwait, expanded use of the port to refuel American ships. As for anything more bold, officials say the U.S. will have to go it alone. (ABC-2)

#### NEW ZEALAND/NUCLEAR ARMS

KURALT: The parliament of New Zealand made it final today and passed a law banning nuclear weapons and ships from its territory. The U.S. and Australia have already dropped New Zealand out of the ANZUS defense pact because of its anti-nuclear policy and the State Department said today passage of the nuclear ban may lead to further steps against New Zealand. (CBS-9)

#### MOZAMBIQUE

BROKAW: The superpowers are engaged in a different kind of competition in Mozambique.... Today the Marxist government of Mozambique said it is getting an additional \$8 million in economic aid from the Soviet Union. But the U.S. also backs Mozambique.

NBC's ANNE GARRELS: Mozambique is the one place in the world where the Reagan Administration supports a Marxist government. The U.S. is trying to draw Mozambique away from the Soviet camp and the State Department believes it's succeeding.

(CHESTER CROCKER, State Department: "Well they're not just saying the right things -- they're doing the right things.")

These things include: encouraging the private sector, improving relations with the West whose advisers now outnumber their East bloc counterparts, signing a non-aggression pact with South Africa. But to some conservatives, Mozambique is the gaping hole in Reagan's policy of fighting Communism. They believe Ronald Reagan has been conned by Mozambique.... To protest this policy, Senator Jesse Helms is held up Senate approval of the new ambassador to Mozambique for 8 months.... Of greater concern to the Administration -- the opposition of Senate Minority Leader Robert Dole, who has also joined the attack. In a recent letter to the NEW YORK TIMES defending his position, Dole called the Mozambique government "a Marxist regime whose policies can better be described as disastrous and inhumane." His critics accuse Dole of playing to the far right. Dole and others want the Administration to support Renamo, a guerilla movement they call anti-Communist. The Administration calls them puppets of South Africa with no democratic credentials.

(CROCKER: "The objective is to do things which strategically serve only one interest, which is in the sense South Africa's interest rather than the interests of Mozambique and nationalism.")

The war keeps Mozambique poor.... U.S. officials question their tactics.

GARRELS continues: Renamo has blown up hundreds of health clinics, repeatedly attacked food convoys.... Mozambique's Marxist government has the support of America's allies and most of Africa. The U.S. believes Mozambique's gradual turn to the West is an embarrassment to the Soviet Union. Conservatives say supporting this Marxist government is an embarrassment to President Reagan. (NBC-8)

#### ABU NIDAL

BROKAW: A Jordanian newspaper reported today that Syria has closed the offices of Abu Nidal, the Palestinian terrorist blamed for the 1985 airport massacres in Rome and Vienna. The newspaper said that many of Abu Nidal's followers now have been expelled as well. The presence of Nidal's group in Syria has blocked that country's efforts to improve relations with the U.S. (NBC-9)

#### INSIDER TRADING

BROKAW: On Wall Street today there was a major settlement in one of the insider stock trading cases. Kidder Peabody agreed to pay the second highest penalty ever -- \$25 million to settle insider trading and other charges. (NBC-2, ABC-8, CBS-12)

#### LAXALT

BROKAW: Former Nevada Senator Paul Laxalt announced today that he is dropping his \$250 million libel suit against the publisher of the SACRAMENTO BEE newspaper.... Under the settlement, Laxalt could recover his legal costs, but gets no damages and no retraction. The newspaper called it a victory. So did Laxalt who said it now frees him to pursue the Republican nomination for president. (NBC-5, ABC-4, CBS-13)

#### GRADUATION COMMENCEMENTS

BROKAW: To the classes of 1987 all across the land this is the season of advice and wisdom when the final price of their diplomas is to sit through a commencement speech. Tonight we share with you the many themes and speakers for the class of '87....

(THE PRESIDENT: "It's time to get drugs off our campuses and out of our school yards.") (NBC-11)

FOREIGN MEDIA REACTION

VENICE SUMMIT

"No new action will be taken to bolster the dollar at next week's Venice economic summit, the participants made clear yesterday. In the absence of such moves, pressure on the dollar could return.... President Reagan left for the Venice economic summit yesterday saying that the talks would strengthen Western solidarity... The summit will be used by Mr. Reagan's aides to try to deflect media attention from the tide of embarrassing publicity that has dogged him since the Iran-contra hearings began..."  
(Times, Britain)

"The one thing next week's Venice economic summit will not be about is economics, judging by early briefings from government sources preparing the groundwork... But it is not just electioneering which will distract the summit away from economics. The 'sherpas'...already acknowledge that a host of non-economic issues are already on the agenda and are likely to overshadow the official business of the meeting..."  
(Guardian, Britain)

"Italian papers report remarks made by a U.S. official who did not want to be identified expressing U.S. disappointment after the cancellation of the state visit (in Italy)...."  
(Figaro, France)

"James Baker did everything possible Wednesday to calm down the financial markets during an interview broadcast by satellite... He had rarely been so clear in this matter..."  
(Le Matin, France)

"Treasury Secretary James Baker has welcomed German plans to reform the tax system in order to stimulate consumption. In an international (Worldnet) satellite TV conference on the eve of the economic summit, Baker said that the announcement by Finance Minister Gerhard Stoltenberg that the Bonn Government will do all it can to stabilize the growth of the German economy within the limits of Bonn economic policy was received with satisfaction in Washington..."  
(General-Anzeiger, West Germany)

"One of the fundamental purposes of the summit is to increase trust. Unexpected reactions are to be avoided, especially in view of a situation which has become a lot more complicated.... Reagan can reckon with formal support for his disarmament stance at Geneva.... The fight against terrorism will be a further political topic at the summit..."  
(Die Welt, West Germany)

"The Bonn Government obviously intends to defend itself...against demands that, like Japan, it implement measures to stimulate economic development."  
(Handelsblatt, West Germany)

"The President's pre-departure speech on the White House lawn...contrasted sharply with the serious problems presently troubling the United States. There are strong disputes in Washington on the resignation of FRB Chairman Volcker, on the Persian Gulf and on Irangate..."  
(La Stampa, Italy)



# News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, JUNE 5, 1987 -- VENICE AFTERNOON EDITION  
6:00 A.M. EDT, NOON ITALY

## TODAY'S HEADLINES

### ECONOMIC SUMMIT

REAGAN SEES MAJOR STEP TO EAST-WEST PACT -- President Reagan hailed West Germany's conditional acceptance of the Soviets' arms reduction proposal as a major step in providing a foundation for a U.S.-Soviet arms control agreement. (Los Angeles Times, Washington Post, AP, Reuter)

### INTERNATIONAL NEWS

PREEMPTIVE U.S. STRIKE ON IRAN MISSILES DEBATED -- The Reagan Administration is debating whether or not to strike preemptively against Iran's Silkworm missiles if they are deployed against shipping in the Strait of Hormuz, U.S. officials said. (Washington Post, Washington Times, AP, Reuter, Scripps Howard)

### IRAN-NICARAGUA

IRAN-CONTRA PANELS VOTE NORTH IMMUNITY -- Congressional investigators probing the Iran-contra scandal voted to grant Oliver North limited immunity from prosecution to compel his public testimony before Congress, legislators said. (Los Angeles Times, Washington Post, Reuter)

### NETWORK NEWS (Thursday Evening)

ECONOMIC SUMMIT -- One problem sure to come up is the Western resentment of Japan's big trade surplus.

IRAN-CONTRA -- The congressional investigating committees voted to go ahead with limited immunity for Oliver North.

PERSIAN GULF -- Iranian officials warned the U.S. not to intervene in the Persian Gulf.

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INTERNATIONAL.....A-5

IRAN-NICARAGUA...A-10

NATIONAL.....A-12

NETWORK NEWS.....B-1

## ECONOMIC SUMMIT

### REAGAN HOPES SUMMIT WILL BOOST IMAGE

VENICE -- President Reagan will try to rescue his damaged reputation for leadership at home by attempting to show that he can still function as an effective performer on the world stage, according to White House officials.

While one senior White House official acknowledged that Reagan had been damaged by a series of events, especially the Iran-contra scandal and the loss of the Senate to the Democrats last year, he contended that the President could still seize the initiative on arms control and other issues during the final 18 months of his term.

But some officials say privately that they are doubtful that Reagan can do more than simply survive. They are worried that the 76-year-old President may be slowing down and that the economy may be cooling off after a long period of prosperity.

"There's no juice anymore," said one official here, reflecting on the lack of Administration initiatives on a trip expected to be the last European visit of the Reagan presidency.

(Lou Cannon, Washington Post, A22)

### Reagan To Discuss Summit Aims, Arms Control In TV Speech

VENICE -- President Reagan, buoyed by West German support for a plan to rid Europe of intermediate-range nuclear missiles, discusses arms control and international economic issues in a major television speech today.

White House officials said Reagan would outline his aims at the summit and commemorate the 40th anniversary of the Marshall Plan, a \$13-billion U.S. reconstruction program for Western Europe and Japan after World War II.

(Gene Gibbons, Reuter)

### Reagan Sees Major Step To East-West Arms Pact

VENICE -- President Reagan hailed West Germany's conditional acceptance of the Soviets' arms reduction proposal as a major step in providing a foundation for a U.S.-Soviet agreement eliminating short- and intermediate-range missiles from Europe.

Reagan...said that based on discussions within NATO and those that will occur at the summit, he is confident that "a foundation will be laid for equal and verifiable global restraints" on U.S. and Soviet short- and medium-range missiles in the "near future."

The President...suggested that a common NATO position on the arms proposal will be established by the NATO foreign ministers when they meet in Reykjavik, Iceland, after the economic summit ends next Wednesday.

(Jack Nelson & James Gerstenzang, Los Angeles Times, A14)

### Reagan To Seek Summit Support For U.N. Resolution On Gulf War

VENICE -- President Reagan will ask leaders at next week's seven-nation summit to support a pending U.N. resolution calling for a ceasefire in the Iran-Iraq war, his spokesman said.

"The primary area of support and help we will be asking for relates to the United Nations," spokesman Marlin Fitzwater said when asked what kind of allied backing Reagan would seek for the U.S. policy of preserving freedom of navigation in the Persian Gulf.

(Peter Torday, Reuter)



#### Senate Urges Reagan To Seek Help In Persian Gulf

The Senate overwhelmingly passed a resolution urging President Reagan to seek cooperation from other nations at the Venice economic summit to protect Western interests in the Persian Gulf.

The non-binding resolution, passed 90 to 1 without debate, also urges Reagan to seek agreement at the summit for liberalized agricultural trade, a reduction in West Germany's and Japan's trade surpluses with the U.S. and for cooperation on AIDS research. (Reuter)

#### Iranian Urges Europe To Shun U.S. Plan

ROME -- On the eve of the Venice summit meeting, where President Reagan is expected to seek European support for his plan to provide naval protection for shipping in the volatile Persian Gulf, a senior Iranian emissary is touring European capitals this week to ask their opposition to the move.

"Iran is opposed to any foreign presence because it believes that such a presence not only fails to guarantee security in the Persian Gulf but it in fact constitutes a dangerous element in increasing tensions there," Iranian Deputy Foreign Minister Javad Lariajani said here after meeting with Italian Foreign Minister Giulio Andreotti.

According to Mohammed Hassan Ghadiri, an Iranian Foreign Ministry spokesman, Lariajani is in Europe to present Iran's views on the Gulf and to try to convince Europeans that their own best interest lies in opposing U.S. plans to provide military escorts to convoys headed for Kuwait.

(Loren Jenkins, Washington Post, A23)

#### Japan Says It Could Play Limited Role In Gulf

TOKYO -- Japan is willing to contribute to "international cooperation" aimed at protecting commercial shipping in the Persian Gulf and will make new diplomatic initiatives to try to end the war there, Prime Minister Nakasone told foreign journalists.

Nakasone did not spell out what type of international cooperation he meant. He sidestepped questions over whether his government is prepared to help fund escort operations by U.S. or other military forces.

He said Japan would decide its role if and when an "international and workable scheme" to guard shipping is devised. In any case, Japan's role would be "peaceful and nonmilitary," Nakasone said.

(John Burgess, Washington Post, A23)

#### Administration Weighing Whether To Ease Trade Sanctions As Summit Nears

VENICE -- President Reagan, lacking compelling evidence that Japan is complying with a computer chip agreement, is getting conflicting advice from his Cabinet on whether to lift \$300 million in sanctions, according to Administration sources.

The officials, who spoke only on the condition of anonymity, indicated the President is weighing a middle ground: removing some but not all of the penalty duties he imposed April 17.

Commerce Secretary Baldrige and U.S. Trade Representative Yeutter have argued for keeping the sanctions in place, while Secretary of State Shultz and Treasury Secretary Baker want them lifted, the sources said.

(Tom Raum, AP)



### Reagan Urged Not To Lift Japan Curbs

Senate leaders urged President Reagan not to give in to pleas from Prime Minister Nakasone to lift trade sanctions against Japan until there is "irrefutable evidence" that Tokyo has begun abiding by a semiconductor trade agreement.

Four key senators sent a letter to Reagan in Venice amid reports that the President might order at least a partial lifting of the \$300 million in trade sanctions as a good-will gesture to Nakasone during the seven-nation economic summit.

But the letter -- signed by Majority Leader Robert Byrd, Minority Leader Robert Dole, Finance Committee Chairman Lloyd Bentsen and Sen. John Danforth -- warned that any lifting of the sanctions "could damage future U.S.-Japanese trade relations and prospects for enactment of a sensible trade bill" this year. (Stuart Auerbach, Washington Post, F3)

### Reagan, Pope Meeting For Third Time To Discuss World Issues

President Reagan's Vatican session with Pope John Paul II will be the third meeting for the two men, and such issues as arms control, the Middle East, world debt and superpower relations are likely to be on the agenda.

The President and the Pontiff are scheduled to meet one-on-one in the 16th century Vatican library. Mrs. Reagan will join the two men at the end of the session, which is scheduled to last a little more than an hour.

(Susanne Schafer, AP)

INTERNATIONAL NEWS

PREEMPTIVE U.S. STRIKE ON IRAN MISSILES DEBATED  
July 1 Deployment Of Weapons Possible

The Reagan Administration is debating whether or not to strike preemptively against Iran's Silkworm missiles if they are deployed against shipping in the Strait of Hormuz, U.S. officials said.

Official sources said U.S. intelligence agencies now estimate that the antiship missiles could become operational as early as July 1.

The National Security Council has focused on the issue, sources said, with options under discussion ranging from a preemptive strike against the HY2 Silkworms to waiting until a ship flying the U.S. flag is actually threatened by the missiles. The Silkworm has been test-fired from the island of Qeshm into the Strait of Hormuz but has not yet been deployed.

A lack of key parts has prevented the Iranians from putting the Chinese-made Silkworms into service, sources said. But the parts recently arrived in Iran from China, they said, making it only a matter of time before the Silkworms could target vessels passing through the strait, which is only 30 miles wide at its narrowest point.

(George Wilson, Washington Post, A1)

Moscow May Be Increasing Force In Persian Gulf, U.S. Says

The Soviet Union has stationed three small navy ships in the Persian Gulf area and appears to be moving a guided missile cruiser to that trouble-spot to protect Soviet shipping, U.S. military officials said.

"In response to rising naval tensions, the Soviets have put three minesweepers armed with anti-aircraft missiles in or just outside the Gulf and are probably deploying additional naval units to the area," one of the officials told Reuter.

(Charles Aldinger, Reuter)

Secret Tanker Pact Ties Kuwait, Soviets

KUWAIT -- Moscow has agreed secretly to lease additional Kuwaiti oil tankers to operate under the Soviet flag if the U.S. reneges on its now-delayed deal to "reflag" half the Kuwaiti-owned tanker fleet, it was learned today.

The Soviet agreement was signed on April 1, but grew out of earlier arrangements worked out last December in a meeting with Kuwaiti officials in Moscow. It was the prime reason an initially reluctant Reagan Administration accepted Kuwait's request to protect 11 tankers against Iranian attack, according to Western diplomats.

Implementation of (the plan) "shall be agreed upon as soon as the Kuwait side expresses their desire," the agreement (a copy of which was obtained by the Washington Post) said. That allows Kuwait to turn swiftly to Moscow if the U.S. refuses to honor its commitment to register half of Kuwait's tanker fleet as U.S. shipping. (Jonathan Randal, Washington Post, A1)

### Pell Introduces Bill To Scuttle Reagan's Reflagging Plan

Decrying the idea as dangerous, Sen. Claiborne Pell proposed a bill to scuttle President Reagan's plan to guarantee U.S. Navy protection for Kuwait's oil tankers by reflagging them as American vessels.

In a sharply worded Senate speech, the Rhode Island Democrat said the "unspoken but real objective" of Reagan's reflagging plan is to help Iraq in its war against Iran by helping Iraq's close ally and financier, Kuwait. He said the new policy stems, in part, from the "folly" of Reagan's earlier policy of selling arms to Iran. (John Mulligan, Scripps Howard)

### Senators Move To Block Reflagging Of Tankers; Administration Plan 'Poorly Conceived'

Senate Foreign Relations Chairman Claiborne Pell introduced legislation to block the Reagan Administration from putting Kuwaiti tankers in the Persian Gulf under the protection of the U.S. flag.

The bill, cosponsored by Senate Majority Whip Alan Cranston and Sen. Mark Hatfield, also urges President Reagan to seek establishment of a U.N. peacekeeping force to protect non-belligerent shipping in the war-torn Gulf.

The Administration's plan to reflag Kuwaiti tankers and provide them with U.S. naval escorts is "poorly conceived and dangerous...undertaken without balancing the possible benefits against the very real risks of greater American involvement in the Persian Gulf hostilities," Pell said as he introduced the legislation.

Pell warned that Iran could interpret the reflagging as a provocation and attack U.S. escorts, leading to American retaliation. "Are we prepared to match Iran in an escalating spiral of violence?" he asked. "Are we prepared to commit young American lives to the defense of Persian Gulf Arab nations?" (Helen Dewar, Washington Post, A24)

### Move To Block Persian Gulf Plans, Senator Says Allies Won't Attack Iran

The Senate Foreign Relations Committee chairman is trying to get Congress to stop U.S. military plans in the Persian Gulf, as another senator says America's allies won't join any U.S. strike against Iran.

Sen. Claiborne Pell...introduced a bill that would prohibit reflagging (Kuwaiti tankers).

Sen. John Warner, who returned from a tour of the Gulf, said that if U.S. military action is required, "We're going to have to go that strike alone. It will only be Americans. The American people have to understand that very clearly."

France and Great Britain have token naval forces in the Gulf and "they're not going to increase that role substantially," Warner predicted.

"I don't like the idea of the Kuwait reflagging," Sen. John Glenn (who accompanied Warner to the Persian Gulf region) said, "but I think the Gulf states are looking at this as almost a kind of a litmus test" of American will to protect Western interests in the region. (Tim Ahern, AP)

### U.S. Seen Committed To Kuwait

The reputation of the U.S. in the Arab world -- hurt by the sale of arms to Iran -- would be further damaged if the government backs down from a plan to protect Kuwaiti ships in the Persian Gulf, two senators said.

"We lack credibility in the Arab world right now," said Sen. John Glenn. "I don't want to see another defeat for America in that part of the world.... We'd better go in there with enough force to prevail."

But "there's a very real chance" Congress will act to block the Administration's plan to provide U.S. military protection to 11 Kuwaiti oil tankers flying the American flag in the Persian Gulf, Glenn said.

(Jennifer Spevacek, Washington Times, A3)

### Senator Says Iranian Oil Port Is Being Defended By U.S Arms

Hawk missiles fitted with spare parts sold to Iran by the Reagan Administration are defending Iran's main Persian Gulf oil export port from Iraqi attack, Sen. John Glenn said.

"It's a quagmire the Administration got into with selling arms to Iran," Glenn said at a press conference after returning from a tour of the Gulf region with Sen. John Warner.

Both senators said U.S. credibility among friendly governments in the Gulf region has been damaged by the Administration's selling of arms to Iran while urging other nations to isolate it as a terrorist nation.

(Valerie Strauss, Reuter)

### Defense Secretary Discusses Gulf Security With Saudis

LONDON -- Secretary Weinberger discussed security in the Persian Gulf with Saudi Defense Minister Prince Sultan during a meeting in France, a Pentagon spokesman said.

After Weinberger arrived in London, spokesman Robert Sims said the six-hour meeting in the French Mediterranean resort of Nice had covered developments in the Iran-Iraq war and U.S.-Saudi relations, including military sales and training programs.

The two discussed way of improving security for Western shipping in the Gulf but details of their talks were not provided. (Reuter)

### Iran Says It Had Role In Attack On USS Stark

LONDON -- A top defense spokesman in Tehran has said that Iran played a role in last month's Iraqi attack on the USS Stark, the Iranian news agency IRNA reported.

Ali Akbar Hashemi Rafsanjani, speaker of parliament and defense council spokesman, was asked about possible Iranian involvement in the attack at a news conference in Tehran.

"Our officers devised a plan which caused trouble in (implementation of) the joint U.S.-Saudi-Iraqi plot and resulted in the U.S. frigate being hit."

"This is a military secret which we cannot reveal," IRNA, received in London, quoted him as saying. "But if, one day, the U.S. nation wanted to follow up on the matter in a court, we are prepared to present some evidence."

(Reuter story, Washington Post, A24)

#### BRITAIN ORDERS IRANIAN CONSULATE CLOSED, EXPELS 5

LONDON -- Britain ordered the Iranian consulate in Manchester closed, and told the five diplomats there to leave the country within one week.

Foreign Secretary Geoffrey Howe described the action as a "measured response" to Tehran's refusal to explain or apologize for the 24-hour abduction and beating last week by Revolutionary Guards of Britain's number two diplomat in Tehran. (Karen DeYoung, Washington Post, A23)

#### Iranian Retaliation Likely After Britain Closes Consulate

LONDON -- Iran says it will retaliate against Britain's decision to close its consulate in northern England and expel five officials because a British diplomat was arrested and beaten by Revolutionary Guards in Tehran.

"This will have a very, very serious effect. I am afraid the British government thinks it is still in the 19th century," Iranian Charge D'Affairs Akhuzaden Basti told reporters.

He said he believed Iranian authorities would take counter-measures, but would not be specific. (Chris Peterson, Reuter)

#### PATH CLEARED FOR HONDURAS TO BUY JETS

A House Foreign Affairs subcommittee, on a tie vote, cleared the way for President Reagan to sell a dozen advanced F5 jet fighters and trainers to Honduras.

Members of the Western Hemisphere Subcommittee voted 6 to 6 on a resolution to block the sale, meaning Honduras will be able to receive the 10 F5E fighters and two F5F trainers it sought as a part of a \$75 million aid package.

"It's dead," subcommittee staff member Pete Quilter said of the effort to block the sale. He said the matter would not be taken up by the full Foreign Affairs Committee. (UPI story, Washington Post, A19)

#### ASSEMBLY BACKS KOHL ON MISSILES W. Germany Broadly Accepts Planned Cuts

BONN -- Chancellor Kohl won parliament's backing for his government's acceptance of the broad outline of a proposed U.S.-Soviet accord to slash arsenals of European-based nuclear missiles.

In an apparent slight hardening of Bonn's stance, Kohl said the deal must leave untouched the U.S.-controlled warheads on 72 West German Pershing 1A missiles. (Robert McCartney, Washington Post, A22)

#### SHULTZ REASSERTS U.S. SUPPORT OF OZONE PACT

Secretary Shultz has moved to quell an embarrassing flap over the Administration's position on protecting stratospheric ozone, telling Attorney General Meese that he intends to pursue an international agreement unless President Reagan personally decides otherwise.

In a letter to Meese this week, Shultz said the publicity (from the White House Domestic Policy Council's position encouraging the use of sunscreen, etc. instead of advocating an international agreement to reduce chlorofluorocarbons) threatened to damage the U.S. negotiating position when talks on the ozone agreement resume in Montreal this September.

Shultz said he intends to instruct his negotiators to keep working for the international agreement unless Meese can provide a "compelling reason" for changing the U.S. position. Shultz also told Meese that he believes that discussions aimed at changing that position are inappropriate at the Domestic Policy Council level. (Cass Peterson, Washington Post, A13)

#### RECENT CAIRO SHOOTINGS ALARM U.S., EGYPTIAN OFFICIALS

CAIRO -- Egyptian and U.S. security officials have expressed alarm in the wake of three shooting attacks here on American and Egyptian officials in the past month by terrorists using automatic weapons and striking brazenly in the heart of this crowded capital.

The attacks caught Egyptian security forces by surprise, "That's the worry," said one Western official. Still, U.S. and Western officials say they see no indication that the new violence is part of any general political discontent here and they are heartened that so far that Egypt's leadership under President Hosni Mubarak has not called for harsher police measures that would retard the country's gradual movement toward a more open democracy. (Patrick Tyler, Washington Post, A21)

IRAN-NICARAGUA

HILL PANELS VOTE TO COMPEL NORTH TO GIVE TESTIMONY

The congressional committees on the Iran-contra affair voted to compel Oliver North to testify under a grant of limited immunity from prosecution about his role in that affair, but agreed to postpone his public testimony until at least mid-July to give the criminal prosecutor more time to develop his case.

Independent counsel Lawrence Walsh, who asked the committees not to give North immunity or to delay it, said: "The precautions they have taken to prevent premature exposure of Col. North's testimony will reduce as much as is reasonably possible any adverse effect on our investigation."

The committees had wanted to grant immunity to North and John Poindexter...earlier, but delayed action after an agreement with Walsh. Under that agreement, they granted Poindexter immunity and began taking his testimony privately last month. He is not likely to appear publicly until early next month.

(Charles Babcock & Joe Pichirallo, Washington Post, A1)

Iran-Contra Panels Vote To Grant North Limited Immunity

Congressional investigators probing the Iran-contra scandal voted to grant Oliver North limited immunity from prosecution to compel his public testimony before Congress, legislators said.

Rep. Lee Hamilton (who announced the immunity votes) did not announce the vote tallies but congressional sources later told Reuter the Senate panel voted unanimously, 11-0, but there were three votes against the proposal on the 15-member House committee.

Rep. Jack Brooks, one of the three dissenters, said he was against immunity for North because he wanted to see him prosecuted to the fullest extent possible for his actions by Walsh. (Sue Baker, Reuter)

North Limited Immunity Voted By Investigators

The congressional committees investigating the Iran-contra affair voted to grant Oliver North limited immunity from prosecution but gave independent counsel Lawrence Walsh more time before forcing the scandal's central figure to give public testimony that could interfere with Walsh's expected prosecution of him.

Under a provision approved by lopsided votes of both the House and Senate committees, North will be required to testify in private to a few committee staff members as soon as June 15 and may go before the committee in public on July 16. That is three weeks later than the original agreement between Walsh and the lawmakers, which could have forced North to testify publicly on June 23.

Moreover, the committees plan to vote again before making a final decision to compel North's public testimony.

(Karen Tumulty, Los Angeles Times, A1)



NORTH HOPED TO SWAY '86 ELECTION, HILL TOLD  
Hakim Describes Political Goals Of Hostage Talks

In his secret negotiations with Iranian officials last October, Oliver North "wanted to gain the release of the hostages to enhance the position of the President" before last year's congressional elections, businessman Albert Hakim told congressional committees.

In the most partisan moments to date in the 5-week-old House and Senate select committee hearings on the Iran-contra affair, Senate Chief Counsel Arthur Liman read to Hakim from a sworn statement given Sunday, in which Hakim said North's "prime objective at that time was to support the President...or the Republicans...in the elections -- and I found that to be counterproductive."

Hakim's assessment gave weight to investigators' long-held suspicion of a connection between the election and the release of hostage David Jacobsen, who was freed two days before the vote. The plan of North, then a National Security Council staff member, to release all the American hostages was changed by Hakim -- then a businessman lacking even a security clearance -- in private negotiations with the Iranians. The modification was ultimately accepted by the White House.

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

Hakim Says North Seemed To Know Of Fund For Him

Oliver North appeared to be fully aware that a secret \$200,000 Swiss bank account had been set up for him and that Albert Hakim had made him a beneficiary in his will for \$2 million, Hakim testified.

Under tough questioning by Arthur Liman, the chief counsel of the Senate Iran-contra committee, Hakim reversed his testimony of Wednesday, in which he insisted that Col. North had not known about financial transactions he had made in the colonel's favor.

Instead, Hakim said that it was "inconceivable" that North had been unaware of his efforts. The reason, he said, was that Hakim's lawyer had met with North's wife to discuss the matter.

(Fox Butterfield, New York Times, A1)

SHULTZ SAID 'ADAMANT' ON KEEPING ABRAMS  
Rejects Charges That Aid Misled Hill

VENICE -- Secretary Shultz had "adamantly" insisted to White House officials that Assistant Secretary of State Elliott Abrams remain on the job despite admissions by Abrams that he misled Congress about secret efforts to aid the Nicaraguan contras, Administration officials said.

Shultz telephoned senior White House officials accompanying President Reagan to the economic summit here and insisted that Abrams be given a vote of confidence, the officials said.

One senior official here, acknowledging the sharp attacks on Abrams' credibility this week during the Iran-contra hearings, said the White House has acquiesced to Shultz on the matter at this time. Abrams has said he will not resign.

(David Hoffman, Washington Post, A1)

NATIONAL NEWS

HILL COMPROMISE LIMITS FEDERAL DRUG TESTING  
White House Presses Controllers' Screening

A new, tentative congressional compromise will impose strict conditions on President Reagan's controversial drug-testing program, almost certainly delaying its implementation and holding down the number of federal employees to be tested.

Supporters of drug testing hailed the compromise, saying it would allow testing to move forward, albeit glacially, while protecting employees' rights. Opponents said drug testing had been "killed...with kindness," going so far to protect privacy and accuracy -- and thus elevating the costs -- that many agencies will back away from the program.

(Judith Havemann, Washington Post, A12)

DOLE SETS GROUND RULES ON AIR DELAYS

Airlines would have to tell ticket buyers about flight delays and face fines for late flights under rules proposed by Transportation Secretary Dole.

Dole is under pressure to reduce flight delays during the summer travel season.

"What she is asking is for the airlines to tell the truth. That's not too much to ask," said Dan Smith, International Passengers Association.

(Wayne Beissert, USA Today, A1)

HOUSE LIBERALS BALK AT BUDGET COMPROMISE

Members of the House Budget Committee rebelled against a compromise spending plan worked out by House and Senate leaders, dampening prospects that the Democratic-controlled Congress will soon reach a consensus on a fiscal 1988 budget.

Key liberal members of the House panel, in a closed-door meeting, objected to a level of defense spending \$8 billion higher than was contained in the \$1 trillion budget adopted by the full House in April.

(Tom Kenworthy, Washington Post, A4)

HOUSE REPUBLICANS PROMOTE CHENEY

House Republicans, in their first leadership shake-up since 1980, unanimously elected Rep. Dick Cheney as chairman of the Republican Conference.

Cheney, White House chief of staff under President Ford, succeeds Rep. Jack Kemp, who relinquished the No. 3 leadership post to concentrate on his bid for the Republican presidential nomination. Cheney's previous position as head of the GOP Policy Committee was taken by Rep. Jerry Lewis in a close contest with one of his California colleagues, Rep. Duncan Hunter.

The changes do not indicate any fundamental philosophical shift in the House Republican leadership, but they do position a new generation of younger Republicans for the challenge of directing the minority party in the post-Reagan era.

(Tom Kenworthy, Washington Post, A11)

NETWORK NEWS SUMMARY FOR THURSDAY, JUNE 4, 1987

VENICE ECONOMIC SUMMIT

CBS's CHARLES KURALT: The President is in Venice where he is preparing for next week's economic summit with five Western allies and Japan. One problem sure to come up is the Western resentment of Japan's big trade surplus. Last month CBS News and the NEW YORK TIMES joined with the Tokyo broadcasting system in trying to measure the damage to U.S.-Japanese relations. Thirteen hundred adults were interviewed in each country.

CBS's GORDAN JOSELOFF: For the first time since we began these polls two years ago, the Japanese see relations between the U.S. and Japan as more unfriendly than friendly.... Most Americans believe relations are friendly, but a smaller number than a year ago.... The trade imbalance in Japan's favor bothers Americans but not the Japanese.... Our poll shows twice as many Japanese as Americans think trade problems will worsen in the next few years.... Forty-three percent of the Japanese expressed dissatisfaction with their lives.... Japan hopes its allies in Venice will applaud its plans to increase domestic spending to try to correct the trade imbalance. Our poll shows if the spending improves the quality of life here, the action will be just as welcome at home. (CBS-4)

JAPANESE FEELINGS ON U.S./JAPANESE RELATIONS

Unfriendly: 55%  
Friendly: 43%

FEEL TRADE PROBLEMS WILL WORSEN

U.S.: 15%  
Japan: 34%

IRAN-CONTRA HEARINGS

NBC's JOHN DANCY: The Iran committee voted after a plea from the Special Prosecutor Lawrence Walsh for more time before Oliver North gives public testimony:

(REP. LEE HAMILTON: "Judge Walsh will have at least three more weeks before he would have to seal evidence concerning Col. North in his investigation.")

(WALSH: "I think it's the best that I could reasonably expect from the committees under the circumstances after I talked with them yesterday.")

If the courts agree with the arrangement, North would give private testimony beginning June 15th and public testimony a month later. But some committee members expect North to fight the immunity arrangement in court, arguing that testimony from the hearings could be used against him if he is eventually indicted. Iranian born arms dealer Albert Hakim testified yesterday that he had set up an account to pay North's family \$200,000 from the Iranian arms sales' profits. Today it emerged that one scheme considered and later discarded was to give Mrs. North a phoney \$70,000 real estate commission.

DANCY continues: Senate Committee Counsel Arthur Liman contended today Hakim was trying to give North a payoff in turn for using Hakim's company to sell U.S. arms to Iran.

(HAKIM: "I know very well making...kickbacks available to American officials is illegal.")

LIMAN: "And isn't it a fact that the instructions to the lawyer were to transfer the money in a way which would be secret?"

HAKIM: "In a way that it would be proper."

LIMAN: "Secret also?"

HAKIM: "Secret also.")

Hakim also arranged for North and Secord to inherit up to \$2 million if Hakim died. Liman asked, "Was North aware of that arrangement?" Hakim testified he had given Secord a chart showing how the money should be distributed.

(LIMAN: "Do you know how this chart ended up in Col. North's office?"

HAKIM: "I don't know."

LIMAN: "But you gave it to Secord?"

HAKIM: "Yes, I did.")

Also today Virginia Senator Paul Trible said the committee has developed evidence that Gen. Secord tapped one of the secret Swiss bank accounts for \$30,000 to buy a Porsche automobile, for \$50,000 to buy an airplane and \$2,300 for a trip to a fat farm.

NBC's TOM BROKAW: Hakim disclosed at the hearings today that he came up with a 9-point plan to exchange arms for hostages last October. This plan became the basis for negotiations with Iranians which resulted in the release of one hostage, American David Jacobsen. But after the Iran-contra affair became public the plan was abandoned by the U.S. State Department.

(NBC-Lead)

ABC's BRIT HUME: At midafternoon, House Committee Chairman Lee Hamilton announced that both the House and Senate Committees had voted to grant North immunity and to take his testimony in private by June 15th.

(HAMILTON: "The committees will vote later on whether to compel Lt. Col. North's testimony in public. In any event, Lt. Col. North's testimony in public would not be taken before July 16th.")

So Independent Counsel Lawrence Walsh, who wanted no immunity for North feeling his public testimony could make prosecution impossible, had lost....

(WALSH: "It goes a long way toward meeting it because the committee will then consider, after having all of Admiral Poindexter's public testimony and after having Col. North's private testimony, whether public testimony of Col. North must be taken to fulfill their obligations.")

In fact, there seems no way the committees will decide not to hear North in public. And Walsh clearly recognizes that.

(WALSH: "So my impression is that it's a very remote chance that he might not testify. But I think there is a significant chance that they would be able to perhaps limit the areas of his exposure.")

Back at the hearing, Albert Hakim told how an unnamed Iranian official...was taken on a private tour of the White House by him and Oliver North. He described a light moment when they passed a picture that contained a sleeping dog.

(HAKIM: "Ollie was feeling very upbeat and he asked me to translate for our guest that this represented our Cabinet and that Mr. Casey was taking a nap.")

HUME continues: Hakim also said that an Iranian involved in the second channel had suggested that there would be money in all this for President Reagan. Hakim said he "set him straight" and that was the end of it....

ABC's PETER JENNINGS: From Venice today the White House gave a full vote of confidence to yesterday's witness -- Assistant Secretary of State Elliott Abrams. Yesterday several committee members questioned whether Abrams should stay on the job as point man for Central American policy. Today the White House agreed with Secretary of State Shultz who said Abrams is a man of integrity and candor. (ABC-Lead)

CBS's PHIL JONES: The congressional Iran-contra investigating committees voted to go ahead with limited immunity for Lt. Col. Oliver North. This, despite a plea from Independent Counsel Lawrence Walsh that immunity not be given to avoid jeopardizing his criminal investigation against North.... Under heavy questioning Hakim said today it would have been impossible for Lt. Col. North not to know about his effort to provide money to the North family. (CBS-Lead)

#### ARMS CONTROL

BROKAW: In Venice, Italy, today President Reagan hailed a consensus that has emerged among NATO allies for eliminating U.S. and Soviet nuclear missiles from Europe. This will be an important issue at next week's economic summit meeting in Venice. Mr. Reagan's statement [came] after the West German parliament endorsed the idea of getting rid of most of these superpower missiles. (NBC-7, CBS-3)

#### PERSIAN GULF

JENNINGS: Iranian officials warned the U.S. today not to intervene in the Persian Gulf. One Iranian official in Rome was quoted as saying "the Persian Gulf is deep enough to swallow up American ships." The Administration insists that American presence in the Gulf is necessary to guarantee freedom of navigation.

ABC's JOHN MCWETHY: The Kuwaiti tankers that the U.S. will soon be escorting will sometimes carry loads that could have a direct impact on the Iran-Iraq War.... U.S. officials say it is Kuwait's way of helping Iraq stay solvent during the long war with Iran. Other moderate Gulf states do the same for Iraq, but only Kuwait has asked for American naval escorts. Though the U.S. claims to be neutral in the Iran-Iraq war, this represents a further tilt toward Iraq and could provoke an Iranian military response -- something Iran's speaker of the parliament again threatened yesterday. For the moment, Iran is not bothering American ships. It is increasingly aggressive, however, is stopping the vessels of other nations. Iranian TV show the search of a West German ship earlier in the week and as the search was under way, an American warship, the USS Stephen Grove, appeared in the distance. The U.S. frigate kept its distance and the German ship was released after it had been found to carry no war supplies for Iraq. As the U.S. is beefing up its naval presence in the Persian Gulf, it is also looking for help from the region.

MCWETHY continues: Defense Secretary Weinberger met today in France with Saudi Arabia's defense minister. U.S. officials said Weinberger asked to expand the coverage of the AWACS radar planes that fly from Saudi Arabia so aircraft movement in the entire Gulf can be monitored. He also requested that the Saudis use their own F-15 fighters to protect the AWACS in its expanded orbit. The other Gulf states will also be asked to help by providing flight rights for the AWACS and other American intelligence planes. Plus in the case of Kuwait, expanded use of the port to refuel American ships. As for anything more bold, officials say the U.S. will have to go it alone. (ABC-2)

#### NEW ZEALAND/NUCLEAR ARMS

KURALT: The parliament of New Zealand made it final today and passed a law banning nuclear weapons and ships from it's territory. The U.S. and Australia have already dropped New Zealand out of the ANZUS defense pact because of its anti-nuclear policy and the State Department said today passage of the nuclear ban may lead to further steps against New Zealand. (CBS-9)

#### MOZAMBIQUE

BROKAW: The superpowers are engaged in a different kind of competition in Mozambique.... Today the Marxist government of Mozambique said it is getting an additional \$8 million in economic aid from the Soviet Union. But the U.S. also backs Mozambique.

NBC's ANNE GARRELS: Mozambique is the one place in the world where the Reagan Administration supports a Marxist government. The U.S. is trying to draw Mozambique away from the Soviet camp and the State Department believes it's succeeding.

(CHESTER CROCKER, State Department: "Well they're not just saying the right things -- they're doing the right things.")

These things include: encouraging the private sector, improving relations with the West whose advisers now outnumber their East bloc counterparts, signing a non-aggression pact with South Africa. But to some conservatives, Mozambique is the gaping hole in Reagan's policy of fighting Communism. They believe Ronald Reagan has been conned by Mozambique.... To protest this policy, Senator Jesse Helms is held up Senate approval of the new ambassador to Mozambique for 8 months.... Of greater concern to the Administration -- the opposition of Senate Minority Leader Robert Dole, who has also joined the attack. In a recent letter to the NEW YORK TIMES defending his position, Dole called the Mozambique government "a Marxist regime whose policies can better be described as disastrous and inhumane." His critics accuse Dole of playing to the far right. Dole and others want the Administration to support Renamo, a guerilla movement they call anti-Communist. The Administration calls them puppets of South Africa with no democratic credentials.

(CROCKER: "The objective is to do things which strategically serve only one interest, which is in the sense South Africa's interest rather than the interests of Mozambique and nationalism.")

The war keeps Mozambique poor.... U.S. officials question their tactics.

GARRELS continues: Renamo has blown up hundreds of health clinics, repeatedly attacked food convoys.... Mozambique's Marxist government has the support of America's allies and most of Africa. The U.S. believes Mozambique's gradual turn to the West is an embarrassment to the Soviet Union. Conservatives say supporting this Marxist government is an embarrassment to President Reagan. (NBC-8)

#### ABU NIDAL

BROKAW: A Jordanian newspaper reported today that Syria has closed the offices of Abu Nidal, the Palestinian terrorist blamed for the 1985 airport massacres in Rome and Vienna. The newspaper said that many of Abu Nidal's followers now have been expelled as well. The presence of Nidal's group in Syria has blocked that country's efforts to improve relations with the U.S. (NBC-9)

#### INSIDER TRADING

BROKAW: On Wall Street today there was a major settlement in one of the insider stock trading cases. Kidder Peabody agreed to pay the second highest penalty ever -- \$25 million to settle insider trading and other charges. (NBC-2, ABC-8, CBS-12)

#### LAXALT

BROKAW: Former Nevada Senator Paul Laxalt announced today that he is dropping his \$250 million libel suit against the publisher of the SACRAMENTO BEE newspaper.... Under the settlement, Laxalt could recover his legal costs, but gets no damages and no retraction. The newspaper called it a victory. So did Laxalt who said it now frees him to pursue the Republican nomination for president. (NBC-5, ABC-4, CBS-13)

#### GRADUATION COMMENCEMENTS

BROKAW: To the classes of 1987 all across the land this is the season of advice and wisdom when the final price of their diplomas is to sit through a commencement speech. Tonight we share with you the many themes and speakers for the class of '87....

(THE PRESIDENT: "It's time to get drugs off our campuses and out of our school yards.") (NBC-11)



FOREIGN MEDIA REACTION

VENICE SUMMIT

"No new action will be taken to bolster the dollar at next week's Venice economic summit, the participants made clear yesterday. In the absence of such moves, pressure on the dollar could return.... President Reagan left for the Venice economic summit yesterday saying that the talks would strengthen Western solidarity... The summit will be used by Mr. Reagan's aides to try to deflect media attention from the tide of embarrassing publicity that has dogged him since the Iran-contra hearings began..."  
(Times, Britain)

"The one thing next week's Venice economic summit will not be about is economics, judging by early briefings from government sources preparing the groundwork... But it is not just electioneering which will distract the summit away from economics. The 'sherpas'...already acknowledge that a host of non-economic issues are already on the agenda and are likely to overshadow the official business of the meeting..."  
(Guardian, Britain)

"Italian papers report remarks made by a U.S. official who did not want to be identified expressing U.S. disappointment after the cancellation of the state visit (in Italy)...."  
(Figaro, France)

"James Baker did everything possible Wednesday to calm down the financial markets during an interview broadcast by satellite... He had rarely been so clear in this matter..."  
(Le Matin, France)

"Treasury Secretary James Baker has welcomed German plans to reform the tax system in order to stimulate consumption. In an international (Worldnet) satellite TV conference on the eve of the economic summit, Baker said that the announcement by Finance Minister Gerhard Stoltenberg that the Bonn Government will do all it can to stabilize the growth of the German economy within the limits of Bonn economic policy was received with satisfaction in Washington..."  
(General-Anzeiger, West Germany)

"One of the fundamental purposes of the summit is to increase trust. Unexpected reactions are to be avoided, especially in view of a situation which has become a lot more complicated.... Reagan can reckon with formal support for his disarmament stance at Geneva.... The fight against terrorism will be a further political topic at the summit..."  
(Die Welt, West Germany)

"The Bonn Government obviously intends to defend itself...against demands that, like Japan, it implement measures to stimulate economic development."  
(Handelsblatt, West Germany)

"The President's pre-departure speech on the White House lawn...contrasted sharply with the serious problems presently troubling the United States. There are strong disputes in Washington on the resignation of FRB Chairman Volcker, on the Persian Gulf and on Irangate..."  
(La Stampa, Italy)



# News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, JUNE 5, 1987 -- VENICE AFTERNOON EDITION  
6:00 A.M. EDT, NOON ITALY

## TODAY'S HEADLINES

### ECONOMIC SUMMIT

REAGAN SEES MAJOR STEP TO EAST-WEST PACT -- President Reagan hailed West Germany's conditional acceptance of the Soviets' arms reduction proposal as a major step in providing a foundation for a U.S.-Soviet arms control agreement.  
(Los Angeles Times, Washington Post, AP, Reuter)

### INTERNATIONAL NEWS

PREEMPTIVE U.S. STRIKE ON IRAN MISSILES DEBATED -- The Reagan Administration is debating whether or not to strike preemptively against Iran's Silkworm missiles if they are deployed against shipping in the Strait of Hormuz, U.S. officials said.  
(Washington Post, Washington Times, AP, Reuter, Scripps Howard)

### IRAN-NICARAGUA

IRAN-CONTRA PANELS VOTE NORTH IMMUNITY -- Congressional investigators probing the Iran-contra scandal voted to grant Oliver North limited immunity from prosecution to compel his public testimony before Congress, legislators said.  
(Los Angeles Times, Washington Post, Reuter)

### NETWORK NEWS (Thursday Evening)

ECONOMIC SUMMIT -- One problem sure to come up is the Western resentment of Japan's big trade surplus.

IRAN-CONTRA -- The congressional investigating committees voted to go ahead with limited immunity for Oliver North.

PERSIAN GULF -- Iranian officials warned the U.S. not to intervene in the Persian Gulf.

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## ECONOMIC SUMMIT

### REAGAN HOPES SUMMIT WILL BOOST IMAGE

VENICE -- President Reagan will try to rescue his damaged reputation for leadership at home by attempting to show that he can still function as an effective performer on the world stage, according to White House officials.

While one senior White House official acknowledged that Reagan had been damaged by a series of events, especially the Iran-contra scandal and the loss of the Senate to the Democrats last year, he contended that the President could still seize the initiative on arms control and other issues during the final 18 months of his term.

But some officials say privately that they are doubtful that Reagan can do more than simply survive. They are worried that the 76-year-old President may be slowing down and that the economy may be cooling off after a long period of prosperity.

"There's no juice anymore," said one official here, reflecting on the lack of Administration initiatives on a trip expected to be the last European visit of the Reagan presidency.

(Lou Cannon, Washington Post, A22)

### Reagan To Discuss Summit Aims, Arms Control In TV Speech

VENICE -- President Reagan, buoyed by West German support for a plan to rid Europe of intermediate-range nuclear missiles, discusses arms control and international economic issues in a major television speech today.

White House officials said Reagan would outline his aims at the summit and commemorate the 40th anniversary of the Marshall Plan, a \$13-billion U.S. reconstruction program for Western Europe and Japan after World War II.

(Gene Gibbons, Reuter)

### Reagan Sees Major Step To East-West Arms Pact

VENICE -- President Reagan hailed West Germany's conditional acceptance of the Soviets' arms reduction proposal as a major step in providing a foundation for a U.S.-Soviet agreement eliminating short- and intermediate-range missiles from Europe.

Reagan...said that based on discussions within NATO and those that will occur at the summit, he is confident that "a foundation will be laid for equal and verifiable global restraints" on U.S. and Soviet short- and medium-range missiles in the "near future."

The President...suggested that a common NATO position on the arms proposal will be established by the NATO foreign ministers when they meet in Reykjavik, Iceland, after the economic summit ends next Wednesday.

(Jack Nelson & James Gerstenzang, Los Angeles Times, A14)

### Reagan To Seek Summit Support For U.N. Resolution On Gulf War

VENICE -- President Reagan will ask leaders at next week's seven-nation summit to support a pending U.N. resolution calling for a ceasefire in the Iran-Iraq war, his spokesman said.

"The primary area of support and help we will be asking for relates to the United Nations," spokesman Marlin Fitzwater said when asked what kind of allied backing Reagan would seek for the U.S. policy of preserving freedom of navigation in the Persian Gulf.

(Peter Torday, Reuter)

### Senate Urges Reagan To Seek Help In Persian Gulf

The Senate overwhelmingly passed a resolution urging President Reagan to seek cooperation from other nations at the Venice economic summit to protect Western interests in the Persian Gulf.

The non-binding resolution, passed 90 to 1 without debate, also urges Reagan to seek agreement at the summit for liberalized agricultural trade, a reduction in West Germany's and Japan's trade surpluses with the U.S. and for cooperation on AIDS research. (Reuter)

### Iranian Urges Europe To Shun U.S. Plan

ROME -- On the eve of the Venice summit meeting, where President Reagan is expected to seek European support for his plan to provide naval protection for shipping in the volatile Persian Gulf, a senior Iranian emissary is touring European capitals this week to ask their opposition to the move.

"Iran is opposed to any foreign presence because it believes that such a presence not only fails to guarantee security in the Persian Gulf but it in fact constitutes a dangerous element in increasing tensions there," Iranian Deputy Foreign Minister Javad Lariajani said here after meeting with Italian Foreign Minister Giulio Andreotti.

According to Mohammed Hassan Ghadiri, an Iranian Foreign Ministry spokesman, Lariajani is in Europe to present Iran's views on the Gulf and to try to convince Europeans that their own best interest lies in opposing U.S. plans to provide military escorts to convoys headed for Kuwait.

(Loren Jenkins, Washington Post, A23)

### Japan Says It Could Play Limited Role In Gulf

TOKYO -- Japan is willing to contribute to "international cooperation" aimed at protecting commercial shipping in the Persian Gulf and will make new diplomatic initiatives to try to end the war there, Prime Minister Nakasone told foreign journalists.

Nakasone did not spell out what type of international cooperation he meant. He sidestepped questions over whether his government is prepared to help fund escort operations by U.S. or other military forces.

He said Japan would decide its role if and when an "international and workable scheme" to guard shipping is devised. In any case, Japan's role would be "peaceful and nonmilitary," Nakasone said.

(John Burgess, Washington Post, A23)

### Administration Weighing Whether To Ease Trade Sanctions As Summit Nears

VENICE -- President Reagan, lacking compelling evidence that Japan is complying with a computer chip agreement, is getting conflicting advice from his Cabinet on whether to lift \$300 million in sanctions, according to Administration sources.

The officials, who spoke only on the condition of anonymity, indicated the President is weighing a middle ground: removing some but not all of the penalty duties he imposed April 17.

Commerce Secretary Baldrige and U.S. Trade Representative Yeutter have argued for keeping the sanctions in place, while Secretary of State Shultz and Treasury Secretary Baker want them lifted, the sources said.

(Tom Raum, AP)

### Reagan Urged Not To Lift Japan Curbs

Senate leaders urged President Reagan not to give in to pleas from Prime Minister Nakasone to lift trade sanctions against Japan until there is "irrefutable evidence" that Tokyo has begun abiding by a semiconductor trade agreement.

Four key senators sent a letter to Reagan in Venice amid reports that the President might order at least a partial lifting of the \$300 million in trade sanctions as a good-will gesture to Nakasone during the seven-nation economic summit.

But the letter -- signed by Majority Leader Robert Byrd, Minority Leader Robert Dole, Finance Committee Chairman Lloyd Bentsen and Sen. John Danforth -- warned that any lifting of the sanctions "could damage future U.S.-Japanese trade relations and prospects for enactment of a sensible trade bill" this year. (Stuart Auerbach, Washington Post, F3)

### Reagan, Pope Meeting For Third Time To Discuss World Issues

President Reagan's Vatican session with Pope John Paul II will be the third meeting for the two men, and such issues as arms control, the Middle East, world debt and superpower relations are likely to be on the agenda.

The President and the Pontiff are scheduled to meet one-on-one in the 16th century Vatican library. Mrs. Reagan will join the two men at the end of the session, which is scheduled to last a little more than an hour.

(Susanne Schafer, AP)

INTERNATIONAL NEWS

PREEMPTIVE U.S. STRIKE ON IRAN MISSILES DEBATED  
July 1 Deployment Of Weapons Possible

The Reagan Administration is debating whether or not to strike preemptively against Iran's Silkworm missiles if they are deployed against shipping in the Strait of Hormuz, U.S. officials said.

Official sources said U.S. intelligence agencies now estimate that the antiship missiles could become operational as early as July 1.

The National Security Council has focused on the issue, sources said, with options under discussion ranging from a preemptive strike against the HY2 Silkworms to waiting until a ship flying the U.S. flag is actually threatened by the missiles. The Silkworm has been test-fired from the island of Qeshm into the Strait of Hormuz but has not yet been deployed.

A lack of key parts has prevented the Iranians from putting the Chinese-made Silkworms into service, sources said. But the parts recently arrived in Iran from China, they said, making it only a matter of time before the Silkworms could target vessels passing through the strait, which is only 30 miles wide at its narrowest point.

(George Wilson, Washington Post, A1)

Moscow May Be Increasing Force In Persian Gulf, U.S. Says

The Soviet Union has stationed three small navy ships in the Persian Gulf area and appears to be moving a guided missile cruiser to that trouble-spot to protect Soviet shipping, U.S. military officials said.

"In response to rising naval tensions, the Soviets have put three minesweepers armed with anti-aircraft missiles in or just outside the Gulf and are probably deploying additional naval units to the area," one of the officials told Reuter.

(Charles Aldinger, Reuter)

Secret Tanker Pact Ties Kuwait, Soviets

KUWAIT -- Moscow has agreed secretly to lease additional Kuwaiti oil tankers to operate under the Soviet flag if the U.S. reneges on its now-delayed deal to "reflag" half the Kuwaiti-owned tanker fleet, it was learned today.

The Soviet agreement was signed on April 1, but grew out of earlier arrangements worked out last December in a meeting with Kuwaiti officials in Moscow. It was the prime reason an initially reluctant Reagan Administration accepted Kuwait's request to protect 11 tankers against Iranian attack, according to Western diplomats.

Implementation of (the plan) "shall be agreed upon as soon as the Kuwait side expresses their desire," the agreement (a copy of which was obtained by the Washington Post) said. That allows Kuwait to turn swiftly to Moscow if the U.S. refuses to honor its commitment to register half of Kuwait's tanker fleet as U.S. shipping. (Jonathan Randal, Washington Post, A1)



### Pell Introduces Bill To Scuttle Reagan's Reflagging Plan

Decrying the idea as dangerous, Sen. Claiborne Pell proposed a bill to scuttle President Reagan's plan to guarantee U.S. Navy protection for Kuwait's oil tankers by reflagging them as American vessels.

In a sharply worded Senate speech, the Rhode Island Democrat said the "unspoken but real objective" of Reagan's reflagging plan is to help Iraq in its war against Iran by helping Iraq's close ally and financier, Kuwait. He said the new policy stems, in part, from the "folly" of Reagan's earlier policy of selling arms to Iran. (John Mulligan, Scripps Howard)

### Senators Move To Block Reflagging Of Tankers; Administration Plan 'Poorly Conceived'

Senate Foreign Relations Chairman Claiborne Pell introduced legislation to block the Reagan Administration from putting Kuwaiti tankers in the Persian Gulf under the protection of the U.S. flag.

The bill, cosponsored by Senate Majority Whip Alan Cranston and Sen. Mark Hatfield, also urges President Reagan to seek establishment of a U.N. peacekeeping force to protect non-belligerent shipping in the war-torn Gulf.

The Administration's plan to reflag Kuwaiti tankers and provide them with U.S. naval escorts is "poorly conceived and dangerous...undertaken without balancing the possible benefits against the very real risks of greater American involvement in the Persian Gulf hostilities," Pell said as he introduced the legislation.

Pell warned that Iran could interpret the reflagging as a provocation and attack U.S. escorts, leading to American retaliation. "Are we prepared to match Iran in an escalating spiral of violence?" he asked. "Are we prepared to commit young American lives to the defense of Persian Gulf Arab nations?" (Helen Dewar, Washington Post, A24)

### Move To Block Persian Gulf Plans, Senator Says Allies Won't Attack Iran

The Senate Foreign Relations Committee chairman is trying to get Congress to stop U.S. military plans in the Persian Gulf, as another senator says America's allies won't join any U.S. strike against Iran.

Sen. Claiborne Pell...introduced a bill that would prohibit reflagging (Kuwaiti tankers).

Sen. John Warner, who returned from a tour of the Gulf, said that if U.S. military action is required, "We're going to have to go that strike alone, It will only be Americans. The American people have to understand that very clearly."

France and Great Britain have token naval forces in the Gulf and "they're not going to increase that role substantially," Warner predicted.

"I don't like the idea of the Kuwait reflagging," Sen. John Glenn (who accompanied Warner to the Persian Gulf region) said, "but I think the Gulf states are looking at this as almost a kind of a litmus test" of American will to protect Western interests in the region. (Tim Ahern, AP)

#### U.S. Seen Committed To Kuwait

The reputation of the U.S. in the Arab world -- hurt by the sale of arms to Iran -- would be further damaged if the government backs down from a plan to protect Kuwaiti ships in the Persian Gulf, two senators said.

"We lack credibility in the Arab world right now," said Sen. John Glenn. "I don't want to see another defeat for America in that part of the world.... We'd better go in there with enough force to prevail."

But "there's a very real chance" Congress will act to block the Administration's plan to provide U.S. military protection to 11 Kuwaiti oil tankers flying the American flag in the Persian Gulf, Glenn said.

(Jennifer Spevacek, Washington Times, A3)

#### Senator Says Iranian Oil Port Is Being Defended By U.S Arms

Hawk missiles fitted with spare parts sold to Iran by the Reagan Administration are defending Iran's main Persian Gulf oil export port from Iraqi attack, Sen. John Glenn said.

"It's a quagmire the Administration got into with selling arms to Iran," Glenn said at a press conference after returning from a tour of the Gulf region with Sen. John Warner.

Both senators said U.S. credibility among friendly governments in the Gulf region has been damaged by the Administration's selling of arms to Iran while urging other nations to isolate it as a terrorist nation.

(Valerie Strauss, Reuter)

#### Defense Secretary Discusses Gulf Security With Saudis

LONDON -- Secretary Weinberger discussed security in the Persian Gulf with Saudi Defense Minister Prince Sultan during a meeting in France, a Pentagon spokesman said.

After Weinberger arrived in London, spokesman Robert Sims said the six-hour meeting in the French Mediterranean resort of Nice had covered developments in the Iran-Iraq war and U.S.-Saudi relations, including military sales and training programs.

The two discussed way of improving security for Western shipping in the Gulf but details of their talks were not provided. (Reuter)

#### Iran Says It Had Role In Attack On USS Stark

LONDON -- A top defense spokesman in Tehran has said that Iran played a role in last month's Iraqi attack on the USS Stark, the Iranian news agency IRNA reported.

Ali Akbar Hashemi Rafsanjani, speaker of parliament and defense council spokesman, was asked about possible Iranian involvement in the attack at a news conference in Tehran.

"Our officers devised a plan which caused trouble in (implementation of) the joint U.S.-Saudi-Iraqi plot and resulted in the U.S. frigate being hit."

"This is a military secret which we cannot reveal," IRNA, received in London, quoted him as saying. "But if, one day, the U.S. nation wanted to follow up on the matter in a court, we are prepared to present some evidence."

(Reuter story, Washington Post, A24)



#### BRITAIN ORDERS IRANIAN CONSULATE CLOSED, EXPELS 5

LONDON -- Britain ordered the Iranian consulate in Manchester closed, and told the five diplomats there to leave the country within one week.

Foreign Secretary Geoffrey Howe described the action as a "measured response" to Tehran's refusal to explain or apologize for the 24-hour abduction and beating last week by Revolutionary Guards of Britain's number two diplomat in Tehran. (Karen DeYoung, Washington Post, A23)

#### Iranian Retaliation Likely After Britain Closes Consulate

LONDON -- Iran says it will retaliate against Britain's decision to close its consulate in northern England and expel five officials because a British diplomat was arrested and beaten by Revolutionary Guards in Tehran.

"This will have a very, very serious effect. I am afraid the British government thinks it is still in the 19th century," Iranian Charge D'Affairs Akhuzaden Basti told reporters.

He said he believed Iranian authorities would take counter-measures, but would not be specific. (Chris Peterson, Reuter)

#### PATH CLEARED FOR HONDURAS TO BUY JETS

A House Foreign Affairs subcommittee, on a tie vote, cleared the way for President Reagan to sell a dozen advanced F5 jet fighters and trainers to Honduras.

Members of the Western Hemisphere Subcommittee voted 6 to 6 on a resolution to block the sale, meaning Honduras will be able to receive the 10 F5E fighters and two F5F trainers it sought as a part of a \$75 million aid package.

"It's dead," subcommittee staff member Pete Quilter said of the effort to block the sale. He said the matter would not be taken up by the full Foreign Affairs Committee. (UPI story, Washington Post, A19)

#### ASSEMBLY BACKS KOHL ON MISSILES W. Germany Broadly Accepts Planned Cuts

BONN -- Chancellor Kohl won parliament's backing for his government's acceptance of the broad outline of a proposed U.S.-Soviet accord to slash arsenals of European-based nuclear missiles.

In an apparent slight hardening of Bonn's stance, Kohl said the deal must leave untouched the U.S.-controlled warheads on 72 West German Pershing 1A missiles. (Robert McCartney, Washington Post, A22)

#### SHULTZ REASSERTS U.S. SUPPORT OF OZONE PACT

Secretary Shultz has moved to quell an embarrassing flap over the Administration's position on protecting stratospheric ozone, telling Attorney General Meese that he intends to pursue an international agreement unless President Reagan personally decides otherwise.

In a letter to Meese this week, Shultz said the publicity (from the White House Domestic Policy Council's position encouraging the use of sunscreen, etc. instead of advocating an international agreement to reduce chlorofluorocarbons) threatened to damage the U.S. negotiating position when talks on the ozone agreement resume in Montreal this September.

Shultz said he intends to instruct his negotiators to keep working for the international agreement unless Meese can provide a "compelling reason" for changing the U.S. position. Shultz also told Meese that he believes that discussions aimed at changing that position are inappropriate at the Domestic Policy Council level. (Cass Peterson, Washington Post, A13)

#### RECENT CAIRO SHOOTINGS ALARM U.S., EGYPTIAN OFFICIALS

CAIRO -- Egyptian and U.S. security officials have expressed alarm in the wake of three shooting attacks here on American and Egyptian officials in the past month by terrorists using automatic weapons and striking brazenly in the heart of this crowded capital.

The attacks caught Egyptian security forces by surprise, "That's the worry," said one Western official. Still, U.S. and Western officials say they see no indication that the new violence is part of any general political discontent here and they are heartened that so far that Egypt's leadership under President Hosni Mubarak has not called for harsher police measures that would retard the country's gradual movement toward a more open democracy. (Patrick Tyler, Washington Post, A21)

## IRAN-NICARAGUA

### HILL PANELS VOTE TO COMPEL NORTH TO GIVE TESTIMONY

The congressional committees on the Iran-contra affair voted to compel Oliver North to testify under a grant of limited immunity from prosecution about his role in that affair, but agreed to postpone his public testimony until at least mid-July to give the criminal prosecutor more time to develop his case.

Independent counsel Lawrence Walsh, who asked the committees not to give North immunity or to delay it, said: "The precautions they have taken to prevent premature exposure of Col. North's testimony will reduce as much as is reasonably possible any adverse effect on our investigation."

The committees had wanted to grant immunity to North and John Poindexter...earlier, but delayed action after an agreement with Walsh. Under that agreement, they granted Poindexter immunity and began taking his testimony privately last month. He is not likely to appear publicly until early next month.

(Charles Babcock & Joe Pichirallo, Washington Post, A1)

### Iran-Contra Panels Vote To Grant North Limited Immunity

Congressional investigators probing the Iran-contra scandal voted to grant Oliver North limited immunity from prosecution to compel his public testimony before Congress, legislators said.

Rep. Lee Hamilton (who announced the immunity votes) did not announce the vote tallies but congressional sources later told Reuter the Senate panel voted unanimously, 11-0, but there were three votes against the proposal on the 15-member House committee.

Rep. Jack Brooks, one of the three dissenters, said he was against immunity for North because he wanted to see him prosecuted to the fullest extent possible for his actions by Walsh.

(Sue Baker, Reuter)

### North Limited Immunity Voted By Investigators

The congressional committees investigating the Iran-contra affair voted to grant Oliver North limited immunity from prosecution but gave independent counsel Lawrence Walsh more time before forcing the scandal's central figure to give public testimony that could interfere with Walsh's expected prosecution of him.

Under a provision approved by lopsided votes of both the House and Senate committees, North will be required to testify in private to a few committee staff members as soon as June 15 and may go before the committee in public on July 16. That is three weeks later than the original agreement between Walsh and the lawmakers, which could have forced North to testify publicly on June 23.

Moreover, the committees plan to vote again before making a final decision to compel North's public testimony.

(Karen Tumulty, Los Angeles Times, A1)

NORTH HOPED TO SWAY '86 ELECTION, HILL TOLD  
Hakim Describes Political Goals Of Hostage Talks

In his secret negotiations with Iranian officials last October, Oliver North "wanted to gain the release of the hostages to enhance the position of the President" before last year's congressional elections, businessman Albert Hakim told congressional committees.

In the most partisan moments to date in the 5-week-old House and Senate select committee hearings on the Iran-contra affair, Senate Chief Counsel Arthur Liman read to Hakim from a sworn statement given Sunday, in which Hakim said North's "prime objective at that time was to support the President...or the Republicans...in the elections -- and I found that to be counterproductive."

Hakim's assessment gave weight to investigators' long-held suspicion of a connection between the election and the release of hostage David Jacobsen, who was freed two days before the vote. The plan of North, then a National Security Council staff member, to release all the American hostages was changed by Hakim -- then a businessman lacking even a security clearance -- in private negotiations with the Iranians. The modification was ultimately accepted by the White House.

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

Hakim Says North Seemed To Know Of Fund For Him

Oliver North appeared to be fully aware that a secret \$200,000 Swiss bank account had been set up for him and that Albert Hakim had made him a beneficiary in his will for \$2 million, Hakim testified.

Under tough questioning by Arthur Liman, the chief counsel of the Senate Iran-contra committee, Hakim reversed his testimony of Wednesday, in which he insisted that Col. North had not known about financial transactions he had made in the colonel's favor.

Instead, Hakim said that it was "inconceivable" that North had been unaware of his efforts. The reason, he said, was that Hakim's lawyer had met with North's wife to discuss the matter.

(Fox Butterfield, New York Times, A1)

SHULTZ SAID 'ADAMANT' ON KEEPING ABRAMS  
Rejects Charges That Aid Mised Hill

VENICE -- Secretary Shultz had "adamantly" insisted to White House officials that Assistant Secretary of State Elliott Abrams remain on the job despite admissions by Abrams that he misled Congress about secret efforts to aid the Nicaraguan contras, Administration officials said.

Shultz telephoned senior White House officials accompanying President Reagan to the economic summit here and insisted that Abrams be given a vote of confidence, the officials said.

One senior official here, acknowledging the sharp attacks on Abrams' credibility this week during the Iran-contra hearings, said the White House has acquiesced to Shultz on the matter at this time. Abrams has said he will not resign.

(David Hoffman, Washington Post, A1)

NATIONAL NEWS

HILL COMPROMISE LIMITS FEDERAL DRUG TESTING  
White House Presses Controllers' Screening

A new, tentative congressional compromise will impose strict conditions on President Reagan's controversial drug-testing program, almost certainly delaying its implementation and holding down the number of federal employees to be tested.

Supporters of drug testing hailed the compromise, saying it would allow testing to move forward, albeit glacially, while protecting employees' rights. Opponents said drug testing had been "killed...with kindness," going so far to protect privacy and accuracy -- and thus elevating the costs -- that many agencies will back away from the program.

(Judith Havemann, Washington Post, A12)

DOLE SETS GROUND RULES ON AIR DELAYS

Airlines would have to tell ticket buyers about flight delays and face fines for late flights under rules proposed by Transportation Secretary Dole.

Dole is under pressure to reduce flight delays during the summer travel season.

"What she is asking is for the airlines to tell the truth. That's not too much to ask," said Dan Smith, International Passengers Association.

(Wayne Beissert, USA Today, A1)

HOUSE LIBERALS BALK AT BUDGET COMPROMISE

Members of the House Budget Committee rebelled against a compromise spending plan worked out by House and Senate leaders, dampening prospects that the Democratic-controlled Congress will soon reach a consensus on a fiscal 1988 budget.

Key liberal members of the House panel, in a closed-door meeting, objected to a level of defense spending \$8 billion higher than was contained in the \$1 trillion budget adopted by the full House in April.

(Tom Kenworthy, Washington Post, A4)

HOUSE REPUBLICANS PROMOTE CHENEY

House Republicans, in their first leadership shake-up since 1980, unanimously elected Rep. Dick Cheney as chairman of the Republican Conference.

Cheney, White House chief of staff under President Ford, succeeds Rep. Jack Kemp, who relinquished the No. 3 leadership post to concentrate on his bid for the Republican presidential nomination. Cheney's previous position as head of the GOP Policy Committee was taken by Rep. Jerry Lewis in a close contest with one of his California colleagues, Rep. Duncan Hunter.

The changes do not indicate any fundamental philosophical shift in the House Republican leadership, but they do position a new generation of younger Republicans for the challenge of directing the minority party in the post-Reagan era.

(Tom Kenworthy, Washington Post, A11)

NETWORK NEWS SUMMARY FOR THURSDAY, JUNE 4, 1987

VENICE ECONOMIC SUMMIT

CBS's CHARLES KURALT: The President is in Venice where he is preparing for next week's economic summit with five Western allies and Japan. One problem sure to come up is the Western resentment of Japan's big trade surplus. Last month CBS News and the NEW YORK TIMES joined with the Tokyo broadcasting system in trying to measure the damage to U.S.-Japanese relations. Thirteen hundred adults were interviewed in each country.

CBS's GORDAN JOSELOFF: For the first time since we began these polls two years ago, the Japanese see relations between the U.S. and Japan as more unfriendly than friendly.... Most Americans believe relations are friendly, but a smaller number than a year ago.... The trade imbalance in Japan's favor bothers Americans but not the Japanese.... Our poll shows twice as many Japanese as Americans think trade problems will worsen in the next few years.... Forty-three percent of the Japanese expressed dissatisfaction with their lives.... Japan hopes its allies in Venice will applaud its plans to increase domestic spending to try to correct the trade imbalance. Our poll shows if the spending improves the quality of life here, the action will be just as welcome at home. (CBS-4)

JAPANESE FEELINGS ON U.S./JAPANESE RELATIONS

Unfriendly: 55%  
Friendly: 43%

FEEL TRADE PROBLEMS WILL WORSEN

U.S.: 15%  
Japan: 34%

IRAN-CONTRA HEARINGS

NBC's JOHN DANCY: The Iran committee voted after a plea from the Special Prosecutor Lawrence Walsh for more time before Oliver North gives public testimony:

(REP. LEE HAMILTON: "Judge Walsh will have at least three more weeks before he would have to seal evidence concerning Col. North in his investigation.")

(WALSH: "I think it's the best that I could reasonably expect from the committees under the circumstances after I talked with them yesterday.")

If the courts agree with the arrangement, North would give private testimony beginning June 15th and public testimony a month later. But some committee members expect North to fight the immunity arrangement in court, arguing that testimony from the hearings could be used against him if he is eventually indicted. Iranian born arms dealer Albert Hakim testified yesterday that he had set up an account to pay North's family \$200,000 from the Iranian arms sales' profits. Today it emerged that one scheme considered and later discarded was to give Mrs. North a phoney \$70,000 real estate commission.

DANCY continues: Senate Committee Counsel Arthur Liman contended today Hakim was trying to give North a payoff in turn for using Hakim's company to sell U.S. arms to Iran.

(HAKIM: "I know very well making...kickbacks available to American officials is illegal.")

LIMAN: "And isn't it a fact that the instructions to the lawyer were to transfer the money in a way which would be secret?"

HAKIM: "In a way that it would be proper."

LIMAN: "Secret also?"

HAKIM: "Secret also.")

Hakim also arranged for North and Secord to inherit up to \$2 million if Hakim died. Liman asked, "Was North aware of that arrangement?" Hakim testified he had given Secord a chart showing how the money should be distributed.

(LIMAN: "Do you know how this chart ended up in Col. North's office?"

HAKIM: "I don't know."

LIMAN: "But you gave it to Secord?"

HAKIM: "Yes, I did.")

Also today Virginia Senator Paul Trible said the committee has developed evidence that Gen. Secord tapped one of the secret Swiss bank accounts for \$30,000 to buy a Porsche automobile, for \$50,000 to buy an airplane and \$2,300 for a trip to a fat farm.

NBC's TOM BROKAW: Hakim disclosed at the hearings today that he came up with a 9-point plan to exchange arms for hostages last October. This plan became the basis for negotiations with Iranians which resulted in the release of one hostage, American David Jacobsen. But after the Iran-contra affair became public the plan was abandoned by the U.S. State Department.

(NBC-Lead)

ABC's BRIT HUME: At midafternoon, House Committee Chairman Lee Hamilton announced that both the House and Senate Committees had voted to grant North immunity and to take his testimony in private by June 15th.

(HAMILTON: "The committees will vote later on whether to compel Lt. Col. North's testimony in public. In any event, Lt. Col. North's testimony in public would not be taken before July 16th.")

So Independent Counsel Lawrence Walsh, who wanted no immunity for North feeling his public testimony could make prosecution impossible, had lost....

(WALSH: "It goes a long way toward meeting it because the committee will then consider, after having all of Admiral Poindexter's public testimony and after having Col. North's private testimony, whether public testimony of Col. North must be taken to fulfill their obligations.")

In fact, there seems no way the committees will decide not to hear North in public. And Walsh clearly recognizes that.

(WALSH: "So my impression is that it's a very remote chance that he might not testify. But I think there is a significant chance that they would be able to perhaps limit the areas of his exposure.")

Back at the hearing, Albert Hakim told how an unnamed Iranian official...was taken on a private tour of the White House by him and Oliver North. He described a light moment when they passed a picture that contained a sleeping dog.

(HAKIM: "Ollie was feeling very upbeat and he asked me to translate for our guest that this represented our Cabinet and that Mr. Casey was taking a nap.")

HUME continues: Hakim also said that an Iranian involved in the second channel had suggested that there would be money in all this for President Reagan. Hakim said he "set him straight" and that was the end of it....

ABC's PETER JENNINGS: From Venice today the White House gave a full vote of confidence to yesterday's witness -- Assistant Secretary of State Elliott Abrams. Yesterday several committee members questioned whether Abrams should stay on the job as point man for Central American policy. Today the White House agreed with Secretary of State Shultz who said Abrams is a man of integrity and candor. (ABC-Lead)

CBS's PHIL JONES: The congressional Iran-contra investigating committees voted to go ahead with limited immunity for Lt. Col. Oliver North. This, despite a plea from Independent Counsel Lawrence Walsh that immunity not be given to avoid jeopardizing his criminal investigation against North.... Under heavy questioning Hakim said today it would have been impossible for Lt. Col. North not to know about his effort to provide money to the North family. (CBS-Lead)

#### ARMS CONTROL

BROKAW: In Venice, Italy, today President Reagan hailed a consensus that has emerged among NATO allies for eliminating U.S. and Soviet nuclear missiles from Europe. This will be an important issue at next week's economic summit meeting in Venice. Mr. Reagan's statement [came] after the West German parliament endorsed the idea of getting rid of most of these superpower missiles. (NBC-7, CBS-3)

#### PERSIAN GULF

JENNINGS: Iranian officials warned the U.S. today not to intervene in the Persian Gulf. One Iranian official in Rome was quoted as saying "the Persian Gulf is deep enough to swallow up American ships." The Administration insists that American presence in the Gulf is necessary to guarantee freedom of navigation.

ABC's JOHN MCWETHY: The Kuwaiti tankers that the U.S. will soon be escorting will sometimes carry loads that could have a direct impact on the Iran-Iraq War.... U.S. officials say it is Kuwait's way of helping Iraq stay solvent during the long war with Iran. Other moderate Gulf states do the same for Iraq, but only Kuwait has asked for American naval escorts. Though the U.S. claims to be neutral in the Iran-Iraq war, this represents a further tilt toward Iraq and could provoke an Iranian military response -- something Iran's speaker of the parliament again threatened yesterday. For the moment, Iran is not bothering American ships. It is increasingly aggressive, however, is stopping the vessels of other nations. Iranian TV show the search of a West German ship earlier in the week and as the search was under way, an American warship, the USS Stephen Grove, appeared in the distance. The U.S. frigate kept its distance and the German ship was released after it had been found to carry no war supplies for Iraq. As the U.S. is beefing up its naval presence in the Persian Gulf, it is also looking for help from the region.



MCWETHY continues: Defense Secretary Weinberger met today in France with Saudi Arabia's defense minister. U.S. officials said Weinberger asked to expand the coverage of the AWACS radar planes that fly from Saudi Arabia so aircraft movement in the entire Gulf can be monitored. He also requested that the Saudis use their own F-15 fighters to protect the AWACS in its expanded orbit. The other Gulf states will also be asked to help by providing flight rights for the AWACS and other American intelligence planes. Plus in the case of Kuwait, expanded use of the port to refuel American ships. As for anything more bold, officials say the U.S. will have to go it alone. (ABC-2)

#### NEW ZEALAND/NUCLEAR ARMS

KURALT: The parliament of New Zealand made it final today and passed a law banning nuclear weapons and ships from it's territory. The U.S. and Australia have already dropped New Zealand out of the ANZUS defense pact because of its anti-nuclear policy and the State Department said today passage of the nuclear ban may lead to further steps against New Zealand. (CBS-9)

#### MOZAMBIQUE

BROKAW: The superpowers are engaged in a different kind of competition in Mozambique.... Today the Marxist government of Mozambique said it is getting an additional \$8 million in economic aid from the Soviet Union. But the U.S. also backs Mozambique.

NBC's ANNE GARRELS: Mozambique is the one place in the world where the Reagan Administration supports a Marxist government. The U.S. is trying to draw Mozambique away from the Soviet camp and the State Department believes it's succeeding.

(CHESTER CROCKER, State Department: "Well they're not just saying the right things -- they're doing the right things.")

These things include: encouraging the private sector, improving relations with the West whose advisers now outnumber their East bloc counterparts, signing a non-aggression pact with South Africa. But to some conservatives, Mozambique is the gaping hole in Reagan's policy of fighting Communism. They believe Ronald Reagan has been conned by Mozambique.... To protest this policy, Senator Jesse Helms is held up Senate approval of the new ambassador to Mozambique for 8 months.... Of greater concern to the Administration -- the opposition of Senate Minority Leader Robert Dole, who has also joined the attack. In a recent letter to the NEW YORK TIMES defending his position, Dole called the Mozambique government "a Marxist regime whose policies can better be described as disastrous and inhumane." His critics accuse Dole of playing to the far right. Dole and others want the Administration to support Renamo, a guerilla movement they call anti-Communist. The Administration calls them puppets of South Africa with no democratic credentials.

(CROCKER: "The objective is to do things which strategically serve only one interest, which is in the sense South Africa's interest rather than the interests of Mozambique and nationalism.")

The war keeps Mozambique poor.... U.S. officials question their tactics.

GARRELS continues: Renamo has blown up hundreds of health clinics, repeatedly attacked food convoys.... Mozambique's Marxist government has the support of America's allies and most of Africa. The U.S. believes Mozambique's gradual turn to the West is an embarrassment to the Soviet Union. Conservatives say supporting this Marxist government is an embarrassment to President Reagan. (NBC-8)

#### ABU NIDAL

BROKAW: A Jordanian newspaper reported today that Syria has closed the offices of Abu Nidal, the Palestinian terrorist blamed for the 1985 airport massacres in Rome and Vienna. The newspaper said that many of Abu Nidal's followers now have been expelled as well. The presence of Nidal's group in Syria has blocked that country's efforts to improve relations with the U.S. (NBC-9)

#### INSIDER TRADING

BROKAW: On Wall Street today there was a major settlement in one of the insider stock trading cases. Kidder Peabody agreed to pay the second highest penalty ever -- \$25 million to settle insider trading and other charges. (NBC-2, ABC-8, CBS-12)

#### LAXALT

BROKAW: Former Nevada Senator Paul Laxalt announced today that he is dropping his \$250 million libel suit against the publisher of the SACRAMENTO BEE newspaper.... Under the settlement, Laxalt could recover his legal costs, but gets no damages and no retraction. The newspaper called it a victory. So did Laxalt who said it now frees him to pursue the Republican nomination for president. (NBC-5, ABC-4, CBS-13)

#### GRADUATION COMMENCEMENTS

BROKAW: To the classes of 1987 all across the land this is the season of advice and wisdom when the final price of their diplomas is to sit through a commencement speech. Tonight we share with you the many themes and speakers for the class of '87....

(THE PRESIDENT: "It's time to get drugs off our campuses and out of our school yards.") (NBC-11)

FOREIGN MEDIA REACTION

VENICE SUMMIT

"No new action will be taken to bolster the dollar at next week's Venice economic summit, the participants made clear yesterday. In the absence of such moves, pressure on the dollar could return.... President Reagan left for the Venice economic summit yesterday saying that the talks would strengthen Western solidarity... The summit will be used by Mr. Reagan's aides to try to deflect media attention from the tide of embarrassing publicity that has dogged him since the Iran-contra hearings began..."  
(Times, Britain)

"The one thing next week's Venice economic summit will not be about is economics, judging by early briefings from government sources preparing the groundwork... But it is not just electioneering which will distract the summit away from economics. The 'sherpas'...already acknowledge that a host of non-economic issues are already on the agenda and are likely to overshadow the official business of the meeting..."  
(Guardian, Britain)

"Italian papers report remarks made by a U.S. official who did not want to be identified expressing U.S. disappointment after the cancellation of the state visit (in Italy)...."  
(Figaro, France)

"James Baker did everything possible Wednesday to calm down the financial markets during an interview broadcast by satellite... He had rarely been so clear in this matter..."  
(Le Matin, France)

"Treasury Secretary James Baker has welcomed German plans to reform the tax system in order to stimulate consumption. In an international (Worldnet) satellite TV conference on the eve of the economic summit, Baker said that the announcement by Finance Minister Gerhard Stoltenberg that the Bonn Government will do all it can to stabilize the growth of the German economy within the limits of Bonn economic policy was received with satisfaction in Washington..."  
(General-Anzeiger, West Germany)

"One of the fundamental purposes of the summit is to increase trust. Unexpected reactions are to be avoided, especially in view of a situation which has become a lot more complicated.... Reagan can reckon with formal support for his disarmament stance at Geneva.... The fight against terrorism will be a further political topic at the summit..."  
(Die Welt, West Germany)

"The Bonn Government obviously intends to defend itself...against demands that, like Japan, it implement measures to stimulate economic development."  
(Handelsblatt, West Germany)

"The President's pre-departure speech on the White House lawn...contrasted sharply with the serious problems presently troubling the United States. There are strong disputes in Washington on the resignation of FRB Chairman Volcker, on the Persian Gulf and on Irangate..."  
(La Stampa, Italy)