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News Summary

OFFICE OF THE PRESS SECRETARY

SUNDAY, JUNE 7, 1987 -- VENICE EVENING EDITION
12:00 P.M. NOON EDT, 6:00 P.M. ITALY

TODAY'S HEADLINES

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(LA Times, NY Daily News)

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(LA Times, NY Times, NY Daily News, Philadelphia Inquirer)

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ECONOMIC SUMMIT...A2

INTERNATIONAL.....A6

NATIONAL.....A9

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By the time the dust had cleared several weeks later, the dollar had plummeted in world money markets, interest rates in the U.S. had jumped sharply and inflation fears were rising again. Everyone from the first-time home buyer in Akron to the stolid Swiss bankers in Zurich had felt the fury of the latest global economic jitters....

As the leaders of the seven largest industrial democracies gather here Monday for their annual economic summit, that recent wave of financial anxiety will be very much on their minds. (Tom Redburn, LA Times, A1)

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Reagan should be able to claim a united front with the six allies, whom he promised to consult before taking another giant step toward his first arms control treaty with the Kremlin.

(Bruce Drake, NY Daily News, A6)

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Confers With John Paul II In Vatican

On Progress In Talks, U.S.-Soviet Ties

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In brief public statements after their private session in the Vatican Library, both leaders discussed the need to work for world peace.

(Jack Nelson and James Gerstenzang, LA Times, A1)

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The President, who spoke before the pontiff did, made just one passing reference to the arms talks with the Soviets when he said, "We join with the Holy See in our concern for a world of peace, where armaments are reduced and human rights respected."

(Owen Ullmann, Philadelphia Inquirer, A1)

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The city of canals is a unique conference site. Also unique are the security problems faced by the organizers of the talks that begin here Monday.

(John Tagliabue, NY Times, A14)

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VENICE -- This city of almost hallucinatory beauty, nestled in its protective lagoon, is one of those places that belongs to all the world.

Napoleon called the city's main square, St. Mark's, the "drawing room of Europe." In the jet age, it is the drawing room of the five continents.

(R.W. Apple, NY Times, A14)

SUMMIT LEADERS ARE USED TO WORKING TOGETHER

VENICE -- The leaders of seven top industrialized non-communist nations who open an annual economic summit in Venice tomorrow are all veteran politicians used to working closely together....

Apart from French President Francois Mitterrand, a socialist, the summiteers...broadly share a conservative view of the world.

Diplomats say all of them, including Mitterrand, have established cordial personal ties over the years despite differences on individual issues.

(Reuter)

-More-

IN VENICE, A DOLLAR WON'T TAKE YOU VERY FAR

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A dollar won't even buy you a cup of coffee.

Among tourist spots of the world, this city of canals, art masterpieces and medieval splendor is one of the most expensive.

(UPI, LA Times, A9)

JAPAN/NORTH KOREA

TOKYO -- The U.S. has informed Japan that North Korea has converted imported Japanese trucks into missile launchers, the Kyodo News Service reported Sunday.

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Kuwait said Saturday that it will not allow the U.S. or any other foreign power to establish military facilities on its territory, apparently ruling out the use of Kuwaiti airfields for U.S. warplanes providing air cover to U.S. Navy ships operating in the Persian Gulf.

Nevertheless, there was growing evidence that, in seeking U.S. and Soviet protection for ships carrying oil from the tiny emirate, Kuwait hopes to elevate the role of the superpowers in the Iran-Iraq War and preclude an ultimate Iranian victory. (Norman Kempster, LA Times, A1)

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At the same time, Frank Carlucci, Reagan's assistant for national security affairs, warned Iran against attacking American ships, which he said would defend themselves. But he refused to indicate whether the U.S. is considering a preemptive strike to disable or destroy the missiles.

(James Gerstenzang and Jack Nelson, LA Times, A6)

U.S. Rejecting Chinese Denial Of Arming Iran

ROME -- A top Reagan Administration official said today that Chinese officials had denied selling missiles to Iran, but that the U.S. did not believe the Chinese statements.

Underlining Administration concern over Chinese-made missiles that have prompted fresh worries about shipping in the Persian Gulf, Frank Carlucci, the President's national security adviser, said China's denial came in a response through diplomatic channels to an Administration protest over the sale of the land-based missiles known as Silkworms.

(Gerald Boyd, NY Times, A1)

KUWAIT LIKELY TO TURN TO MOSCOW IF U.S. FLAG DEAL DERAILED

KUWAIT -- Kuwait is likely to seek more help from Moscow to protect its shipping against Iranian attacks if the U.S. opposes a deal to put half its tankers fleet under the U.S. flag, diplomatic and political sources say....

Kuwait, lying only 50 miles from the warfront and with more crude oil per square mile than any other country, has chartered three Soviet oil tankers and agreed to lease more if the reflagging deal gets derailed, political sources said.

(Rory Channing, Reuter)

IRAN WILL RETALIATE TO ANY U.S. STRIKES, MINISTER SAYS

VIENNA -- Iran will strike back at the U.S. should Washington attempt military action against its territory or shipping, Deputy Iranian Foreign Minister Hossein Sheikholeslam said.

"If the Americans make the mistake of attacking us, we will definitely strike back. If they attack us inside our country, we will attack them inside their country. If they attack our ships, we will attack their ships," Sheikholeslam told reporters yesterday....

However, he also said that Tehran would welcome mediation by other countries to end the "Tanker War" in the Gulf in which missile attacks on shipping by Iran and its Gulf War foe Iraq have become regular events.

(Reuters)

SOVIET LEADS U.S. IN ARMS-CUT IMAGE A Survey of West Europeans Shows More Give Moscow Credit For Recent Gain

West Europeans give the Russians most of the credit for recent progress in arms control, despite American efforts to portray movement toward a new accord on medium-range missiles as a vindication of the Reagan Administration's tough negotiating approach, according to a confidential Government survey.

Prepared by the USIA, the survey is seen by American policymakers as a troubling indication that the U.S. is doing poorly in its battle for the hearts and minds of West Europeans.

The survey examined attitudes in Britain, France and West Germany. It has been presented to President Reagan but has not been made public.

(Michael Gordon, NY Times, A7)

ARMS DEAL WILL NOT SPLIT EUROPE FROM U.S., GENSCHER SAYS

BONN -- Superpower plans to remove medium and shorter-range nuclear missiles from European soil will not lead to a "decoupling" of Western Europe from the U.S., West German Foreign Minister Hans-Dietrich Genscher said today.

Genscher also said Bonn's insistence on keeping its contingent of 72 Pershing-1A missiles in such an arms deal was in line with a long-held U.S. negotiating position and not a separate West German condition.

"Europe and the United States are joined not only by common armed forces -- 300,000 American soldiers and their families are in our country -- but also by a common disarmament policy," Genscher said in a radio interview.

(Reuters)

NICARAGUA TO CURB OIL USE, RAISE PRICES

MANAGUA -- President Daniel Ortega, faced with a sharp reduction in the supply of Soviet crude oil, ordered a 5 percent cutback Saturday in Nicaragua's fuel consumption.

In a speech to labor leaders, Ortega also said that official prices for the 54 consumer goods distributed by the state will rise to keep them off the black market and that workers' wages will keep pace.

Western economists said both measures appear to be aimed at satisfying private Soviet criticisms of the Sandinista government's economic management and thus assuring additional Soviet oil shipments.

(Richard Boudreaux, LA Times, A1)

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THATCHER KEEPING HER LEAD IN POLLS
Although Labor Cuts Margin With Slick TV Broadcasts,
Majority of 40 is Seen

LONDON -- With four days of campaigning left, Prime Minister Margaret Thatcher is a solid favorite to lead the Conservatives to a parliamentary majority and become the first Prime Minister in this century to win three consecutive terms.

But as Thursday's voting nears, many independent analysts and strategists in both parties say that Mrs. Thatcher has been outperformed on the stump by the Labor opponent, Neil Kinnock. There is also general agreement that Labor has produced slicker television broadcasts, better advance work and stronger field organization than the Conservatives.

Strategists on both sides, however, say that two factors -- Britain's improving economy and Labor's unpopular plan for nuclear disarmament -- seem to have put a cap on Mr. Kinnock's support. Surveys also show that Mrs. Thatcher's stronger leadership image is helping her sustain what has so far seemed an ironclad lead of about 7 points in the most recent major public-opinion polls.
(Howell Raines, NY Times, A13)

ITALIAN ELECTION COULD PROVIDE MAJOR OPENING FOR COMMUNISTS

ROME -- Italy's upcoming general election could mark a watershed in the country's postwar politics and create the best chance yet for the powerful Communist Party to win a role in government, political sources say.

The Communists are Italy's second largest party, polling nearly 30 percent in the last election in 1983 compared with the Christian Democrats' 33 per cent....

Many analysts believe distrust and dislike are now so severe that the Christian Democrats and Socialists will be unable to form another coalition and will seek other partners.
(Analysis by Barry Moody, Reuter)

IZVESTIA SAYS CONVICTED NAZI UNREPENTANT IN JAIL INTERVIEW

MOSCOW -- Karl Linnaas, a convicted Nazi war criminal deported to the Soviet Union from the U.S., was unrepentant and rude when a prosecutor questioned him about his wartime activities, Izvestia said today.
(Reuter)

FIJI CRISIS WORSENS THREE WEEKS AFTER COUP

SUVA, Fiji -- Three weeks after a military coup which sent shock waves through the South Pacific, Fiji's political and constitutional crisis is worsening and its racial divisions are widening.

Pope John Paul II described Fiji during his visit last November as an example of racial harmony and "a symbol of hope to the world." But simmering anger and frustrations beneath the surface have set the nation on the road to ruin...

Coup leader Col. Sitiveni Rabuka has said it could be 16 months until a constitutional review is completed and fresh elections held.

"This leaves a long period of uncertainty which can only be damaging to Fiji, because the racial and geographic divisions are growing stronger," one Western diplomat said.
(Analysis by Jeremy Clift, Reuter)

NATIONAL NEWS

NORTHROP MISCONDUCT ALLEGED IN MX CONTRACT
Federal Probers Sent U.S. Attorney In L.A. Data
Linked To Possible Fraud, Aspin Memo Reports

LOS ANGELES -- Federal investigators have turned over to the U.S. attorney in Los Angeles evidence of possible criminal and civil misconduct by Northrop Corp. while the firm was working under an Air Force contract to build a key guidance device in the MX missile system.

The action was disclosed in a memo written by Rep. Les Aspin.

As a result of "serious problems" in the MX program discovered by the House Armed Services Committee staff and two Defense Department investigative agencies, Aspin said that he plans to call hearings in Washington later this week. (Ralph Vartabedian, LA Times, A1)

More Poor Facing Shrinking Number Of Affordable Units, Gonzalez Says
DEMOCRATS BLAME REAGAN POLICIES FOR HOUSING CRUNCH

Rep. Henry Gonzalez charged Saturday that the Reagan Administration's housing policies are a "disaster" and have led to a shrinking supply of low and moderate-income housing units and an increased number of homeless people.

"President Reagan's policies are making more Americans poor," Gonzalez said in the Democratic response to President Reagan's weekly radio address. (Penny Pagano, LA Times, A4)

GREENSPAN SEEN GUARDING U.S. FEDERAL RESERVE INDEPENDENCE

Lingering doubts about Federal Reserve Board nominee Alan Greenspan's willingness to resist Reagan Administration pressure on key economic issues are unjustified, congressional and financial analysts say.

Senate Banking Committee Democrats will closely scrutinize the Republican credentials of Greenspan...during confirmation hearings.

But congressional sources and financial analysts say they expect Greenspan, a conservative economist who served as President Ford's top economic adviser and as an unofficial economic adviser to President Reagan for years, to win quick approval from the Democratically controlled Senate.

(News Analysis by Donna Smith, Reuter)

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KUWAIT LIKELY TO TURN TO MOSCOW IF U.S. FLAG DEAL DERAILED

KUWAIT -- Kuwait is likely to seek more help from Moscow to protect its shipping against Iranian attacks if the U.S. opposes a deal to put half its tankers fleet under the U.S. flag, diplomatic and political sources say....

Kuwait, lying only 50 miles from the warfront and with more crude oil per square mile than any other country, has chartered three Soviet oil tankers and agreed to lease more if the reflagging deal gets derailed, political sources said.

(Rory Channing, Reuter)

IRAN WILL RETALIATE TO ANY U.S. STRIKES, MINISTER SAYS

VIENNA -- Iran will strike back at the U.S. should Washington attempt military action against its territory or shipping, Deputy Iranian Foreign Minister Hossein Sheikholeslam said.

"If the Americans make the mistake of attacking us, we will definitely strike back. If they attack us inside our country, we will attack them inside their country. If they attack our ships, we will attack their ships," Sheikholeslam told reporters yesterday....

However, he also said that Tehran would welcome mediation by other countries to end the "Tanker War" in the Gulf in which missile attacks on shipping by Iran and its Gulf War foe Iraq have become regular events.

(Reuter)

SOVIET LEADS U.S. IN ARMS-CUT IMAGE A Survey of West Europeans Shows More Give Moscow Credit For Recent Gain

West Europeans give the Russians most of the credit for recent progress in arms control, despite American efforts to portray movement toward a new accord on medium-range missiles as a vindication of the Reagan Administration's tough negotiating approach, according to a confidential Government survey.

Prepared by the USIA, the survey is seen by American policymakers as a troubling indication that the U.S. is doing poorly in its battle for the hearts and minds of West Europeans.

The survey examined attitudes in Britain, France and West Germany. It has been presented to President Reagan but has not been made public.

(Michael Gordon, NY Times, A7)

ARMS DEAL WILL NOT SPLIT EUROPE FROM U.S., GENSCHER SAYS

BONN -- Superpower plans to remove medium and shorter-range nuclear missiles from European soil will not lead to a "decoupling" of Western Europe from the U.S., West German Foreign Minister Hans-Dietrich Genscher said today.

Genscher also said Bonn's insistence on keeping its contingent of 72 Pershing-1A missiles in such an arms deal was in line with a long-held U.S. negotiating position and not a separate West German condition.

"Europe and the United States are joined not only by common armed forces -- 300,000 American soldiers and their families are in our country -- but also by a common disarmament policy," Genscher said in a radio interview.

(Reuter)

NICARAGUA TO CURB OIL USE, RAISE PRICES

MANAGUA -- President Daniel Ortega, faced with a sharp reduction in the supply of Soviet crude oil, ordered a 5 percent cutback Saturday in Nicaragua's fuel consumption.

In a speech to labor leaders, Ortega also said that official prices for the 54 consumer goods distributed by the state will rise to keep them off the black market and that workers' wages will keep pace.

Western economists said both measures appear to be aimed at satisfying private Soviet criticisms of the Sandinista government's economic management and thus assuring additional Soviet oil shipments.

(Richard Boudreaux, LA Times, A1)

-More-

THATCHER KEEPING HER LEAD IN POLLS
Although Labor Cuts Margin With Slick TV Broadcasts,
Majority of 40 is Seen

LONDON -- With four days of campaigning left, Prime Minister Margaret Thatcher is a solid favorite to lead the Conservatives to a parliamentary majority and become the first Prime Minister in this century to win three consecutive terms.

But as Thursday's voting nears, many independent analysts and strategists in both parties say that Mrs. Thatcher has been outperformed on the stump by the Labor opponent, Neil Kinnock. There is also general agreement that Labor has produced slicker television broadcasts, better advance work and stronger field organization than the Conservatives.

Strategists on both sides, however, say that two factors -- Britain's improving economy and Labor's unpopular plan for nuclear disarmament -- seem to have put a cap on Mr. Kinnock's support. Surveys also show that Mrs. Thatcher's stronger leadership image is helping her sustain what has so far seemed an ironclad lead of about 7 points in the most recent major public-opinion polls.
(Howell Raines, NY Times, A13)

ITALIAN ELECTION COULD PROVIDE MAJOR OPENING FOR COMMUNISTS

ROME -- Italy's upcoming general election could mark a watershed in the country's postwar politics and create the best chance yet for the powerful Communist Party to win a role in government, political sources say.

The Communists are Italy's second largest party, polling nearly 30 percent in the last election in 1983 compared with the Christian Democrats' 33 per cent....

Many analysts believe distrust and dislike are now so severe that the Christian Democrats and Socialists will be unable to form another coalition and will seek other partners.
(Analysis by Barry Moody, Reuter)

IZVESTIA SAYS CONVICTED NAZI UNREPENTANT IN JAIL INTERVIEW

MOSCOW -- Karl Linnas, a convicted Nazi war criminal deported to the Soviet Union from the U.S., was unrepentant and rude when a prosecutor questioned him about his wartime activities, Izvestia said today.
(Reuter)

FIJI CRISIS WORSENS THREE WEEKS AFTER COUP

SUVA, Fiji -- Three weeks after a military coup which sent shock waves through the South Pacific, Fiji's political and constitutional crisis is worsening and its racial divisions are widening.

Pope John Paul II described Fiji during his visit last November as an example of racial harmony and "a symbol of hope to the world." But simmering anger and frustrations beneath the surface have set the nation on the road to ruin...

Coup leader Col. Sitiveni Rabuka has said it could be 16 months until a constitutional review is completed and fresh elections held.

"This leaves a long period of uncertainty which can only be damaging to Fiji, because the racial and geographic divisions are growing stronger," one Western diplomat said.
(Analysis by Jeremy Clift, Reuter)

NATIONAL NEWS

NORTHROP MISCONDUCT ALLEGED IN MX CONTRACT
Federal Probers Sent U.S. Attorney In L.A. Data
Linked To Possible Fraud, Aspin Memo Reports

LOS ANGELES -- Federal investigators have turned over to the U.S. attorney in Los Angeles evidence of possible criminal and civil misconduct by Northrop Corp. while the firm was working under an Air Force contract to build a key guidance device in the MX missile system.

The action was disclosed in a memo written by Rep. Les Aspin.

As a result of "serious problems" in the MX program discovered by the House Armed Services Committee staff and two Defense Department investigative agencies, Aspin said that he plans to call hearings in Washington later this week. (Ralph Vartabedian, LA Times, A1)

More Poor Facing Shrinking Number Of Affordable Units, Gonzalez Says
DEMOCRATS BLAME REAGAN POLICIES FOR HOUSING CRUNCH

Rep. Henry Gonzalez charged Saturday that the Reagan Administration's housing policies are a "disaster" and have led to a shrinking supply of low and moderate-income housing units and an increased number of homeless people.

"President Reagan's policies are making more Americans poor," Gonzalez said in the Democratic response to President Reagan's weekly radio address. (Penny Pagano, LA Times, A4)

GREENSPAN SEEN GUARDING U.S. FEDERAL RESERVE INDEPENDENCE

Lingering doubts about Federal Reserve Board nominee Alan Greenspan's willingness to resist Reagan Administration pressure on key economic issues are unjustified, congressional and financial analysts say.

Senate Banking Committee Democrats will closely scrutinize the Republican credentials of Greenspan...during confirmation hearings.

But congressional sources and financial analysts say they expect Greenspan, a conservative economist who served as President Ford's top economic adviser and as an unofficial economic adviser to President Reagan for years, to win quick approval from the Democratically controlled Senate.

(News Analysis by Donna Smith, Reuter)