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News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, JUNE 8, 1987 -- VENICE AFTERNOON EDITION
6:00 A.M. EDT, NOON ITALY

TODAY'S HEADLINES

ECONOMIC SUMMIT

FOCUS ON POLITICS AS ECONOMIC SUMMIT OPENS -- Leaders of the Western world's major industrial nations set a hectic round of conferences today to begin an economic summit meeting as much concerned with politics -- national and international -- as with economics. (Los Angeles Times, Washington Post, Washington Times, AP, Reuter, UPI)

INTERNATIONAL NEWS

ADMINISTRATION TALKS TOUGH ON IRAN IN GULF WAR -- The Reagan Administration issued a stern warning to Iran not to deploy its new Silkworm missiles in the Persian Gulf. (Los Angeles Times, Washington Post, Copley, Reuter)

IRAN-NICARAGUA

REAGAN'S PERSONAL ASSISTANT GETS IMMUNITY -- President Reagan's one-time personal assistant has received full immunity for his cooperation with the special prosecutor investigating the Iran-contra affair. (AP)

NETWORK NEWS (Sunday Evening)

SUMMIT -- Europeans fear President Reagan will attempt to pressure them to contribute military forces to the Persian Gulf region.

PERSIAN GULF -- Top Administration officials came closer to a public threat of a preemptive strike against Iranian Silkworm missiles.

USS STARK -- Investigators now believe the Stark had time to defend itself, but was caught with its guard down.

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ECONOMIC SUMMIT

U.S.-IRAN GULF TENSION CASTS SHADOW OVER VENICE SUMMIT

VENICE -- Tension between the U.S. and Iran over security of the Persian Gulf's oil-export searoutes has cast a widening shadow over a three-day meeting of the seven major industrial democracies that begins today.

Increasingly vocal sabre-rattling between Washington and Tehran over navigation in the Persian Gulf seemed likely to push the Gulf war high on the agenda, against the wishes of several of the U.S. allies at the meeting.

Reagan's senior aides issued tough warnings to Iran not to deploy Chinese-made Silkworm antiship missiles along the Persian Gulf.

White House Chief of Staff Howard Baker said that if the Silkworms were not deployed, "the world would be better off and frankly Iran would be better off."

The warnings from Baker and other White House officials came after Iranian Deputy Foreign Minister Hossein Sheikholeslani said in Vienna, "If the Americans make the mistake of attacking us, we will definitely strike back..."
(Barry Moody, Reuter)

FOCUS ON POLITICS AS ECONOMIC SUMMIT OPENS

VENICE -- Leaders of the Western world's major industrial nations set a hectic round of conferences today to begin an economic summit meeting as much concerned with politics -- national and international -- as with economics.

Most pressing was the tension in Persian Gulf, where the U.S. plans to deploy armed forces to protect Kuwaiti tankers -- which will be allowed to fly the American flag -- from attack by Iran.

White House Chief of Staff Howard Baker said it was "inevitable" that the American intentions would be debated, probably hotly.

European spokesmen made it clear they want the U.S. to "cool it" in the Gulf, fearing American action would prompt Iran to take European hostages as it held Americans during the administration of Jimmy Carter, who was president at the last summit held in Venice in 1980.

(Gregory Jensen, UPI)

MISSILE THREAT OVERSHADOWS START OF SUMMIT TALKS

VENICE -- Allied leaders gathered amid extraordinary security in this lagoon city for the start of summit talks dominated by danger in the Persian Gulf and a disarmament plan for hundreds of missiles in Europe and Asia.

Even before today's opening session, the U.S. helped set the agenda by warning Iran not to "run the risk of retaliation" by deploying antiship missiles in the Persian Gulf.

Reagan planned to meet separately with Japanese Prime Minister Nakasone, Italian Prime Minister Fanfani and West German Chancellor Kohl before the 13th annual economic summit got under way.
(Terence Hunt, AP)

IRAN, IRAQ ARMS EMBARGO SUPPORT SOUGHT BY REAGAN

VENICE -- President Reagan will seek broad support at the economic summit for a U.S. resolution in the U.N. Security Council calling for an international arms embargo against Iran and Iraq unless they agree to negotiate an end to their war, a senior U.S. official said.

Reagan also will seek trade sanctions against nations that sell arms to either nation in the 7-year-old Gulf war, the official said.

"We are working in the U.N. for a cease-fire and for a resolution that has teeth in it," National Security Adviser Carlucci said. "If any party does not abide by the cease-fire, we would call upon the nations of the world to cease their shipment of arms to that particular country."

(Jeremiah O'Leary, Washington Times, A6)

WARNINGS TO IRAN, AN ARMS ACCORD ARE REAGAN'S ACES

VENICE -- President Reagan is counting on a few hundred nuclear missiles and some tough talk aimed at Iran by his associates to carry the day for him at the economic summit.

Like Richard Nixon more than a decade ago, he is banking on arms control to rescue him from political misfortune.

The tough pre-summit talk is coming mostly from Reagan's two top aides, Howard Baker and Frank Carlucci, along with his press secretary, Marlin Fitzwater, and officials back home in Washington.

They are keeping Iran guessing about whether Reagan might order a preemptive strike to destroy Chinese antiship missiles that are near deployment.

(Barry Schweid, AP)

EUROPEANS TO COUNSEL CAUTION

VENICE -- Concerned by rapid shifts in U.S. foreign policy goals and methods in recent months, European leaders are likely to use the seven-nation summit here to press President Reagan to show more caution and consistency in world affairs.

The summit, which begins Monday night, could end up being a "damage control" mission by European leaders who see Washington's recent handling of Soviet-U.S. relations and events in the Persian Gulf as erratic and risky, aides to several of the key European participants suggest.

(Jim Hoagland, Washington Post, A1)

TREASURY CHIEF SEES U.S. ECONOMY STRONG AS SUMMIT OPENS

Treasury Secretary Baker said on the eve of the 13th annual summit of industrial nations that the U.S. economy remains strong but some allies could do more to spur worldwide expansion.

"I do not see a recession for the balance of this year nor do I see a recession next year," Baker said on ABC's "This Week with David Brinkley."

Baker repeated there was agreement among the U.S. and summit participants Britain, West Germany, France, Italy, Japan and Canada that the dollar has fallen far enough.

The treasury secretary indicated under questioning that President Reagan did not try to persuade Paul Volcker against declining a third term as chairman of the Federal Reserve Board last week.

(Reuter)

MOUNTAINS OF DEBT FACE SUMMITEERS

VENICE -- As leaders from the world's seven biggest capitalist economies begin their meeting here today, experts disagree on how well they are doing and what they must do to improve.

"The Magnificent Seven," as they have been dubbed by the Italian press, are meeting in an atmosphere fraught with uncertainty.

On the summit's eve, Washington's European partners expressed doubt in the future of the dollar and in the Reagan Administration's ability to come to grips with the U.S. budget deficit.

The European media describe the U.S. as a giant debtor whose currency needs international support and whose President cannot guarantee solutions beyond next year.
(Andrew Borowiec, Washington Times, A1)

REAGAN MAY EASE JAPANESE TRADE SANCTIONS AT SUMMIT

VENICE -- President Reagan is likely to relax U.S. sanctions imposed against Japan for running afoul of a bilateral agreement on semiconductor trade when he meets with Japanese Prime Minister Nakasone, U.S. officials signaled.

Reagan is expected to tell Nakasone that he is prepared to lift as much as 25% of the \$300 million in punitive tariffs on selected Japanese products that were imposed by the U.S. in April.

While declining to state explicitly that the sanctions would be lifted, White House Chief of Staff Howard Baker told an interviewer for CBS's "Face the Nation" that "I would not be surprised" if an announcement on semiconductors comes out of the Reagan-Nakasone meeting.

And an Administration official, speaking on condition that he not be identified by name, said Reagan was looking for a method that "would give some relief" to Japan for its efforts to reduce below-market "dumping" by Japanese manufacturers of computer memory chips in Third World countries, mostly in Southeast Asia.

(Tom Redburn & Donna Walters, Los Angeles Times, A1)

NAKASONE AT SUMMIT TO PRESS U.S. TO CUT BUDGET DEFICIT

GENEVA -- Japanese Prime Minister Nakasone...will likely ask the U.S. for renewed determination to reduce its budget deficit in a bid to make Japan's new economic package work, diplomats said.

Hard pressed by the U.S., Japan announced late last month a \$4.2 billion package of pump-priming measures to expand domestic demand and thus absorb more imports.

However, the diplomats said this will not be so easy for Nakasone as they said Japan's efforts alone are not enough to rectify widening international trade imbalances.
(Tsukasa Maekawa, Reuter)

THATCHER INTERRUPTS ELECTION CAMPAIGN FOR VENICE SUMMIT

LONDON -- British Prime Minister Thatcher, strongly favored to retain power in general elections this week, interrupted her campaign today to join the Venice summit of industrial democracies.

Thatcher, confident of achieving a record third consecutive term in office, was determined to use her 18 hours in Venice -- just long enough to meet with President Reagan in private and attend one formal session with other leaders -- to highlight her stature on the world political scene.

(Sandra Maler, Reuter)

THE STRONGER OF TWO FRIENDS

VENICE -- Other than abrupt cancellation of the Iran-contra hearings, nothing would please President Reagan more than an overwhelming victory for the Conservatives in the British elections Thursday.

Reagan pays a stiff price in reputation for the inspiration and assistance he receives from Thatcher. The prime minister outshines the President in intellect and tough-mindedness and makes no effort to conceal these advantages from American reporters or British voters. There have been summits when Thatcher finished Reagan's lines for him and other summits when she gently dragged him to a waiting limousine before he created an international incident by saying whatever came into his head.

Thatcher reinforces Reagan while also patronizing him. When the two leaders share a world stage, their constituents instantly recognize that Thatcher is both the superior intellect and the more elemental force. The disparity in their capacities may bolster British national pride, but it uncomfortably reminds Americans that they are led by a president who is in serious trouble when he departs from his script.

Whatever the result of the British elections, Thatcher has shown that she is made of sterner stuff. In the twilight of his presidency, Reagan draws attention to poll findings that Americans still like him even though they no longer trust his leadership. Thatcher seems to revel in the opposite finding, drawing comfort from the fact that she is more respected than liked
(Lou Cannon, Washington Post, A2)

LEADERS' POLITICAL WOES MAY RESULT IN LAME-DUCK SUMMIT

VENICE -- When President Reagan and six other heads of government open this year's annual summit of the major industrial democracies, they will assemble in the same ornate Renaissance palace where the doges ruled for centuries over the prosperous Venetian Republic.

Unfortunately, for the modern-day leaders, their political footing is far less secure. With the exception of British Prime Minister Thatcher, who is taking less than a full day off from her reelection campaign to attend the Venice meetings, each arrived here in a politically weakened state.

And in the view of some of Reagan's top aides, that does not bode well for agreement on many of the host of thorny issues on this year's summit agenda. That could translate into lost opportunities to make progress on matters ranging from fighting AIDS to ensuring safe shipping in the Persian Gulf.
(James Gerstenzang, Los Angeles Times, A4)

NANCY REAGAN PLANS ANTI-DRUG MISSION TODAY

VENICE -- Nancy Reagan plans to fly to Sweden today while President Reagan joins six other heads of government at the opening of the economic summit here.

It will be the eighth foreign country Mrs. Reagan has visited in her international campaign against drug abuse.

During her two days in the Stockholm area, Mrs. Reagan plans to visit several drug programs, meet with a group of expectant mothers who are trying to kick the drug habit and attend a musical performance by a group of artists who are campaigning against drugs.
(Los Angeles Times, A5)

INTERNATIONAL NEWS

U.S. WARNS IRAN ON NEW MISSILES
Stresses Risk Of Strike If Arms Are Deployed

VENICE -- In its strongest warning yet that Iran could face a preemptive strike if it deploys Chinese-made Silkworm missiles, the Reagan Administration said that deployment could be considered a hostile act and would "run the risk of retaliation."

Both White House Chief of Staff Howard Baker and National Security Adviser Frank Carlucci described the situation the war-torn Gulf in grave terms. They warned Iran against deploying the missiles or taking any other action to carry out their threats to close the strait militarily to prevent tankers loaded with oil from leaving the Gulf.

Later, a Reagan Administration official, speaking on condition of anonymity, said the comments represented a carefully planned warning to Iran not to proceed with the deployment.

(Jack Nelson & James Gerstenzang, Los Angeles Times, A1)

ADMINISTRATION TALKS TOUGH ON IRAN IN GULF WAR

VENICE -- The Reagan Administration issued a stern warning to Iran not to deploy its new Silkworm missiles in the Persian Gulf, with White House Chief of Staff Howard Baker stating bluntly that "the United States is capable of doing them great damage."

Appearing on CBS's "Face the Nation," Baker said firmly the U.S. will "do whatever we need to do" to guarantee the free transit of ships in the Gulf.

"And," Baker said, "the Iranians ought to wonder about that."

(George Condon, Copley)

WHITE HOUSE'S BAKER SAYS CONFLICT FEARS EXAGGERATED

White House Chief of Staff Howard Baker has attempted to calm congressional fears that the U.S. could be drawn into the Iran-Iraq war and said the Soviet presence in the Persian Gulf could be helpful.

Baker said (on CBS's "Face the Nation") Washington's decision to let Kuwait ships its oil through the war-torn Persian Gulf in U.S.-flagged tankers did not create grave new risks for the U.S.

Baker said he also saw benefits for the U.S. from Kuwait's decision to seek Soviet as well as American help shipping its oil.

"I think it is clearly not a bad thing," Baker said.

(Reuters)

CROWE ADVISES AGAINST ATTACK ON MISSILES
Tanker Escort Seen As Acceptable Risk

Adm. William Crowe, chairman of the Joint Chiefs of Staff, told a Senate hearing Friday that he opposes launching a preemptive strike against Silkworm missiles in Iran and doubts that Iran would fire them at ships flying the U.S. flag in the Persian Gulf, informed officials said.

Crowe, they said, also told a closed-door session of the Senate Armed Services Committee that President Reagan's plan to send U.S. warships into the Gulf to escort Kuwaiti tankers is an acceptable risk.

(George Wilson, Washington Post, A5)

U.S., SOVIETS DISCUSS DATES FOR 1987 SUMMIT

VENICE -- White House Chief of Staff Howard Baker said that U.S. and Soviet officials have discussed "a range of dates" for a prospective summit meeting in Washington between President Reagan and Soviet leader Gorbachev later this year.

Meanwhile, U.S. officials continued to warn Iran against interfering with navigation in the Persian Gulf and particularly against using Chinese Silkworm missiles against U.S. ships or any tankers they escort.

National Security Adviser Carlucci said it would be "inadvisable" for Iran to try to prevent U.S. ships from escorting tankers through the Strait of Hormuz. "U.S. ships are prepared to defend themselves," Carlucci said. "They are prepared to defend the ships they are escorting and it would not bode well if they were to interfere."

(Lou Cannon & Hobart Rowen, Washington Post, A1)

U.S. GETS SOVIET OK TO PUT VERIFICATION IN DRAFT TREATY

U.S. arms control negotiators have succeeded in convincing their Soviet counterparts to include verification measures high in a draft treaty on eliminating medium-range missiles from Europe, according to Administration officials.

"We're insisting some important provisions be right up there in the treaty and the details be in the protocol," which spells out how a pact is to be implemented, one senior Administration official said. "The Soviets wanted to stick all that in the protocol."

(Warren Strobel, Washington Times, A3)

GERMANY'S AFFIRM INDEPENDENCE

Central Europe Offers Complex Setting For Reagan's Visit

WEST BERLIN -- When President Reagan delivers a major address on East-West relations Friday at the Brandenburg Gate, he is expected to echo the themes of German freedom and peaceful reunification cited by John F. Kennedy in his famous "Ich bin ein Berliner" speech here nearly a quarter century ago.

When Kennedy visited West Berlin in 1963, both German states were largely perceived as front-line surrogates in the Cold War confrontation between Moscow and Washington. But Reagan's appearance will occur at a time when Bonn and East Berlin are pressing their own priorities in ways that suggest some drifting away from their superpower patrons.

The growing economic clout and continuing strategic importance of the two Germanys have contributed to the emergence of a more assertive Central European identity imbued with the desire to surmount tensions between the superpowers and improve trade and human contacts among neighboring states.

(William Drozdiak, Washington Post, A1)

ELECTION CAMPAIGN 'BORING' ITALIANS

ROME -- The normally politically charged Italian public has shown a pronounced lack of interest in next week's elections that politicians claim could be crucial to the country's unique and often chaotic form of government.

As Italy's six-week election campaign moves into its final days, (the public perception is) that there will be little or no change after national voting June 14 and 15.

A poll last week by the Telemark organization estimated that the traditionally dominant Christian Democratic Party would get 27 to 31 percent of the vote, followed by the perennial second- and third-place finishers, the Communist Party with 24 to 29 percent and the Socialist Party with 12 to 17 percent. (Loren Jenkins, Washington Post, A18)

ISRAELI CABINET VOTES APPROVAL OF NEW ENVOY TO U.S.

JERUSALEM -- The cabinet approved the nomination of career diplomat Moshe Arad as Israel's ambassador to the U.S., ending a six-month deadlock over the country's most important foreign posting that had become an embarrassing symbol of this government's deep political divisions.

Arad, now ambassador to Mexico, was proposed last week by Foreign Minister Shimon Peres, and endorsed over the weekend by Prime Minister Yitzhak Shamir, according to the prime minister's office.

(Glenn Frankel, Washington Post, A15)

IRAN-NICARAGUA

REAGAN'S PERSONAL ASSISTANT GETS IMMUNITY

NEW YORK -- President Reagan's one-time personal assistant has received full immunity for his cooperation with the special prosecutor investigating the Iran-contra affair, it was reported.

David Fischer, the President's top personal aide from 1981-85, received the immunity "simply as a legal precaution," his attorney, Charles Work, told The New York Times.

It was not clear exactly what special prosecutor Lawrence Walsh expected to get from Fischer, but one federal official said it might be Fischer's explanations of how the Reagan functions, the Times reported. (AP)

FAWN HALL TAKES WITNESS STAND IN
SIXTH WEEK ON IRAN-CONTRA HEARINGS

Fawn Hall, the woman who helped Oliver North shred and alter documents central to the Iran-contra investigation, is the star witness as Congress convenes its sixth week of hearings.

Miss Hall, 27, was North's secretary at the National Security Council for four years, including the period when North was directing a series of covert operations aimed at selling arms to Iran in exchange for the release of American hostages and also giving military aid to Nicaragua's contra rebels.

The only other witness scheduled for this week is Bretton Sciaroni, who wrote a 1985 legal opinion which North and others in the contra resupply operation used as part of the justification for their actions.

(Jim Drinkard, AP)

NATIONAL NEWS

DEMOCRATS PLAN TO COERCE REAGAN TO ACCEPT TAX RISE

Democratic congressional leaders plan to hold as hostage changes in the budget process desired by the Administration in an effort to force President Reagan to agree to raise taxes for 1988, Capitol Hill sources said.

But Republicans don't expect Reagan to budge on any issue, let alone taxes, until he sees concrete reform in a process that annually results in massive spending deficits.

"At this point, the President isn't interested in anything but fixing what needs to be fixed in the budget mechanism," said Sen. Pete Domenici, ranking Republican on the Senate Budget Committee and a leading proponent of budget reform.

(Gene Grabowski, Washington Times, A4)

KOOP: CONDOM ADS GETTING TOO GRAPHIC

Surgeon General Koop, who several months ago urged television networks and stations to run condom commercials to help fight AIDS said he believes condom advertising "in many places has gotten out of hand."

"I think it was necessary and right when I testified before a congressional committee that there should be advertising of condoms, because I knew that you could get a health message across with it," Koop said in an interview on "John McLaughlin's One on One."

But Koop said condom commercials being run in some areas of the country are so graphic and in such bad taste that they threaten to undermine support for the advertising program, launched in an effort to get people to practice safer sex to help protect themselves from AIDS.

(Joyce Price, Washington Times, A1)

NETWORK NEWS FOR SUNDAY, JUNE 7, 1987

EDITOR's NOTE: CBS Evening News was pre-empted.

SUMMIT

ABC's PIERRE SALINGER in Venice: The tranquility of the setting of the Venice summit belies the deep economic crisis it must address. The fragility of the Third World debt situation, the fragility of the U.S. dollar on world monetary markets, the continuing high unemployment throughout Europe, the U.S. trade deficit and budget imbalance, and the Japanese-American trade war are all contributing to this crisis. But Europeans fear the Venice summit will not address these economic problems effectively.... Europeans also fear President Reagan will attempt to pressure them to contribute military forces to the Persian Gulf region. They are not enthusiastic about the U.S. initiative. An area of agreement may be the Soviet-U.S. initiative on Euromissiles.... Others will be watching President Reagan to see how badly his influence has been damaged by the Iran-contra arms deals.

ABC's SHEILAH KAST: The White House claims President Reagan's clout with his counterparts has not been diminished. And as if to prove that point, tomorrow the President is expected to give Japanese Prime Minister Nakasone the word that the U.S. is lifting some of the trade sanctions imposed two months ago. On THIS WEEK WITH DAVID BRINKLEY, Treasury Secretary James Baker said there is not enough evidence the Japanese are complying with their promises on semiconductors to lift all the sanctions. (BAKER: "There is marked improvement in one particular area -- in the area of some semiconductor chips called DRAMS. We've moved from the fair market value of 60 percent of fair market value up to about 80 percent.") ...Such harmony will be spotty at the site of the economic sessions of the summit. The U.S. will push for faster cuts in government subsidies for farmers than some of the allies find politically palatable. (THE PRESIDENT: "Let's jointly defuse this expensive farms race by setting a goal of a subsidy-free world by the year 2000.") ...Baker said he does not foresee a recession this year or next. The more the leaders bask in public displays of harmony, the less likely they are to make any serious adjustments in a world economy faltering between slow growth and recession. (ABC-2)

ABC's SAM DONALDSON: This year President Reagan, surrounded by guards, hidden from the view of the locals, will personally see very little of Venice.... The President moves to new quarters tomorrow -- the Cipriana Hotel in order to be closer to the action. And he's moving alone. First Lady Nancy Reagan will fly off to Sweden to study that country's successful anti-drug program. And that big king size bed flown in from Portugal for the President, will remain behind.... While taking it easy during his stay at the Villa Condulmer, President Reagan and Mrs. Reagan tried their hands at amateur photography, using a camera given the First Lady by the White House Photographers Association. Here's Mrs. Reagan's shot of the President.... And here is Mrs. Reagan as shot by her husband, the President.... White House photographers called them interesting, but not a threat to the profession. (ABC-7)

NBC's IRVING R. LEVINE: The hints came from top Reagan Administration officials at the Venice summit -- hints that President Reagan is ready to lift some of the stiff trade penalties he placed on certain Japanese products. Treasury Secretary James Baker indicated that the President will lift import restrictions on one category of microchips.... Today in Venice, the hints came in rapid succession that the U.S. is now satisfied that Japan has quit dumping some microchip semiconductors.... The strongest hint from White House Chief of Staff Howard Baker on FACE THE NATION. He pointed out that the President will meet with Japan's Prime Minister Nakasone tomorrow.

(BAKER: "You know it's possible that an announcement on semiconductors will come out. I would not be surprised.")

The President's decision seems based partly on the desire to show appreciation for Nakasone's announcement that he is taking steps to encourage the purchase of more American goods by Japan. But by only partially lifting the trade sanctions, the President retains bargaining chips in other trade disputes with Japan. (NBC-2)

NBC's CHRIS WALLACE reports on the security for the summit. (NBC-8)

PERSIAN GULF

ABC's KENNETH WALKER in Venice: Top officials of the Reagan Administration today came closer to a public threat of a pre-emptive strike against Iran should they deploy land-based anti-ship missiles purchased from China on their Persian Gulf shore.

(NATIONAL SECURITY ADVISOR CARLUCCI: "We have sent warnings to Iran through various channels. It would be very unhelpful for them to deploy these missiles.")

(CHIEF OF STAFF HOWARD BAKER: "I think that Iranians should think very hard before they do that and if they do deploy them, I think the world community, not just the U.S., but the entire world community, should consider it a real danger to freedom of transport on the high seas of the Persian Gulf.")

Neither man would speculate in the form of any strike -- pre-emptive or retaliatory -- but both made it clear Iran should calculate the risks.

(BAKER on FACE THE NATION: "If there's any degree of rationality at all in the Iranian leadership, and I think there is, I think they'll think very hard before they attack either an American or a Soviet vessel. They know that the U.S. is capable of doing them great damage.")

And surprisingly for an Administration that has defended U.S. protection for traditionally pro-Western Gulf oil tankers so as to limit Soviet influence there, Baker almost warmly endorsed the new Soviet role in the region.

(BAKER: "It's a unique arrangement that the Kuwaitis chose to invite both the U.S. and the Soviet Union to share the responsibility for assuring the passage of all tankers in the Persian Gulf. That's a real first.")

REPORTER: "And you suggest that's a good thing?"

BAKER: "Well it may be. It depends on how it goes. But I think it is clearly not a bad thing.")

Baker dismissed growing concern in Congress and among the allies that the Administration's increasingly tough rhetoric could be the first step to a military quagmire in the Persian Gulf.

WALKER continues:

(BAKER on FACE THE NATION: "It seems that every time there is an apparent need for the U.S. to exert itself and say, 'Look, we're not going to be pushed around and nobody is going to jeopardize our national security interests.' They say, 'Aren't you afraid we're going to get into another Vietnam?' Or we're going to start down the slippery slope?")

Even before the new threats, Western allies have been cooled to calls to support the U.S. in the Gulf. Even assuming the President wins some allied endorsement after this week's meetings, the new rhetoric almost certainly will find a more reluctant reception in Congress.

ABC's KAREN STONE: Comments that the Soviet presence in the Gulf is not necessarily bad surprised at least one Democrat who just returned from his own tour of the region.

(SEN. JOHN GLENN: "If he meant that we are to welcome a long-term and increased Soviet presence in the Persian Gulf, then he is flat wrong.")

(REP. THOMAS FOLEY: "For the Soviets to share the role in protecting free passage in the Gulf is not automatically a bad thing for the U.S.")

Amid growing concern and frustration in Congress, reaction to the Administration's latest statements were mixed.

(GLENN: "Let's not escalate a war of words into a shooting war.")

(FOLEY: "I think there's a certain amount of war of nerves going on. I think we'd like to discourage the Iranians from attempting to use the Silkworm missiles, but I doubt very much that the U.S. would undertake any pre-emptive strike.")

The varied reactions came amid new details about events leading up to last month's attack on the USS Stark.... One of the congressmen investigating the attack said that an unidentified petty officer noticed the approaching Iraqi aircraft and twice asked the ship's tactical action officer whether the plane should be warned.

(REP. LARRY HOPKINS: "Unfortunately, the young lieutenant, who did not send out a message, in my opinion, will probably have to live with that for the rest of his life.")

As both the attack on the Stark and the Administration's Gulf policy are examined, advice and a warning to the Administration:

(FOLEY: "I think if they do not follow a policy of consultation and involvement of the Congress, that any policy the Administration follows may become a confrontational one.")

That view is wide spread and supporters and critics alike say that after finishing discussions with Western allies in Venice, Administration officials would be wise to explain their Gulf policy in detail on Capitol Hill.

DONALDSON: The President will hold a news conference on Thursday here in Venice.... White House officials say he will be ready once again to explain the importance of staying in the Persian Gulf. (ABC-Lead)

NBC's ANDREA MITCHELL: Hoping to scare Iran into backing down, the Administration deployed it's big guns to warn Iran not to deploy its new Silkworm missiles.

(HOWARD BAKER: "I think that the Iranians should think very hard before they do that and if they do deploy them, I think the world community, not just the U.S., but the entire world community, should consider it a real danger to freedom of transport on the high seas in the Persian Gulf.")

MITCHELL (continued):

(CARLUCCI: "Let me just say that it would be very unhelpful for them to try and use these missiles to interfere with freedom of navigation. U.S. ships are prepared to defend themselves. They are prepared to defend the ships that they are escorting. And it would not bode well if they attempted to interfere with this.")

To get the word to Iran and polish the President's image on the eve of the summit, the White House reflagged a fleet of water taxis ferrying top officials from one interview to another. On every network, the Administration made its case against Iran, even suggesting that Iran should worry because both the U.S. and the Soviets are aligned against them. Officials also said Saudi Arabia's defense minister told Defense Secretary Weinberger this week that his country might extend air surveillance by AWACS planes to the southern part of the Gulf and the Strait of Hormuz. Saudi Arabia may also permit two more AWACS operated by Americans to be based in Saudi Arabia but will not grant basing rights to U.S. fighter planes.... The Administration expects very little help from the allies on the defense of the Persian Gulf -- a statement of support, but no military commitment. Officials say that the President is not yet decided whether to launch a pre-emptive strike against the Silkworm missiles. Instead, the White House is hoping to scare Iran into not deploying them. What is not clear is what the Administration would do if Iran called its bluff. (NBC-Lead)

USS STARK

NBC's JIM MIKLASZEWSKI: ...Congressional investigators now believe that the Stark had plenty of time to defend itself, but was caught with its guard down.

(REP. HOPKINS: "I believe that if we're going to be in waters not only should we have our finger on the trigger, but I think that the gun ought to be cocked.")

But according to one source, the Navy is running out of excuses for those officers and when the details of the investigation are revealed, it's not going to be pretty. (NBC-3)

ARMS CONTROL

WALLACE: At the summit here one of the items high on President Reagan's agenda will be winning allied support of a treaty to eliminate medium-range missiles from Europe. But throughout Western Europe, it is the Soviet Union's Gorbachev, not Mr. Reagan, who is seen as the greater champion of peace. NBC's Jim Bitterman takes a look at this new Soviet image

(NBC-7)

VOLCKER

DONALDSON: Treasury Secretary Baker confirmed today that President Reagan never personally asked Paul Volcker to stay on as chairman of the Federal Reserve Board. Administration officials have maintained that Mr. Reagan would have reappointed Volcker if he had only asked. But Baker made clear today that in their meeting last Monday, the President never told Volcker that and did not attempt to dissuade him from resigning. Baker said Volcker knew the President's views from others. (ABC-3)

-End of B-Section-

FACE THE NATION

MODERATOR: Lesley Stahl.

GUESTS: Chief of Staff Howard Baker Jr., and Federal Reserve Board Chairman designee Alan Greenspan.

STAHL: There are reports that the Administration is considering a pre-emptive strike against the Silkworm missiles in Iran -- is that a serious option?

BAKER: No, I don't think so.... I really think the U.S. ought to keep its options open.... I don't think we ought to say what the U.S. should do. What the Iranians ought to do? They ought to get away from this idea of escalating the level of weaponry in the Persian Gulf....

STAHL: What do you tell the American people about the possibility of lives being lost in that region? Have we thought it through?

BAKER: I don't think it's starting down a slope.... There has been a longstanding commitment of the U.S....that no one is going to interrupt the world's access to oil in the Middle East. The third thing to remember is that there have been attacks on shipping.... It is still true...that you simply cannot let access to Middle Eastern oil be interrupted by the hostile intent of any nation, especially Iran and Iraq.... The main reason is because we are committed to protecting transit of vessels of the high seas. But I make no bones about it -- if I see that the Soviet Union is about to take advantage of their purposes of a difficult situation, then the U.S. has an opportunity to attenuate that -- and I think the U.S. should and did.

STAHL: What do you say to this argument that we will now become the policemen of the region -- and that we won't be able to get out?

BAKER: The alternative is to abandon our role as a great power in the world. And we are a great power in the world. In a unique and particular and unwelcome way, the U.S. and Soviet Union, as the two great superpowers of the world, have become sort of the co-trustees of the peace of the world.

STAHL: Policemen of the world.

BAKER. No, the peace of the world.... I think it may be important that a country like Kuwait would ask both the U.S. and Soviet Union to be involved here. And I don't think we ought to turn it down.

STAHL: Doesn't that automatically trigger the War Powers Act?

BAKER: No -- you are really talking about a lawyer's question.... I agree it was a good decision to make to show our good faith with the Congress that they are partners in our foreign policy and we do intend to keep them advised, and we will continue to do that.

STAHL: Do you concede that if we sent ships in there -- there is a great risk that they will be attacked?

BAKER: No, I don't agree with that....

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FACE THE NATION (continued)

STAHL: What makes you so confident that Iran won't bomb our ships?

BAKER: It's possible. Anything is possible. It doesn't happen easily and there is a high state of alert in that region. And I think the Iranians are not dumb. They understand the U.S. is firm...and if there is any degree of rationality at all in the Iranian leadership, and I think there is, I think they will think very hard before they attack.

STAHL: What is our policy toward Iran at the moment?

BAKER: We aren't tilting towards Iraq....

STAHL: What has your reaction been and what's the President been saying about this week's news (from the Iran-contra hearings)?

BAKER: There is an intensive and continuing effort among the White House staff...to discover every fact there is to be discovered.... Nothing in our records suggest that Oliver North was on the take.... But I don't know that. I don't know the real story about the Hakim testimony. As far as the President's concerned, he gets a daily brief on it.... The President is taking care of a wide range of other issues....

STAHL: There is evidence that the President's credibility and influence is being hurt by the revelations.

BAKER: Maybe.... I'm not sure....

STAHL: Is the policy of reflagging ships in the Persian Gulf irreversible?

BAKER: Nothing's irreversible. My own feeling is that it should not be terminated as long as the Kuwaitis want it and as long as the Soviets are still playing this game....

STAHL: Did the President authorize North and Secord to tell the Iranians that the U.S. would help depose the president of Iraq?

BAKER: If he did, I didn't know it. And I doubt very much that he did.

STAHL: How adamant is the President about keeping Elliott Abrams on board?

BAKER: I think his views are expressed by the Secretary of State....

STAHL: We are hearing that the economic issues will not dominate the conference. What do you see as the major subject for the seven leaders?

BAKER: The economic issues are many and varied. We're going to have to talk about relative currency values, about agricultural products. We're going to talk about the D-RAM and semiconductor situation. We're going to talk about arms control. It's going to be a better-than-average summit.

STAHL: Is the President going to announce that he will lift sanctions against Japan, the trade sanctions?

FACE THE NATION (continued)

BAKER: Only the President can say that. In my view the President has already indicated that he'd like to do that as soon as possible....

STAHL: Is there any disagreements left among our allies on intermediate-range missiles?

BAKER: I think things look good. I think there is a good possibility we will have a unified NATO position on the long-range, intermediate-range and short-range missiles.... I would be hopeful that there'll be the basis for a meeting between President Reagan and General Secretary Gorbachev yet this year.

GUEST: ALAN GREENSPAN

GREENSPAN: I have been arguing all along for middle class entitlement adjustment, taxation of all forms of entitlements. We already tax social security benefits, and I think we are right to do that. I think we should tax them some more. I think we should tax entitlements generally....

STAHL: As a country are we living beyond our means?

GREENSPAN: The best way of measuring that is are we borrowing against the future which means we are building up our debt. The answer is clearly yes.

STAHL: If we do nothing?

GREENSPAN: The budget deficit will not improve, in fact it will probably get worse.

STAHL: Are you concerned we are headed for a recession?

GREENSPAN: We will have a recession. My guess is that it will probably be 1989.

STAHL: What about inflation?

GREENSPAN: There is no evidence of return to double digit inflation....

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EDITOR'S NOTE: Meet The Press was pre-empted by the French Open.

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THIS WEEK WITH DAVID BRINKLEY

MODERATOR: David Brinkley. PANEL: Sam Donaldson, George Will.
GUESTS: Treasury Secretary James Baker; Martin Feldstien, former chairman,
Council of Economic Advisers; Robert Hormats, Goldman, Sachs & Company.

BRINKLEY: Do we have anything to put on the table at the economic summit?

BAKER: We've got a great deal new. We've had some rather intensive meetings and discussions with these same countries at the financial minister level. And each of the major industrial countries has undertaken a commitment to certain actions which, if implemented, will do the job.

WILL: Our allies are very concerned about our budget deficit. Mr. Greenspan said in February that the long run solution to the American deficit crisis is almost surely going to mean increasing taxes. Is he wrong?

BAKER: I'm not sure you could argue with his conclusion or comment. But the fact of the matter is, we need to make sure that we exert as much discipline as possible to reduce spending.... The fact of the matter is that we've been overspending....

DONALDSON: Do you think we are going to achieve anything here about pledges on increased growth from Japan and West Germany?

BAKER: We've received pledges. And the point now is implementation.... They have begun to be implemented.

DONALDSON: Is the U.S. dollar going to continue to drop against other currencies?

BAKER: All the industrial countries of the world agree that any further decline of the dollar would be counterproductive.... I would like to say only this on the dollar: we all agree that any further decline would be counterproductive. If I say anything more than that, the markets tend to read either more or less than might be intended.

DONALDSON: Will the President be able to announce a lifting of the trade sanctions against Japan?

BAKER: The President has the data and is reviewing it.... The evidence is simply not there that would permit an overall lifting of the sanctions. On the other hand, there is marked improvement in one particular area -- semiconductors called D-RAMS.... I don't think we ought to prejudge what the President might or might not do except to say that I'm quite confident that whatever he does, he will do as and when the evidence is at hand.

WILL: The allies were very fond of Mr. Volcker. Mr. Greenspan is more clearly identified with the Republican Party... Do you find that this is a problem?

BAKER: No, I really don't....

THIS WEEK WITH DAVID BRINKLEY (continued)

WILL: Citicorp recently took action to reduce the amount of money lent to the Third World. Is this incompatible with and a refutation of the Baker plan?

BAKER: I don't think so. This action really puts U.S. banks on a par with Japanese and European banks. I think if you're going to solve the Third World debt problem on the private side, I think there are certain principles that are going to govern. And one of those is, you have to do it on a case-by-case basis.... I do think we need to look now at the possibility of commercial banks offering more of a menu options approach.

DONALDSON: What about a recession?

BAKER: I do not see a recession for the balance of the year, nor do I have a reason to think that we're looking at a recession next year.

FREE-FOR-ALL DISCUSSION -- Bob Maynard and Morton Kondracke join panel.

ON THE PERSIAN GULF

BRINKLEY: Might we expect any help, and should we be involved in the Iran-Iraq war in the first place?

WILL: I think we should; I don't think we can expect any help.... [The Democratic presidential candidates, except for Sen. Gore] have dissolved into the usual mist of talk about, well, we should do something maybe but only with the U.N. and with our allies. And it's a clear case of where multilateralism becomes a disguise for inaction and even isolationism.

MAYNARD: Not necessarily.... I thought Howard Baker was opening a fairly interesting new chapter in the Gulf today by heeding the fact that the Soviet Union has indicated a desire to work in a cooperative way with us to secure that region and also to help bring pressure on the two combatants to end that madness. But I think this is an opportunity indeed for international cooperation with the Soviet Union.... There is a role for the United Nations. There is a role for a multilateral approach....

KONDRACKE: I smell here something historic going on. The United States traditionally has tried to keep the Soviet Union out of the Persian Gulf.... Now we seem to be saying that the Soviet Union is the co-guarantor of security in the Persian Gulf.... If that's so, it seems to me there ought to be a speech on the subject, a doctrine enunciated.... Are we going to do this for the Middle East as well? If we are, we've seen a watershed occurring and it seems to be occurring with open shirts and people sticking microphones in people's faces instead of really being thought through.

MAYNARD: If I could make a speech for the loyal opposition, it would argue that part of the reason we are in this mess is because of the flaky policies that Oliver North and a few others got us involved in -- selling arms to Iran, which in turn destabilized our relationship with Kuwait. It is Kuwait that invited the Soviet Union to come in....

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MCLAUGHLIN GROUP

MODERATOR: John McLaughlin. PANEL: Eleanor Clift, Jack Germond, Morton Kondracke, Robert Novak.

ON AIDS

MCLAUGHLIN: Is the President's AIDS policy sound?

CLIFT: I think it's well-meaning, but I don't think it's well-directed. I think the focus on testing is misplaced. With limited dollars to spend to fight this modern-day plague, we ought not be squandering money on an expensive testing on people who probably are not going to test positive.

NOVAK: ...That is a ridiculous position. The country wants testing. They want to be protected. The only thing that's sad is that the President's speech on Sunday night was very mealy-mouthed -- apologizing for even bringing the subject up and saying the American people had something to be ashamed about. He did the right thing, but the rhetoric was wrong.

GERMOND: I didn't disagree with anything Reagan wants to do, but I think the idea that there is limited money, I think, is a mistake. I think we have to spend what it takes.... I'm not sure what the testing will accomplish. I do think we need a massive prevention and education program quite beyond that, and big money. And the fact that he is not willing to come up with big money at this time is a very severe disappointment.

KONDRACKE: I'm for all that testing. The problem here is there is a widespread suspicion among civil libertarians and gays that the right-wingers -- including people like the President and others in the Administration -- are trying to do this in a punitive way, trying to somehow bash gays, punish them.... Now if you're going to have this, what you have to have is that the Administration has got to make it very clear that it's for civil liberties protection as well.

ON THE IRAN-CONTRA HEARINGS:

GERMOND: I think the big Irangate story of the week is the exposure of the incredible arrogance of Elliott Abrams. He is the distillation of this attitude among these people that the elected officials in Congress have no influence or voice in American policy and the way you conduct it. And if he thinks he can get away with putting down Jack Brooks and survive in that job, he is kidding himself.

NOVAK: Jack Brooks is one of the big jerks in Washington. Jack Brooks was a guy who last election said that what we should have done with Japan was dropped two more atom bombs on them. He's the guy who's a disgrace to Congress.... If you knew the Hill, you'd know that. I would say right now that Elliott Abrams, a great patriot, a person who is the first person in that job who has forthrightly pursued the President's policy, is being crucified up there. And they are blackmailing the Administration, saying, "Unless you get rid of this brave young man, we won't vote for the contras."

MCLAUGHLIN GROUP (continued)

KONDRACKE: Novak is exactly right on this. What they're doing is before they find out what Oliver North has got to say, they're trying to hound this guy out of a job. Now, I think it's serious because Sen. Boren and others who are honest, decent people think he's a dangerous guy. But I've got to say this: Elliott Abrams ought to have been on top of this policy, in charge of this policy from the beginning instead of the CIA....

CLIFT: What's all this stuff about hounding people from office? What about accountability? I mean, this guy has lots of little indiscrepancies in his testimony. I think the people are getting tired of watching themselves wrap themselves in the flag and say the flag did it and did it because it was right and it's patriotic. Then we discover there was lots of money on the side. I mean, my nomination for the big story this week is the death benefit fund set up for Oliver North.... I think it's against the law....

ON THE VOLCKER RESIGNATION AND GREENSPAN APPOINTMENT

MCLAUGHLIN: Did Volcker go or was he pushed?

NOVAK: He went.... The problem was that it was about four years too late. The good news is that you have, finally, a Republican instead of a Carter Democrat at the Federal Reserve Board -- somebody who will go along with the Administration on deregulation. But the bad news is that Greenspan is a very uninspired choice. He's Dr. Pain, he likes austerity....

GERMOND: I think you make a mistake if you operate under the premise that Greenspan is going to be easy to direct or control any more than Volcker was. I don't think that's true.

ON THE PERSIAN GULF

KONDRACKE: The question here is whether we're going to talk ourselves into a war with Iran. We've got the Pentagon talking about preemptive strikes, we've got Ronald Reagan calling them barbarian. Meanwhile, the diplomats are all trying to assure the Iranians.... It seems to me that what Ronald Reagan might like is to divert his attention from his other troubles by getting into a scrap with the Iranians.

CLIFT: It would be a political kamikaze mission to go after those missiles because we would be in a war with Iran and by proxy in a war with the Soviet Union, and it's no-win.

NOVAK: I don't think we'd be in a war with the Soviet Union....

PREDICTIONS:

MCLAUGHLIN: The budget deficit this year will not exceed \$165 billion....

AGRONSKY & COMPANY

MODERATOR: Martin Agronsky. PANEL: Elizabeth Drew, Tom Oliphant, Carl Rowan, Strobe Talbott.

ON THE IRAN-CONTRA HEARINGS

AGRONSKY: Can Elliott Abrams keep his job?

ROWAN: I don't think so. Powerful members of the Congress have made it clear that they no more can trust what the man says. And for Shultz to try to keep him will cost an awful lot of what the State Department wants and needs, and I think you're going to see Shultz walk away from what he said.

DREW: Elliott Abrams is a very smart man. Either he was being, disingenuous in his appearance before the committee, or he went to extraordinary lengths not to find out what even some of us on the outside knew. It's also notable the people calling for his resignation are members of Congress who support the contra program....

TALBOTT: With Secretary Shultz's praise ringing in his ears, after a decent interval and some face-saving, Elliott Abrams will be out. One reason he'll be out is because his continued presence in the Administration jeopardizes the Administration's ability to get more funding for the contras.

OLIPHANT: It's such a shame. All of us who oppose the war in Nicaragua devoutly hope that Elliott Abrams stays in his job. Like all zealots, he's fundamentally incompetent and ineffective when it comes to managing public policy. But I'm afraid his days are numbered. Too bad.

ON HAKIM'S TESTIMONY:

DREW: The other very serious issue behind all of this, we are really seeing more through Hakim than through his business partner Secord...what we're really seeing are the consequences of turning over foreign policy to private individuals who have profit motives as well as what ever other motives at heart, not necessarily United States interests at heart. This has to do with unaccountable people negotiating with the Iranians....

TALBOTT: ...There is nothing that puts smoke in the air that makes us think that [the President is guilty].

ROWAN: There was some smoke thrown in the air if Hakim is telling the truth. He says when the meeting blew up in Frankfurt, Ollie North told him, "It will take me six hours to get home and I must report to the President."...

ON ABRAMS' TESTIMONY

AGRONSKY: Why is the Secretary of State supporting Abrams?

ROWAN: This is that old game they have to play. He doesn't want to stand up and say, "Oh, you lied to the Congress, you're a burden to me. Get out." They play these games smoothly.

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AGRONSKY & COMPANY (continued)

OLIPHANT: ...Elliott Abrams gave us an explicit, flat denial of any American involvement [in the Hasenfus operation], a denial he knew at that time was false.... I think there's a question of whether Secretary of State Shultz knew at that time...and I think part of Shultz's backing of Abrams is because Abrams protects Shultz.

TALBOTT: But it's also because Abrams is no buffoon and Shultz really likes him a lot, and a lot of what Shultz is saying is quite sincere, I think.

ON THE PERSIAN GULF

OLIPHANT: ...What is so disturbing about this to me is that we have yet another example of the United States preparing to act unilaterally to protect the flow of oil which is important to others beyond ourselves.... The problem is that we're still isolated and alone in the Persian Gulf.

ROWAN: ...It's one thing to say to a Cuba next door, "You can't put those kinds of missiles in." It's something else to say that to a country halfway around the world, and it is something else again to stage a preemptive strike, which is as best I understand it clearly an act of war.

DREW: Carl, you're exactly right that this is the consequence of first deciding we will reflag the Kuwaiti ships without already having thought through the various contingencies.... Now I was assured that no one is actually seriously proposing this [attack]. Let's wait and see.

OLIPHANT: ...What you have here in the Reagan Doctrine is an approach to foreign policy that is built almost exclusively on unilateral and largely covert action. And it puts the United States in a very exposed position in the world....

ON THE GREENSPAN APPOINTMENT

AGRONSKY: Does it signal a shift in American policy?

DREW: No, I don't think so. And Volcker could not go on forever. But it is quite striking that it's pretty clear the Administration and the President didn't make any great attempt to keep him.... Now, Alan Greenspan is a very smart man.... One difference could be that he is not quite as familiar as Volcker with some of the international exchange problems.... We're waiting to see if he is more political than Volcker was.

ON AIDS:

OLIPHANT: [Routine testing is] a word that means absolutely nothing if you pause to examine it. I'm afraid this week that the President's policy actions undercut some generally kind words that he finally had to say about the AIDS crisis.... I think...the President is worrying too much about refereeing hair-splitting arguments among right-wing extremists...and not focusing enough on AIDS as a disease. The debate over testing is a phony debate.... The people like Ronald Reagan, George Bush and above all, Ed Meese, who praised the police officers for wearing those yellow gloves, they are really letting us all down.

-End Of News Summary-



News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, JUNE 8, 1987 -- VENICE AFTERNOON EDITION
6:00 A.M. EDT, NOON ITALY

TODAY'S HEADLINES

ECONOMIC SUMMIT

FOCUS ON POLITICS AS ECONOMIC SUMMIT OPENS -- Leaders of the Western world's major industrial nations set a hectic round of conferences today to begin an economic summit meeting as much concerned with politics -- national and international -- as with economics. (Los Angeles Times, Washington Post, Washington Times, AP, Reuter, UPI)

INTERNATIONAL NEWS

ADMINISTRATION TALKS TOUGH ON IRAN IN GULF WAR -- The Reagan Administration issued a stern warning to Iran not to deploy its new Silkworm missiles in the Persian Gulf. (Los Angeles Times, Washington Post, Copley, Reuter)

IRAN-NICARAGUA

REAGAN'S PERSONAL ASSISTANT GETS IMMUNITY -- President Reagan's one-time personal assistant has received full immunity for his cooperation with the special prosecutor investigating the Iran-contra affair. (AP)

NETWORK NEWS (Sunday Evening)

SUMMIT -- Europeans fear President Reagan will attempt to pressure them to contribute military forces to the Persian Gulf region.

PERSIAN GULF -- Top Administration officials came closer to a public threat of a preemptive strike against Iranian Silkworm missiles.

USS STARK -- Investigators now believe the Stark had time to defend itself, but was caught with its guard down.

ECONOMIC SUMMIT...A-2

INTERNATIONAL.....A-6

IRAN-NICARAGUA....A-9

NATIONAL.....A-10

NETWORK NEWS.....B-1

ECONOMIC SUMMIT

U.S.-IRAN GULF TENSION CASTS SHADOW OVER VENICE SUMMIT

VENICE -- Tension between the U.S. and Iran over security of the Persian Gulf's oil-export sealanes has cast a widening shadow over a three-day meeting of the seven major industrial democracies that begins today.

Increasingly vocal sabre-rattling between Washington and Tehran over navigation in the Persian Gulf seemed likely to push the Gulf war high on the agenda, against the wishes of several of the U.S. allies at the meeting.

Reagan's senior aides issued tough warnings to Iran not to deploy Chinese-made Silkworm antiship missiles along the Persian Gulf.

White House Chief of Staff Howard Baker said that if the Silkworms were not deployed, "the world would be better off and frankly Iran would be better off."

The warnings from Baker and other White House officials came after Iranian Deputy Foreign Minister Hossein Sheikholeslan said in Vienna, "If the Americans make the mistake of attacking us, we will definitely strike back..."
(Barry Moody, Reuter)

FOCUS ON POLITICS AS ECONOMIC SUMMIT OPENS

VENICE -- Leaders of the Western world's major industrial nations set a hectic round of conferences today to begin an economic summit meeting as much concerned with politics -- national and international -- as with economics.

Most pressing was the tension in Persian Gulf, where the U.S. plans to deploy armed forces to protect Kuwaiti tankers -- which will be allowed to fly the American flag -- from attack by Iran.

White House Chief of Staff Howard Baker said it was "inevitable" that the American intentions would be debated, probably hotly.

European spokesmen made it clear they want the U.S. to "cool it" in the Gulf, fearing American action would prompt Iran to take European hostages as it held Americans during the administration of Jimmy Carter, who was president at the last summit held in Venice in 1980.

(Gregory Jensen, UPI)

MISSILE THREAT OVERSHADOWS START OF SUMMIT TALKS

VENICE -- Allied leaders gathered amid extraordinary security in this lagoon city for the start of summit talks dominated by danger in the Persian Gulf and a disarmament plan for hundreds of missiles in Europe and Asia.

Even before today's opening session, the U.S. helped set the agenda by warning Iran not to "run the risk of retaliation" by deploying antiship missiles in the Persian Gulf.

Reagan planned to meet separately with Japanese Prime Minister Nakasone, Italian Prime Minister Fanfani and West German Chancellor Kohl before the 13th annual economic summit got under way.
(Terence Hunt, AP)

IRAN, IRAQ ARMS EMBARGO SUPPORT SOUGHT BY REAGAN

VENICE -- President Reagan will seek broad support at the economic summit for a U.S. resolution in the U.N. Security Council calling for an international arms embargo against Iran and Iraq unless they agree to negotiate an end to their war, a senior U.S. official said.

Reagan also will seek trade sanctions against nations that sell arms to either nation in the 7-year-old Gulf war, the official said.

"We are working in the U.N. for a cease-fire and for a resolution that has teeth in it," National Security Adviser Carlucci said. "If any party does not abide by the cease-fire, we would call upon the nations of the world to cease their shipment of arms to that particular country."

(Jeremiah O'Leary, Washington Times, A6)

WARNINGS TO IRAN, AN ARMS ACCORD ARE REAGAN'S ACES

VENICE -- President Reagan is counting on a few hundred nuclear missiles and some tough talk aimed at Iran by his associates to carry the day for him at the economic summit.

Like Richard Nixon more than a decade ago, he is banking on arms control to rescue him from political misfortune.

The tough pre-summit talk is coming mostly from Reagan's two top aides, Howard Baker and Frank Carlucci, along with his press secretary, Marlin Fitzwater, and officials back home in Washington.

They are keeping Iran guessing about whether Reagan might order a preemptive strike to destroy Chinese antiship missiles that are near deployment.

(Barry Schweid, AP)

EUROPEANS TO COUNSEL CAUTION

VENICE -- Concerned by rapid shifts in U.S. foreign policy goals and methods in recent months, European leaders are likely to use the seven-nation summit here to press President Reagan to show more caution and consistency in world affairs.

The summit, which begins Monday night, could end up being a "damage control" mission by European leaders who see Washington's recent handling of Soviet-U.S. relations and events in the Persian Gulf as erratic and risky, aides to several of the key European participants suggest.

(Jim Hoagland, Washington Post, A1)

TREASURY CHIEF SEES U.S. ECONOMY STRONG AS SUMMIT OPENS

Treasury Secretary Baker said on the eve of the 13th annual summit of industrial nations that the U.S. economy remains strong but some allies could do more to spur worldwide expansion.

"I do not see a recession for the balance of this year nor do I see a recession next year," Baker said on ABC's "This Week with David Brinkley."

Baker repeated there was agreement among the U.S. and summit participants Britain, West Germany, France, Italy, Japan and Canada that the dollar has fallen far enough.

The treasury secretary indicated under questioning that President Reagan did not try to persuade Paul Volcker against declining a third term as chairman of the Federal Reserve Board last week.

(Reuter)

MOUNTAINS OF DEBT FACE SUMMITEERS

VENICE -- As leaders from the world's seven biggest capitalist economies begin their meeting here today, experts disagree on how well they are doing and what they must do to improve.

"The Magnificent Seven," as they have been dubbed by the Italian press, are meeting in an atmosphere fraught with uncertainty.

On the summit's eve, Washington's European partners expressed doubt in the future of the dollar and in the Reagan Administration's ability to come to grips with the U.S. budget deficit.

The European media describe the U.S. as a giant debtor whose currency needs international support and whose President cannot guarantee solutions beyond next year. (Andrew Borowiec, Washington Times, A1)

REAGAN MAY EASE JAPANESE TRADE SANCTIONS AT SUMMIT

VENICE -- President Reagan is likely to relax U.S. sanctions imposed against Japan for running afoul of a bilateral agreement on semiconductor trade when he meets with Japanese Prime Minister Nakasone, U.S. officials signaled.

Reagan is expected to tell Nakasone that he is prepared to lift as much as 25% of the \$300 million in punitive tariffs on selected Japanese products that were imposed by the U.S. in April.

While declining to state explicitly that the sanctions would be lifted, White House Chief of Staff Howard Baker told an interviewer for CBS's "Face the Nation" that "I would not be surprised" if an announcement on semiconductors comes out of the Reagan-Nakasone meeting.

And an Administration official, speaking on condition that he not be identified by name, said Reagan was looking for a method that "would give some relief" to Japan for its efforts to reduce below-market "dumping" by Japanese manufacturers of computer memory chips in Third World countries, mostly in Southeast Asia.

(Tom Redburn & Donna Walters, Los Angeles Times, A1)

NAKASONE AT SUMMIT TO PRESS U.S. TO CUT BUDGET DEFICIT

GENEVA -- Japanese Prime Minister Nakasone...will likely ask the U.S. for renewed determination to reduce its budget deficit in a bid to make Japan's new economic package work, diplomats said.

Hard pressed by the U.S., Japan announced late last month a \$4.2 billion package of pump-priming measures to expand domestic demand and thus absorb more imports.

However, the diplomats said this will not be so easy for Nakasone as they said Japan's efforts alone are not enough to rectify widening international trade imbalances. (Tsukasa Maekawa, Reuter)

THATCHER INTERRUPTS ELECTION CAMPAIGN FOR VENICE SUMMIT

LONDON -- British Prime Minister Thatcher, strongly favored to retain power in general elections this week, interrupted her campaign today to join the Venice summit of industrial democracies.

Thatcher, confident of achieving a record third consecutive term in office, was determined to use her 18 hours in Venice -- just long enough to meet with President Reagan in private and attend one formal session with other leaders -- to highlight her stature on the world political scene.

(Sandra Maler, Reuter)

THE STRONGER OF TWO FRIENDS

VENICE -- Other than abrupt cancellation of the Iran-contra hearings, nothing would please President Reagan more than an overwhelming victory for the Conservatives in the British elections Thursday.

Reagan pays a stiff price in reputation for the inspiration and assistance he receives from Thatcher. The prime minister outshines the President in intellect and tough-mindedness and makes no effort to conceal these advantages from American reporters or British voters. There have been summits when Thatcher finished Reagan's lines for him and other summits when she gently dragged him to a waiting limousine before he created an international incident by saying whatever came into his head.

Thatcher reinforces Reagan while also patronizing him. When the two leaders share a world stage, their constituents instantly recognize that Thatcher is both the superior intellect and the more elemental force. The disparity in their capacities may bolster British national pride, but it uncomfortably reminds Americans that they are led by a president who is in serious trouble when he departs from his script.

Whatever the result of the British elections, Thatcher has shown that she is made of sterner stuff. In the twilight of his presidency, Reagan draws attention to poll findings that Americans still like him even though they no longer trust his leadership. Thatcher seems to revel in the opposite finding, drawing comfort from the fact that she is more respected than liked

(Lou Cannon, Washington Post, A2)

LEADERS' POLITICAL WOES MAY RESULT IN LAME-DUCK SUMMIT

VENICE -- When President Reagan and six other heads of government open this year's annual summit of the major industrial democracies, they will assemble in the same ornate Renaissance palace where the doges ruled for centuries over the prosperous Venetian Republic.

Unfortunately, for the modern-day leaders, their political footing is far less secure. With the exception of British Prime Minister Thatcher, who is taking less than a full day off from her reelection campaign to attend the Venice meetings, each arrived here in a politically weakened state.

And in the view of some of Reagan's top aides, that does not bode well for agreement on many of the host of thorny issues on this year's summit agenda. That could translate into lost opportunities to make progress on matters ranging from fighting AIDS to ensuring safe shipping in the Persian Gulf.

(James Gerstenzang, Los Angeles Times, A4)

NANCY REAGAN PLANS ANTI-DRUG MISSION TODAY

VENICE -- Nancy Reagan plans to fly to Sweden today while President Reagan joins six other heads of government at the opening of the economic summit here.

It will be the eighth foreign country Mrs. Reagan has visited in her international campaign against drug abuse.

During her two days in the Stockholm area, Mrs. Reagan plans to visit several drug programs, meet with a group of expectant mothers who are trying to kick the drug habit and attend a musical performance by a group of artists who are campaigning against drugs.

(Los Angeles Times, A5)

INTERNATIONAL NEWS

U.S. WARNS IRAN ON NEW MISSILES
Stresses Risk Of Strike If Arms Are Deployed

VENICE -- In its strongest warning yet that Iran could face a preemptive strike if it deploys Chinese-made Silkworm missiles, the Reagan Administration said that deployment could be considered a hostile act and would "run the risk of retaliation."

Both White House Chief of Staff Howard Baker and National Security Adviser Frank Carlucci described the situation the war-torn Gulf in grave terms. They warned Iran against deploying the missiles or taking any other action to carry out their threats to close the strait militarily to prevent tankers loaded with oil from leaving the Gulf.

Later, a Reagan Administration official, speaking on condition of anonymity, said the comments represented a carefully planned warning to Iran not to proceed with the deployment.

(Jack Nelson & James Gerstenzang, Los Angeles Times, A1)

ADMINISTRATION TALKS TOUGH ON IRAN IN GULF WAR

VENICE -- The Reagan Administration issued a stern warning to Iran not to deploy its new Silkworm missiles in the Persian Gulf, with White House Chief of Staff Howard Baker stating bluntly that "the United States is capable of doing them great damage."

Appearing on CBS's "Face the Nation," Baker said firmly the U.S. will "do whatever we need to do" to guarantee the free transit of ships in the Gulf.

"And," Baker said, "the Iranians ought to wonder about that."

(George Condon, Copley)

WHITE HOUSE'S BAKER SAYS CONFLICT FEARS EXAGGERATED

White House Chief of Staff Howard Baker has attempted to calm congressional fears that the U.S. could be drawn into the Iran-Iraq war and said the Soviet presence in the Persian Gulf could be helpful.

Baker said (on CBS's "Face the Nation") Washington's decision to let Kuwait ships its oil through the war-torn Persian Gulf in U.S.-flagged tankers did not create grave new risks for the U.S.

Baker said he also saw benefits for the U.S. from Kuwait's decision to seek Soviet as well as American help shipping its oil.

"I think it is clearly not a bad thing," Baker said.

(Reuter)

CROWE ADVISES AGAINST ATTACK ON MISSILES
Tanker Escort Seen As Acceptable Risk

Adm. William Crowe, chairman of the Joint Chiefs of Staff, told a Senate hearing Friday that he opposes launching a preemptive strike against Silkworm missiles in Iran and doubts that Iran would fire them at ships flying the U.S. flag in the Persian Gulf, informed officials said.

Crowe, they said, also told a closed-door session of the Senate Armed Services Committee that President Reagan's plan to send U.S. warships into the Gulf to escort Kuwaiti tankers is an acceptable risk.

(George Wilson, Washington Post, A5)

U.S., SOVIETS DISCUSS DATES FOR 1987 SUMMIT

VENICE -- White House Chief of Staff Howard Baker said that U.S. and Soviet officials have discussed "a range of dates" for a prospective summit meeting in Washington between President Reagan and Soviet leader Gorbachev later this year.

Meanwhile, U.S. officials continued to warn Iran against interfering with navigation in the Persian Gulf and particularly against using Chinese Silkworm missiles against U.S. ships or any tankers they escort.

National Security Adviser Carlucci said it would be "inadvisable" for Iran to try to prevent U.S. ships from escorting tankers through the Strait of Hormuz. "U.S. ships are prepared to defend themselves," Carlucci said. "They are prepared to defend the ships they are escorting and it would not bode well if they were to interfere."

(Lou Cannon & Hobart Rowen, Washington Post, A1)

U.S. GETS SOVIET OK TO PUT VERIFICATION IN DRAFT TREATY

U.S. arms control negotiators have succeeded in convincing their Soviet counterparts to include verification measures high in a draft treaty on eliminating medium-range missiles from Europe, according to Administration officials.

"We're insisting some important provisions be right up there in the treaty and the details be in the protocol," which spells out how a pact is to be implemented, one senior Administration official said. "The Soviets wanted to stick all that in the protocol."

(Warren Strobel, Washington Times, A3)

GERMANY'S AFFIRM INDEPENDENCE

Central Europe Offers Complex Setting For Reagan's Visit

WEST BERLIN -- When President Reagan delivers a major address on East-West relations Friday at the Brandenburg Gate, he is expected to echo the themes of German freedom and peaceful reunification cited by John F. Kennedy in his famous "Ich bin ein Berliner" speech here nearly a quarter century ago.

When Kennedy visited West Berlin in 1963, both German states were largely perceived as front-line surrogates in the Cold War confrontation between Moscow and Washington. But Reagan's appearance will occur at a time when Bonn and East Berlin are pressing their own priorities in ways that suggest some drifting away from their superpower patrons.

The growing economic clout and continuing strategic importance of the two Germanys have contributed to the emergence of a more assertive Central European identity imbued with the desire to surmount tensions between the superpowers and improve trade and human contacts among neighboring states.

(William Drozdiak, Washington Post, A1)

ELECTION CAMPAIGN 'BORING' ITALIANS

ROME -- The normally politically charged Italian public has shown a pronounced lack of interest in next week's elections that politicians claim could be crucial to the country's unique and often chaotic form of government.

As Italy's six-week election campaign moves into its final days, (the public perception is) that there will be little or no change after national voting June 14 and 15.

A poll last week by the Telemark organization estimated that the traditionally dominant Christian Democratic Party would get 27 to 31 percent of the vote, followed by the perennial second- and third-place finishers, the Communist Party with 24 to 29 percent and the Socialist Party with 12 to 17 percent. (Loren Jenkins, Washington Post, A18)

ISRAELI CABINET VOTES APPROVAL OF NEW ENVOY TO U.S.

JERUSALEM -- The cabinet approved the nomination of career diplomat Moshe Arad as Israel's ambassador to the U.S., ending a six-month deadlock over the country's most important foreign posting that had become an embarrassing symbol of this government's deep political divisions.

Arad, now ambassador to Mexico, was proposed last week by Foreign Minister Shimon Peres, and endorsed over the weekend by Prime Minister Yitzhak Shamir, according to the prime minister's office.

(Glenn Frankel, Washington Post, A15)

IRAN-NICARAGUA

REAGAN'S PERSONAL ASSISTANT GETS IMMUNITY

NEW YORK -- President Reagan's one-time personal assistant has received full immunity for his cooperation with the special prosecutor investigating the Iran-contra affair, it was reported.

David Fischer, the President's top personal aide from 1981-85, received the immunity "simply as a legal precaution," his attorney, Charles Work, told The New York Times.

It was not clear exactly what special prosecutor Lawrence Walsh expected to get from Fischer, but one federal official said it might be Fischer's explanations of how the Reagan functions, the Times reported. (AP)

FAWN HALL TAKES WITNESS STAND IN
SIXTH WEEK ON IRAN-CONTRA HEARINGS

Fawn Hall, the woman who helped Oliver North shred and alter documents central to the Iran-contra investigation, is the star witness as Congress convenes its sixth week of hearings.

Miss Hall, 27, was North's secretary at the National Security Council for four years, including the period when North was directing a series of covert operations aimed at selling arms to Iran in exchange for the release of American hostages and also giving military aid to Nicaragua's contra rebels.

The only other witness scheduled for this week is Bretton Sciaroni, who wrote a 1985 legal opinion which North and others in the contra resupply operation used as part of the justification for their actions.

(Jim Drinkard, AP)

NATIONAL NEWS

DEMOCRATS PLAN TO COERCE REAGAN TO ACCEPT TAX RISE

Democratic congressional leaders plan to hold as hostage changes in the budget process desired by the Administration in an effort to force President Reagan to agree to raise taxes for 1988, Capitol Hill sources said.

But Republicans don't expect Reagan to budge on any issue, let alone taxes, until he sees concrete reform in a process that annually results in massive spending deficits.

"At this point, the President isn't interested in anything but fixing what needs to be fixed in the budget mechanism," said Sen. Pete Domenici, ranking Republican on the Senate Budget Committee and a leading proponent of budget reform.

(Gene Grabowski, Washington Times, A4)

KOOP: CONDOM ADS GETTING TOO GRAPHIC

Surgeon General Koop, who several months ago urged television networks and stations to run condom commercials to help fight AIDS said he believes condom advertising "in many places has gotten out of hand."

"I think it was necessary and right when I testified before a congressional committee that there should be advertising of condoms, because I knew that you could get a health message across with it," Koop said in an interview on "John McLaughlin's One on One."

But Koop said condom commercials being run in some areas of the country are so graphic and in such bad taste that they threaten to undermine support for the advertising program, launched in an effort to get people to practice safer sex to help protect themselves from AIDS.

(Joyce Price, Washington Times, A1)

NETWORK NEWS FOR SUNDAY, JUNE 7, 1987

EDITOR's NOTE: CBS Evening News was pre-empted.

SUMMIT

ABC's PIERRE SALINGER in Venice: The tranquility of the setting of the Venice summit belies the deep economic crisis it must address. The fragility of the Third World debt situation, the fragility of the U.S. dollar on world monetary markets, the continuing high unemployment throughout Europe, the U.S. trade deficit and budget imbalance, and the Japanese-American trade war are all contributing to this crisis. But Europeans fear the Venice summit will not address these economic problems effectively.... Europeans also fear President Reagan will attempt to pressure them to contribute military forces to the Persian Gulf region. They are not enthusiastic about the U.S. initiative. An area of agreement may be the Soviet-U.S. initiative on Euromissiles.... Others will be watching President Reagan to see how badly his influence has been damaged by the Iran-contra arms deals.

ABC's SHEILAH KAST: The White House claims President Reagan's clout with his counterparts has not been diminished. And as if to prove that point, tomorrow the President is expected to give Japanese Prime Minister Nakasone the word that the U.S. is lifting some of the trade sanctions imposed two months ago. On THIS WEEK WITH DAVID BRINKLEY, Treasury Secretary James Baker said there is not enough evidence the Japanese are complying with their promises on semiconductors to lift all the sanctions. (BAKER: "There is marked improvement in one particular area -- in the area of some semiconductor chips called DRAMS. We've moved from the fair market value of 60 percent of fair market value up to about 80 percent.") ...Such harmony will be spotty at the site of the economic sessions of the summit. The U.S. will push for faster cuts in government subsidies for farmers than some of the allies find politically palatable. (THE PRESIDENT: "Let's jointly defuse this expensive farms race by setting a goal of a subsidy-free world by the year 2000.") ...Baker said he does not foresee a recession this year or next. The more the leaders bask in public displays of harmony, the less likely they are to make any serious adjustments in a world economy faltering between slow growth and recession. (ABC-2)

ABC's SAM DONALDSON: This year President Reagan, surrounded by guards, hidden from the view of the locals, will personally see very little of Venice.... The President moves to new quarters tomorrow -- the Cipriana Hotel in order to be closer to the action. And he's moving alone. First Lady Nancy Reagan will fly off to Sweden to study that country's successful anti-drug program. And that big king size bed flown in from Portugal for the President, will remain behind.... While taking it easy during his stay at the Villa Condulmer, President Reagan and Mrs. Reagan tried their hands at amateur photography, using a camera given the First Lady by the White House Photographers Association. Here's Mrs. Reagan's shot of the President.... And here is Mrs. Reagan as shot by her husband, the President.... White House photographers called them interesting, but not a threat to the profession. (ABC-7)

NBC's IRVING R. LEVINE: The hints came from top Reagan Administration officials at the Venice summit -- hints that President Reagan is ready to lift some of the stiff trade penalties he placed on certain Japanese products. Treasury Secretary James Baker indicated that the President will lift import restrictions on one category of microchips.... Today in Venice, the hints came in rapid succession that the U.S. is now satisfied that Japan has quit dumping some microchip semiconductors.... The strongest hint from White House Chief of Staff Howard Baker on FACE THE NATION. He pointed out that the President will meet with Japan's Prime Minister Nakasone tomorrow.

(BAKER: "You know it's possible that an announcement on semiconductors will come out. I would not be surprised.")

The President's decision seems based partly on the desire to show appreciation for Nakasone's announcement that he is taking steps to encourage the purchase of more American goods by Japan. But by only partially lifting the trade sanctions, the President retains bargaining chips in other trade disputes with Japan. (NBC-2)

NBC's CHRIS WALLACE reports on the security for the summit. (NBC-8)

PERSIAN GULF

ABC's KENNETH WALKER in Venice: Top officials of the Reagan Administration today came closer to a public threat of a pre-emptive strike against Iran should they deploy land-based anti-ship missiles purchased from China on their Persian Gulf shore.

(NATIONAL SECURITY ADVISOR CARLUCCI: "We have sent warnings to Iran through various channels. It would be very unhelpful for them to deploy these missiles.")

(CHIEF OF STAFF HOWARD BAKER: "I think that Iranians should think very hard before they do that and if they do deploy them, I think the world community, not just the U.S., but the entire world community, should consider it a real danger to freedom of transport on the high seas of the Persian Gulf.")

Neither man would speculate in the form of any strike -- pre-emptive or retaliatory -- but both made it clear Iran should calculate the risks.

(BAKER on FACE THE NATION: "If there's any degree of rationality at all in the Iranian leadership, and I think there is, I think they'll think very hard before they attack either an American or a Soviet vessel. They know that the U.S. is capable of doing them great damage.")

And surprisingly for an Administration that has defended U.S. protection for traditionally pro-Western Gulf oil tankers so as to limit Soviet influence there, Baker almost warmly endorsed the new Soviet role in the region.

(BAKER: "It's a unique arrangement that the Kuwaitis chose to invite both the U.S. and the Soviet Union to share the responsibility for assuring the passage of all tankers in the Persian Gulf. That's a real first.")

REPORTER: "And you suggest that's a good thing?"

BAKER: "Well it may be. It depends on how it goes. But I think it is clearly not a bad thing.")

Baker dismissed growing concern in Congress and among the allies that the Administration's increasingly tough rhetoric could be the first step to a military quagmire in the Persian Gulf.

WALKER continues:

(BAKER on FACE THE NATION: "It seems that every time there is an apparent need for the U.S. to exert itself and say, 'Look, we're not going to be pushed around and nobody is going to jeopardize our national security interests.' They say, 'Aren't you afraid we're going to get into another Vietnam?' Or we're going to start down the slippery slope?")

Even before the new threats, Western allies have been cooled to calls to support the U.S. in the Gulf. Even assuming the President wins some allied endorsement after this week's meetings, the new rhetoric almost certainly will find a more reluctant reception in Congress.

ABC's KAREN STONE: Comments that the Soviet presence in the Gulf is not necessarily bad surprised at least one Democrat who just returned from his own tour of the region.

(SEN. JOHN GLENN: "If he meant that we are to welcome a long-term and increased Soviet presence in the Persian Gulf, then he is flat wrong.")

(REP. THOMAS FOLEY: "For the Soviets to share the role in protecting free passage in the Gulf is not automatically a bad thing for the U.S.")

Amid growing concern and frustration in Congress, reaction to the Administration's latest statements were mixed.

(GLENN: "Let's not escalate a war of words into a shooting war.")

(FOLEY: "I think there's a certain amount of war of nerves going on. I think we'd like to discourage the Iranians from attempting to use the Silkworm missiles, but I doubt very much that the U.S. would undertake any pre-emptive strike.")

The varied reactions came amid new details about events leading up to last month's attack on the USS Stark.... One of the congressmen investigating the attack said that an unidentified petty officer noticed the approaching Iraqi aircraft and twice asked the ship's tactical action officer whether the plane should be warned.

(REP. LARRY HOPKINS: "Unfortunately, the young lieutenant, who did not send out a message, in my opinion, will probably have to live with that for the rest of his life.")

As both the attack on the Stark and the Administration's Gulf policy are examined, advice and a warning to the Administration:

(FOLEY: "I think if they do not follow a policy of consultation and involvement of the Congress, that any policy the Administration follows may become a confrontational one.")

That view is wide spread and supporters and critics alike say that after finishing discussions with Western allies in Venice, Administration officials would be wise to explain their Gulf policy in detail on Capitol Hill.

DONALDSON: The President will hold a news conference on Thursday here in Venice.... White House officials say he will be ready once again to explain the importance of staying in the Persian Gulf. (ABC-Lead)

NBC's ANDREA MITCHELL: Hoping to scare Iran into backing down, the Administration deployed it's big guns to warn Iran not to deploy its new Silkworm missiles.

(HOWARD BAKER: "I think that the Iranians should think very hard before they do that and if they do deploy them, I think the world community, not just the U.S., but the entire world community, should consider it a real danger to freedom of transport on the high seas in the Persian Gulf.")

MITCHELL (continued):

(CARLUCCI: "Let me just say that it would be very unhelpful for them to try and use these missiles to interfere with freedom of navigation. U.S. ships are prepared to defend themselves. They are prepared to defend the ships that they are escorting. And it would not bode well if they attempted to interfere with this.")

To get the word to Iran and polish the President's image on the eve of the summit, the White House reflagged a fleet of water taxis ferrying top officials from one interview to another. On every network, the Administration made its case against Iran, even suggesting that Iran should worry because both the U.S. and the Soviets are aligned against them. Officials also said Saudi Arabia's defense minister told Defense Secretary Weinberger this week that his country might extend air surveillance by AWACS planes to the southern part of the Gulf and the Strait of Hormuz. Saudi Arabia may also permit two more AWACS operated by Americans to be based in Saudi Arabia but will not grant basing rights to U.S. fighter planes.... The Administration expects very little help from the allies on the defense of the Persian Gulf -- a statement of support, but no military commitment. Officials say that the President is not yet decided whether to launch a pre-emptive strike against the Silkworm missiles. Instead, the White House is hoping to scare Iran into not deploying them. What is not clear is what the Administration would do if Iran called its bluff. (NBC-Lead)

USS STARK

NBC's JIM MIKLASZEWSKI: ...Congressional investigators now believe that the Stark had plenty of time to defend itself, but was caught with its guard down.

(REP. HOPKINS: "I believe that if we're going to be in waters not only should we have our finger on the trigger, but I think that the gun ought to be cocked.")

But according to one source, the Navy is running out of excuses for those officers and when the details of the investigation are revealed, it's not going to be pretty. (NBC-3)

ARMS CONTROL

WALLACE: At the summit here one of the items high on President Reagan's agenda will be winning allied support of a treaty to eliminate medium-range missiles from Europe. But throughout Western Europe, it is the Soviet Union's Gorbachev, not Mr. Reagan, who is seen as the greater champion of peace. NBC's Jim Bitterman takes a look at this new Soviet image

(NBC-7)

VOLCKER

DONALDSON: Treasury Secretary Baker confirmed today that President Reagan never personally asked Paul Volcker to stay on as chairman of the Federal Reserve Board. Administration officials have maintained that Mr. Reagan would have reappointed Volcker if he had only asked. But Baker made clear today that in their meeting last Monday, the President never told Volcker that and did not attempt to dissuade him from resigning. Baker said Volcker knew the President's views from others. (ABC-3)

-End of B-Section-

FACE THE NATION

MODERATOR: Lesley Stahl.

GUESTS: Chief of Staff Howard Baker Jr., and Federal Reserve Board Chairman designee Alan Greenspan.

STAHL: There are reports that the Administration is considering a pre-emptive strike against the Silkworm missiles in Iran -- is that a serious option?

BAKER: No, I don't think so.... I really think the U.S. ought to keep its options open.... I don't think we ought to say what the U.S. should do. What the Iranians ought to do? They ought to get away from this idea of escalating the level of weaponry in the Persian Gulf....

STAHL: What do you tell the American people about the possibility of lives being lost in that region? Have we thought it through?

BAKER: I don't think it's starting down a slope.... There has been a longstanding commitment of the U.S....that no one is going to interrupt the world's access to oil in the Middle East. The third thing to remember is that there have been attacks on shipping.... It is still true...that you simply cannot let access to Middle Eastern oil be interrupted by the hostile intent of any nation, especially Iran and Iraq.... The main reason is because we are committed to protecting transit of vessels of the high seas. But I make no bones about it -- if I see that the Soviet Union is about to take advantage of their purposes of a difficult situation, then the U.S. has an opportunity to attenuate that -- and I think the U.S. should and did.

STAHL: What do you say to this argument that we will now become the policemen of the region -- and that we won't be able to get out?

BAKER: The alternative is to abandon our role as a great power in the world. And we are a great power in the world. In a unique and particular and unwelcome way, the U.S. and Soviet Union, as the two great superpowers of the world, have become sort of the co-trustees of the peace of the world.

STAHL: Policemen of the world.

BAKER. No, the peace of the world.... I think it may be important that a country like Kuwait would ask both the U.S. and Soviet Union to be involved here. And I don't think we ought to turn it down.

STAHL: Doesn't that automatically trigger the War Powers Act?

BAKER: No -- you are really talking about a lawyer's question.... I agree it was a good decision to make to show our good faith with the Congress that they are partners in our foreign policy and we do intend to keep them advised, and we will continue to do that.

STAHL: Do you concede that if we sent ships in there -- there is a great risk that they will be attacked?

BAKER: No, I don't agree with that....

-more-

FACE THE NATION (continued)

STAHL: What makes you so confident that Iran won't bomb our ships?

BAKER: It's possible. Anything is possible. It doesn't happen easily and there is a high state of alert in that region. And I think the Iranians are not dumb. They understand the U.S. is firm...and if there is any degree of rationality at all in the Iranian leadership, and I think there is, I think they will think very hard before they attack.

STAHL: What is our policy toward Iran at the moment?

BAKER: We aren't tilting towards Iraq....

STAHL: What has your reaction been and what's the President been saying about this week's news (from the Iran-contra hearings)?

BAKER: There is an intensive and continuing effort among the White House staff...to discover every fact there is to be discovered.... Nothing in our records suggest that Oliver North was on the take.... But I don't know that. I don't know the real story about the Hakim testimony. As far as the President's concerned, he gets a daily brief on it.... The President is taking care of a wide range of other issues....

STAHL: There is evidence that the President's credibility and influence is being hurt by the revelations.

BAKER: Maybe.... I'm not sure....

STAHL: Is the policy of reflagging ships in the Persian Gulf irreversible?

BAKER: Nothing's irreversible. My own feeling is that it should not be terminated as long as the Kuwaitis want it and as long as the Soviets are still playing this game....

STAHL: Did the President authorize North and Secord to tell the Iranians that the U.S. would help depose the president of Iraq?

BAKER: If he did, I didn't know it. And I doubt very much that he did.

STAHL: How adamant is the President about keeping Elliott Abrams on board?

BAKER: I think his views are expressed by the Secretary of State....

STAHL: We are hearing that the economic issues will not dominate the conference. What do you see as the major subject for the seven leaders?

BAKER: The economic issues are many and varied. We're going to have to talk about relative currency values, about agricultural products. We're going to talk about the D-RAM and semiconductor situation. We're going to talk about arms control. It's going to be a better-than-average summit.

STAHL: Is the President going to announce that he will lift sanctions against Japan, the trade sanctions?

FACE THE NATION (continued)

BAKER: Only the President can say that. In my view the President has already indicated that he'd like to do that as soon as possible....

STAHL: Is there any disagreements left among our allies on intermediate-range missiles?

BAKER: I think things look good. I think there is a good possibility we will have a unified NATO position on the long-range, intermediate-range and short-range missiles.... I would be hopeful that there'll be the basis for a meeting between President Reagan and General Secretary Gorbachev yet this year.

GUEST: ALAN GREENSPAN

GREENSPAN: I have been arguing all along for middle class entitlement adjustment, taxation of all forms of entitlements. We already tax social security benefits, and I think we are right to do that. I think we should tax them some more. I think we should tax entitlements generally....

STAHL: As a country are we living beyond our means?

GREENSPAN: The best way of measuring that is are we borrowing against the future which means we are building up our debt. The answer is clearly yes.

STAHL: If we do nothing?

GREENSPAN: The budget deficit will not improve, in fact it will probably get worse.

STAHL: Are you concerned we are headed for a recession?

GREENSPAN: We will have a recession. My guess is that it will probably be 1989.

STAHL: What about inflation?

GREENSPAN: There is no evidence of return to double digit inflation....

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EDITOR'S NOTE: Meet The Press was pre-empted by the French Open.

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THIS WEEK WITH DAVID BRINKLEY

MODERATOR: David Brinkley. PANEL: Sam Donaldson, George Will.

GUESTS: Treasury Secretary James Baker; Martin Feldstien, former chairman, Council of Economic Advisers; Robert Hormats, Goldman, Sachs & Company.

BRINKLEY: Do we have anything to put on the table at the economic summit?

BAKER: We've got a great deal new. We've had some rather intensive meetings and discussions with these same countries at the financial minister level. And each of the major industrial countries has undertaken a commitment to certain actions which, if implemented, will do the job.

WILL: Our allies are very concerned about our budget deficit. Mr. Greenspan said in February that the long run solution to the American deficit crisis is almost surely going to mean increasing taxes. Is he wrong?

BAKER: I'm not sure you could argue with his conclusion or comment. But the fact of the matter is, we need to make sure that we exert as much discipline as possible to reduce spending.... The fact of the matter is that we've been overspending....

DONALDSON: Do you think we are going to achieve anything here about pledges on increased growth from Japan and West Germany?

BAKER: We've received pledges. And the point now is implementation.... They have begun to be implemented.

DONALDSON: Is the U.S. dollar going to continue to drop against other currencies?

BAKER: All the industrial countries of the world agree that any further decline of the dollar would be counterproductive.... I would like to say only this on the dollar: we all agree that any further decline would be counterproductive. If I say anything more than that, the markets tend to read either more or less than might be intended.

DONALDSON: Will the President be able to announce a lifting of the trade sanctions against Japan?

BAKER: The President has the data and is reviewing it.... The evidence is simply not there that would permit an overall lifting of the sanctions. On the other hand, there is marked improvement in one particular area -- semiconductors called D-RAMS.... I don't think we ought to prejudge what the President might or might not do except to say that I'm quite confident that whatever he does, he will do as and when the evidence is at hand.

WILL: The allies were very fond of Mr. Volcker. Mr. Greenspan is more clearly identified with the Republican Party... Do you find that this is a problem?

BAKER: No, I really don't....

THIS WEEK WITH DAVID BRINKLEY (continued)

WILL: Citicorp recently took action to reduce the amount of money lent to the Third World. Is this incompatible with and a refutation of the Baker plan?

BAKER: I don't think so. This action really puts U.S. banks on a par with Japanese and European banks. I think if you're going to solve the Third World debt problem on the private side, I think there are certain principles that are going to govern. And one of those is, you have to do it on a case-by-case basis.... I do think we need to look now at the possibility of commercial banks offering more of a menu options approach.

DONALDSON: What about a recession?

BAKER: I do not see a recession for the balance of the year, nor do I have a reason to think that we're looking at a recession next year.

FREE-FOR-ALL DISCUSSION -- Bob Maynard and Morton Kondracke join panel.

ON THE PERSIAN GULF

BRINKLEY: Might we expect any help, and should we be involved in the Iran-Iraq war in the first place?

WILL: I think we should; I don't think we can expect any help.... [The Democratic presidential candidates, except for Sen. Gore] have dissolved into the usual mist of talk about, well, we should do something maybe but only with the U.N. and with our allies. And it's a clear case of where multilateralism becomes a disguise for inaction and even isolationism.

MAYNARD: Not necessarily.... I thought Howard Baker was opening a fairly interesting new chapter in the Gulf today by heeding the fact that the Soviet Union has indicated a desire to work in a cooperative way with us to secure that region and also to help bring pressure on the two combatants to end that madness. But I think this is an opportunity indeed for international cooperation with the Soviet Union.... There is a role for the United Nations. There is a role for a multilateral approach....

KONDRACKE: I smell here something historic going on. The United States traditionally has tried to keep the Soviet Union out of the Persian Gulf.... Now we seem to be saying that the Soviet Union is the co-guarantor of security in the Persian Gulf.... If that's so, it seems to me there ought to be a speech on the subject, a doctrine enunciated.... Are we going to do this for the Middle East as well? If we are, we've seen a watershed occurring and it seems to be occurring with open shirts and people sticking microphones in people's faces instead of really being thought through.

MAYNARD: If I could make a speech for the loyal opposition, it would argue that part of the reason we are in this mess is because of the flaky policies that Oliver North and a few others got us involved in -- selling arms to Iran, which in turn destabilized our relationship with Kuwait. It is Kuwait that invited the Soviet Union to come in....

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MCLAUGHLIN GROUP

MODERATOR: John McLaughlin. PANEL: Eleanor Clift, Jack Germond, Morton Kondracke, Robert Novak.

ON AIDS

MCLAUGHLIN: Is the President's AIDS policy sound?

CLIFT: I think it's well-meaning, but I don't think it's well-directed. I think the focus on testing is misplaced. With limited dollars to spend to fight this modern-day plague, we ought not be squandering money on an expensive testing on people who probably are not going to test positive.

NOVAK: ...That is a ridiculous position. The country wants testing. They want to be protected. The only thing that's sad is that the President's speech on Sunday night was very mealy-mouthed -- apologizing for even bringing the subject up and saying the American people had something to be ashamed about. He did the right thing, but the rhetoric was wrong.

GERMOND: I didn't disagree with anything Reagan wants to do, but I think the idea that there is limited money, I think, is a mistake. I think we have to spend what it takes.... I'm not sure what the testing will accomplish. I do think we need a massive prevention and education program quite beyond that, and big money. And the fact that he is not willing to come up with big money at this time is a very severe disappointment.

KONDRACKE: I'm for all that testing. The problem here is there is a widespread suspicion among civil libertarians and gays that the right-wingers -- including people like the President and others in the Administration -- are trying to do this in a punitive way, trying to somehow bash gays, punish them.... Now if you're going to have this, what you have to have is that the Administration has got to make it very clear that it's for civil liberties protection as well.

ON THE IRAN-CONTRA HEARINGS:

GERMOND: I think the big Irangate story of the week is the exposure of the incredible arrogance of Elliott Abrams. He is the distillation of this attitude among these people that the elected officials in Congress have no influence or voice in American policy and the way you conduct it. And if he thinks he can get away with putting down Jack Brooks and survive in that job, he is kidding himself.

NOVAK: Jack Brooks is one of the big jerks in Washington. Jack Brooks was a guy who last election said that what we should have done with Japan was dropped two more atom bombs on them. He's the guy who's a disgrace to Congress.... If you knew the Hill, you'd know that. I would say right now that Elliott Abrams, a great patriot, a person who is the first person in that job who has forthrightly pursued the President's policy, is being crucified up there. And they are blackmailing the Administration, saying, "Unless you get rid of this brave young man, we won't vote for the contras."

MCLAUGHLIN GROUP (continued)

KONDRACKE: Novak is exactly right on this. What they're doing is before they find out what Oliver North has got to say, they're trying to hound this guy out of a job. Now, I think it's serious because Sen. Boren and others who are honest, decent people think he's a dangerous guy. But I've got to say this: Elliott Abrams ought to have been on top of this policy, in charge of this policy from the beginning instead of the CIA....

CLIFT: What's all this stuff about hounding people from office? What about accountability? I mean, this guy has lots of little indiscrepancies in his testimony. I think the people are getting tired of watching themselves wrap themselves in the flag and say the flag did it and did it because it was right and it's patriotic. Then we discover there was lots of money on the side. I mean, my nomination for the big story this week is the death benefit fund set up for Oliver North.... I think it's against the law....

ON THE VOLCKER RESIGNATION AND GREENSPAN APPOINTMENT

MCLAUGHLIN: Did Volcker go or was he pushed?

NOVAK: He went.... The problem was that it was about four years too late. The good news is that you have, finally, a Republican instead of a Carter Democrat at the Federal Reserve Board -- somebody who will go along with the Administration on deregulation. But the bad news is that Greenspan is a very uninspired choice. He's Dr. Pain, he likes austerity....

GERMOND: I think you make a mistake if you operate under the premise that Greenspan is going to be easy to direct or control any more than Volcker was. I don't think that's true.

ON THE PERSIAN GULF

KONDRACKE: The question here is whether we're going to talk ourselves into a war with Iran. We've got the Pentagon talking about preemptive strikes, we've got Ronald Reagan calling them barbarian. Meanwhile, the diplomats are all trying to assure the Iranians.... It seems to me that what Ronald Reagan might like is to divert his attention from his other troubles by getting into a scrap with the Iranians.

CLIFT: It would be a political kamikaze mission to go after those missiles because we would be in a war with Iran and by proxy in a war with the Soviet Union, and it's no-win.

NOVAK: I don't think we'd be in a war with the Soviet Union....

PREDICTIONS:

MCLAUGHLIN: The budget deficit this year will not exceed \$165 billion....

AGRONSKY & COMPANY

MODERATOR: Martin Agronsky. PANEL: Elizabeth Drew, Tom Oliphant, Carl Rowan, Strobe Talbott.

ON THE IRAN-CONTRA HEARINGS

AGRONSKY: Can Elliott Abrams keep his job?

ROWAN: I don't think so. Powerful members of the Congress have made it clear that they no more can trust what the man says. And for Shultz to try to keep him will cost an awful lot of what the State Department wants and needs, and I think you're going to see Shultz walk away from what he said.

DREW: Elliott Abrams is a very smart man. Either he was being, disingenuous in his appearance before the committee, or he went to extraordinary lengths not to find out what even some of us on the outside knew. It's also notable the people calling for his resignation are members of Congress who support the contra program....

TALBOTT: With Secretary Shultz's praise ringing in his ears, after a decent interval and some face-saving, Elliott Abrams will be out. One reason he'll be out is because his continued presence in the Administration jeopardizes the Administration's ability to get more funding for the contras.

OLIPHANT: It's such a shame. All of us who oppose the war in Nicaragua devoutly hope that Elliott Abrams stays in his job. Like all zealots, he's fundamentally incompetent and ineffective when it comes to managing public policy. But I'm afraid his days are numbered. Too bad.

ON HAKIM'S TESTIMONY:

DREW: The other very serious issue behind all of this, we are really seeing more through Hakim than through his business partner Secord...what we're really seeing are the consequences of turning over foreign policy to private individuals who have profit motives as well as what ever other motives at heart, not necessarily United States interests at heart. This has to do with unaccountable people negotiating with the Iranians....

TALBOTT: ...There is nothing that puts smoke in the air that makes us think that [the President is guilty].

ROWAN: There was some smoke thrown in the air if Hakim is telling the truth. He says when the meeting blew up in Frankfurt, Ollie North told him, "It will take me six hours to get home and I must report to the President."...

ON ABRAMS' TESTIMONY

AGRONSKY: Why is the Secretary of State supporting Abrams?

ROWAN: This is that old game they have to play. He doesn't want to stand up and say, "Oh, you lied to the Congress, you're a burden to me. Get out." They play these games smoothly.

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AGRONSKY & COMPANY (continued)

OLIPHANT: ...Elliott Abrams gave us an explicit, flat denial of any American involvement [in the Hasenfus operation], a denial he knew at that time was false.... I think there's a question of whether Secretary of State Shultz knew at that time...and I think part of Shultz's backing of Abrams is because Abrams protects Shultz.

TALBOTT: But it's also because Abrams is no buffoon and Shultz really likes him a lot, and a lot of what Shultz is saying is quite sincere, I think.

ON THE PERSIAN GULF

OLIPHANT: ...What is so disturbing about this to me is that we have yet another example of the United States preparing to act unilaterally to protect the flow of oil which is important to others beyond ourselves.... The problem is that we're still isolated and alone in the Persian Gulf.

ROWAN: ...It's one thing to say to a Cuba next door, "You can't put those kinds of missiles in." It's something else to say that to a country halfway around the world, and it is something else again to stage a preemptive strike, which is as best I understand it clearly an act of war.

DREW: Carl, you're exactly right that this is the consequence of first deciding we will reflag the Kuwaiti ships without already having thought through the various contingencies.... Now I was assured that no one is actually seriously proposing this [attack]. Let's wait and see.

OLIPHANT: ...What you have here in the Reagan Doctrine is an approach to foreign policy that is built almost exclusively on unilateral and largely covert action. And it puts the United States in a very exposed position in the world....

ON THE GREENSPAN APPOINTMENT

AGRONSKY: Does it signal a shift in American policy?

DREW: No, I don't think so. And Volcker could not go on forever. But it is quite striking that it's pretty clear the Administration and the President didn't make any great attempt to keep him.... Now, Alan Greenspan is a very smart man.... One difference could be that he is not quite as familiar as Volcker with some of the international exchange problems.... We're waiting to see if he is more political than Volcker was.

ON AIDS:

OLIPHANT: [Routine testing is] a word that means absolutely nothing if you pause to examine it. I'm afraid this week that the President's policy actions undercut some generally kind words that he finally had to say about the AIDS crisis.... I think...the President is worrying too much about refereeing hair-splitting arguments among right-wing extremists...and not focusing enough on AIDS as a disease. The debate over testing is a phony debate.... The people like Ronald Reagan, George Bush and above all, Ed Meese, who praised the police officers for wearing those yellow gloves, they are really letting us all down.

-End Of News Summary-