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News Summary

OFFICE OF THE PRESS SECRETARY

TUESDAY, JUNE 9, 1987 -- VENICE AFTERNOON EDITION
6:00 A.M. EDT, NOON ITALY

TODAY'S HEADLINES

ECONOMIC SUMMIT

U.S. WON'T ASK ALLIES FOR A MILITARY COMMITMENT IN THE GULF -- President Reagan and his top aides are seeking diplomatic and symbolic help -- not military aid -- from allied leaders on ways to protect oil shipping in the Persian Gulf, U.S. officials say. (Los Angeles Times, Washington Post, Washington Times, AP, Copley, UPI)

IRAN-NICARAGUA

HALL SAYS SHE SMUGGLED DOCUMENTS IN CLOTHES -- Fawn Hall revealed that she slipped documents under her clothing and smuggled them out of the White House complex to her ex-boss, Oliver North, on the day he was fired. (Los Angeles Times, Washington Post, AP, Newhouse)

INTERNATIONAL NEWS

FOUR BOMBS EXPLODE AT U.S., BRITISH EMBASSIES IN ROME -- Two bombs were launched into the grounds of the American and British embassies in Rome and two car bombs exploded near the U.S. Embassy causing damage but no injuries, police and embassy sources said. (AP, Reuter, UPI)

NETWORK NEWS (Monday Evening)

VENICE SUMMIT -- The President lifted \$51 million of the \$300 million in tariffs imposed on Japanese electronic goods.

IRAN-CONTRA -- Fawn Hall told of Oliver North's shredding party at the White House.

MEESE/AIDS -- Attorney General Meese announced new rules to stop the spread of AIDS.

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ECONOMIC SUMMIT

REAGAN SEEKS BACKING FROM ALLIES AT SUMMIT
U.S. Presses Stand On A-Arms, Persian Gulf

VENICE -- President Reagan sought to forge a unified position among allies on nuclear arms control tonight as the economic summit opened amid continued allied concern over the risks of U.S. threats against Iran if it deploys the Silkworm antiship missile in the Persian Gulf.

British, French and Canadian officials here, while supporting the principle of free navigation in the Gulf, appealed to the U.S. for a calmer approach to the region to avoid further belligerency by Iran and a wider confrontation involving the superpowers.

Earlier today, President Reagan met with Japanese Prime Minister Nakasone and announced the removal of some trade sanctions imposed against Japan six weeks ago. Reagan said he was releasing from tariffs \$51 million in Japanese electronics goods, or 17 percent of those imports that had been penalized, saying this was "strictly proportional" to efforts by Japan to stop dumping semiconductors in Third World markets.

On another front, Chancellor Kohl told Reagan in a separate meeting that West Germany supports the proposal now being hammered out by the U.S. and Soviet Union to eliminate medium-range missiles in Europe. West German spokesman Friedhelm Ost said the two leaders are in "full agreement on arms control."

(David Hoffman, Washington Post, A1)

U.S. WON'T ASK ALLIES FOR A MILITARY COMMITMENT IN THE GULF

VENICE -- President Reagan and his top aides are seeking diplomatic and symbolic help -- not military aid -- from allied leaders on ways to protect oil shipping in the Persian Gulf, U.S. officials say.

As a result, the fizz has gone out of what promised to be one of the most volatile issues of the seven-nation allied summit....

"The tough talk is coming mostly from Congress, not from us," said a U.S. official, who spoke on condition he would not be identified.

Asked if Reagan was seeking military help from the allies beyond the British and French naval forces already in the Gulf, the official responded: "No."

"The United States Navy...is perfectly capable of escorting 11 reflagged Kuwaiti tankers and defending themselves, and they've already worked out a plan for that," said National Security Adviser Frank Carlucci.

"What you're talking about is diplomatic support, symbolic support, coordination and cooperation of various forms from the allies," Carlucci said.

(Barry Schweid, AP)

EUROPEANS ALARMED BY AMERICAN TOUGH TALK

VENICE -- Tough American talk about Iranian attacks on the Persian Gulf shipping is causing concern among European leaders at the economic summit, and some fear it could lead to more kidnappings of Westerners in the Middle East.

Britain, France, Italy and West Germany said Monday they firmly oppose any preemptive American strike against Chinese-made Silkworm missiles if they are deployed by Iran.

"The Iranians could easily take European hostages in revenge," a British summit delegation spokesman said.

(John Callcott, UPI)

REAGAN WARNS IRAN THAT U.S. IS NOT BLUFFING

VENICE -- President Reagan warned Iran that he is not bluffing about retaliation against Iranian missiles in the Persian Gulf, but three European naval powers said they would not support U.S. military action there.

Answering reporters' questions, Reagan said U.S. warnings that retaliatory moves will be taken if Iranian Silkworm missiles are fired at shipping in the Strait of Hormuz are neither a bluff nor a threat, but simply "a statement of fact."

"I haven't bluffed once since I've been here," the President declared.

But West European sources said Reagan was on the defensive in his initial contacts with other leaders, despite his confident public statements. (Andrew Borowiec & Jeremiah O'Leary, Washington Times, A1)

ALLIES DIVIDED ON U.S. GULF POLICY

VENICE -- The seven-nation economic summit opened here with President Reagan winning only mixed reactions as he pressed the allied leaders to unify behind the U.S. controversial military policy in the Persian Gulf.

The President, adding his own warnings to those already issued by his aides, said he is not bluffing about possible retaliation against Iran if it installs Chinese-made missile batteries overlooking the vital oil shipping lanes of the Gulf.

Although Administration officials said their Persian Gulf policy is gaining support and that they expect the summit partners to eventually support it "in principle," French officials here said the policy is too "confusing" for them to know what they are being asked to support.

And a British Foreign Office spokesman said the British are interested in discussing political and diplomatic moves, not "military options."

Meanwhile, White House Chief of Staff Howard Baker said at a separate briefing that Canadian Prime Minister Mulroney had indicated his support in a telephone conversation with Reagan. But a Canadian official said later that Mulroney had merely said the issue should be discussed at the summit.

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

JAPANESE OFFICIAL TO VISIT IRAN IN SEARCH FOR END TO IRAQI WAR

VENICE -- Japan's foreign minister will visit Iran on his way home from the Venice economic summit to continue the search for a diplomatic solution to the seven-year Persian Gulf war, Japanese officials said.

The planned stopover by Foreign Minister Tadashi Kuranari for discussion of "bilateral issues" was disclosed here as Prime Minister Nakasone met with other summit leaders to discuss, among other things, the tense situation in the Gulf. (Richard Pyle, AP)

PRESIDENT ORDERS PARTIAL REDUCTION IN SANCTIONS AGAINST JAPANESE EXPORTS

VENICE -- President Reagan, praising Japan's efforts to stop the cut-rate dumping of semiconductors in foreign markets, ordered a partial reduction of \$51 million in sanctions against Japanese electronics exports in the U.S.

The President said the 17 percent cut in the \$300 million in sanctions imposed six weeks ago "is strictly proportional" to the partial withdrawal by Japan of trade practices that the U.S. found objectionable and that triggered the punitive measures.

Koji Watanabe, a high-ranking Japanese Foreign Ministry official present at a meeting between Reagan and Japanese Prime Minister Nakasone in which the reduction of sanctions was discussed, said Nakasone expressed his "appreciation" for the partial step even though he pressed for the abolition of all sanctions. (Hobart Rowen, Washington Post, A24)

THE PRESIDENT/SANCTIONS ON JAPAN

VENICE -- President Reagan, citing "marked improvement" in Japan's compliance with an antidumping agreement, lifted 17 percent of the \$300 million in trade sanctions he imposed only two months ago.

But the Japanese reacted coolly, calling for a complete end to the 100 percent import duties the U.S. imposed on Japanese personal computers, televisions and power hand tools April 17.

"I appreciate to some extent the U.S. government's decision," said Minister of International Trade and Industry Hajime Tamura. "The Japanese government strongly expects that the U.S. side would appreciate properly the efforts of the Japanese side under the agreement and realize an early and total lifting of the measures." (Helen Thomas, UPI)

REAGAN PARTIALLY LIFTS SANCTIONS ON JAPAN AFTER MEETING NAKASONE

VENICE -- President Reagan, maintaining that Japanese unfair trade practices have "declined," partially lifted the economic sanctions he had imposed on the country for undercutting the American semiconductor industry.

For Reagan, the decision could mean more trouble on Capitol Hill where both Senate Leaders, Robert Byrd and Robert Dole, had urged him not to lift any of the sanctions they predicted could lose a tide of protectionist legislation.

Within an hour of the announcement by White House Chief of Staff Howard Baker, the Japanese also expressed unhappiness with Reagan's move, indicating they had hoped for a more bold step. (George Condon, Copley)

REAGAN SEEKS TO APPEASE JAPAN, AND CONGRESS, PLACATES NEITHER

VENICE -- In deciding to lift just a portion of the U.S. economic sanctions on Japanese electronics products, President Reagan sought to appease both the U.S. Congress and Japanese Prime Minister Nakasone.

But early indications are that the goodwill gesture, made at the opening of the seven-nation economic summit, will please neither Japanese officials nor congressional critics back home.

Nakasone generally welcomed the gesture and expressed hope that the remaining sanctions could be lifted "at the earliest possible date."

But Japan's top trade official, Hajime Tamura, suggested the gesture was insufficient and urged "an early and total lifting of the measures."

House Speaker Jim Wright said he wanted to see exactly what the President had done, but, "I hope that is not sending the wrong signal to Japan. The Administration must deal resolutely with the Tokyo government."

(Tom Raum, AP)

MUSIC AND PROTESTS GREET FIRST LADY IN SWEDEN

STOCKHOLM -- Blaring rock music, exuberant dancing, serious discussions and shouting protests marked First Lady Nancy Reagan's initial outing as she took her anti-drug campaign to Sweden.

While President Reagan was in Venice for the 13th annual economic summit, Mrs. Reagan set out on a two-day fact-finding visit to Sweden, continuing a battle against drug abuse that has taken her more than 100,000 miles, to 31 American states and seven countries.

(Betty Cuniberti, Los Angeles Times, A12)

FIRST LADY FACES PROTESTS ON ANTI-DRUG CRUSADE IN SWEDEN

STOCKHOLM -- Protesters angered by U.S. policy in Central America pledged they will continue hounding Nancy Reagan today despite the arrest of 90 protesters who threw stones and bottles at police outside her hotel.

Some of the demonstrators, who began denouncing the First Lady's visit days before she arrived, waved signs that read "Reagan Terrorist" and many vowed to keep heckling her as she toured Swedish drug abuse rehabilitation centers.

(Fiona Leney, Reuter)

IRAN-NICARAGUA

HALL TELLS OF ALTERING DATA, SHREDDING PAPERS FOR NORTH

Fawn Hall, the former secretary of White House aide Oliver North, told Congress that she altered documents and helped shred a foot-and-a-half-thick stack of sensitive papers at North's direction, and later smuggled incriminating copies out of the Executive Office Building after an FBI investigation had begun into the Iran-contra affair.

In often riveting testimony...Hall also acknowledged to the House and Senate select committees that she initially misled the White House counsel's office about the extent of the shredding. She further revealed that in the "panic" of events last November, she and North's deputy, Lt. Col. Robert Earl, had agreed not to disclose that they had removed documents from the White House -- thus putting herself in potential jeopardy -- she still felt in a "protective mode" toward North, she testified.

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

HALL SAYS SHE SMUGGLED DOCUMENTS IN CLOTHES

Ex-Secretary Tells Probers Of Giving North Altered Memos

Fawn Hall...revealed that she slipped documents under her clothing and smuggled them out of the White House complex to her ex-boss, Oliver North, on the day he was fired.

Among the documents that she slipped into her boots and inside the back of her clothing were revisions of year-old memoranda that Hall had been ordered to alter, primarily to delete references to North's possibly illegal involvement in Nicaraguan rebel military activities and fund-raising.

"I was very emotional at the time and I was concerned about protecting the initiative, the Iran initiative and the contra initiative," said Hall, who earlier had denied a report that she had hidden documents in her undergarments.

(Karen Tumulty & Sara Fritz, Los Angeles Times, A1)

FAWN HALL TELLS OF SHREDDING NORTH DOCUMENTS, SMUGGLING OTHERS

Former White House secretary Fawn Hall, her mood growing somber, described to congressional investigators how she shredded pounds of key documents in the Iran-contra affair, altered other papers and smuggled still others to her boss, Oliver North.

"I felt a little bit of uneasiness when he was asking me to do this," Hall testified..., speaking of North's order that she retype four memos to obscure references to his activities on behalf of Nicaragua's contra rebels. "I felt there must have been a good reason.... I did as I was told."

Hall said she remembered only one occasion when North spoke of meeting with President Reagan at the White House. But she said he met regularly with former CIA Director Casey and called the director "Bill."

Members of the House and Senate investigating panels said the testimony clearly showed a conspiracy at the White House to obstruct justice, involving at least North and Hall and possibly a Washington attorney, Thomas Green.

(David Espo, AP)

FAWN HALL'S TESTIMONY

Former National Security Council secretary Fawn Hall, describing how she shredded documents and altered top secret memos, has provided the Iran-contra hearings with fresh evidence of an effort by Oliver North to cover up his activities.

Hall testified she altered top secret memos and shredded documents on the orders of North, her boss. The activity occurred on Nov. 21 as Attorney General Meese was beginning an investigation of North's efforts to assist the Nicaraguan contras.

But Hall, 27, is not expected to provide the House-Senate investigative committee with any first-hand details of conversations that may have occurred among North, President Reagan and other top government officials.

Despite her damaging testimony on North's actions, Hall said she believed in the work North, a decorated Marine, was doing to help the contras, "and it was a policy of mine not to ask questions."

(Robert Lewis & Robert Gettlin, Newhouse)

A QUINTESSENTIALLY LOYAL SECRETARY WHO TOOK RISKS FOR BOSS AND CAUSE Hall Thought Of Herself As Player, Pursued Her Own Policy

In her own self-portrait, Fawn Hall was the quintessentially loyal secretary -- and something more.

She was, as her testimony made clear, so totally dedicated to the cause exemplified by her boss, Oliver North, that she was willing to do almost anything to help him. And that included misleading officials; destroying, altering and absconding with incriminating official documents and placing her career in legal jeopardy.

By her own account, Fawn Hall thought of herself as a player -- indeed, she pursued a policy of her own -- no less than North and the others who became involved in the Iran-contra affair.

"It was a policy of mine not to ask questions," she said briskly, when pressed about a number of crucial Iran-contra events in which she was a witness or a participant as North's personal secretary.

(Haynes Johnson, Washington Post, A15)

NORTH REPORTED IN CONTEMPT Order To Give Writing Sample Refused

Lt. Col. Oliver North was secretly held in contempt of court last month for refusing, on constitutional grounds, to provide the prosecutors with a sample of his handwriting, according to informed sources.

The contempt action against North came to light yesterday as the U.S. Court of Appeals sent the case back to chief U.S. District Court Judge Aubrey Robinson with instructions that Robinson resolve the question of independent counsel Lawrence Walsh's legal authority.

(George Lardner, Washington Post, A1)

CURSORY REVIEW LED TO NSC OPINION
Oversight Board Attorney Found Not Violation Of Contra-Aid Ban

A presidential oversight board's 1985 investigation of charges that the National Security Council staff was violating a congressional ban on aid to the contras was limited to a 30-minute talk with one official, a five-minute chat with Oliver North and a quick document review, the board's lawyer testified.

Bretton Sciaroni, general counsel of the Intelligence Oversight Board since mid-1984, told the Iran-contra committees that North and NSC staff attorney Cmdr. Paul Thompson both assured him that the allegations were untrue.

Sciaroni...said he was not shown key files that documented North's role in raising funds and buying weapons for the Nicaraguan rebels. But he added that he still would not change his Sept. 12, 1985, legal opinion that the NSC staff was not covered. (Charles Babcock, Washington Post, A15)

TRIBLE MOVES TO CENTER STAGE, COMPASS ON NORTH
Conservative Va. Senator Surprises Many
With Aggressive Role In Iran-Contra Hearings

When Oliver North...finally testifies this summer...freshman Sen. Paul Tribble will be one of four members of Senate and House select committees leading the questioning.

In the five weeks since the committees began jointly probing the secret enterprise reportedly dreamed up by North and others to use profits from Iranian arms sales to provide support to Nicaraguan rebels, Tribble has steadily maneuvered his way to the center of the politically sensitive hearings.

To do this, Tribble, a conservative Republican who is up for reelection next year, gambled by allying himself with Sens. Warren Rudman and William Cohen, who are among the most aggressive committee members exploring the alleged misdeeds of the Reagan Administration and its covert agents. In contrast, other Republicans, including Sen. Orrin Hatch and Rep. Henry Hyde, have used the hearings largely as a forum to defend President Reagan and blame Congress for impeding the Administration's Central American policies.

"I'm a supporter of Ronald Reagan, and I believe in the contra cause, but I'm deeply offended by what's gone on," Tribble said.

(Eric Pianin, Washington Post, A16)

INTERNATIONAL NEWS

FOUR BOMBS EXPLODE AT U.S., BRITISH EMBASSIES IN ROME

ROME -- Two bombs were launched into the grounds of the American and British embassies in Rome and two car bombs exploded near the U.S. Embassy causing damage but no injuries, police and embassy sources said.

Police sources said a claim of responsibility had been found near the scene of one explosion but could not say whether the attacks were linked to the Western summit in Venice.

The police sources said a leaflet, apparently a claim of responsibility, had been found near the scene of the U.S. Embassy attacks but could give no further details.

They said the devices aimed at the embassies grounds appeared to have been fired from crude home-made rocket launchers set up in buildings nearby.

Witnesses said the bomb directed at the U.S. Embassy, situated along Rome's exclusive Via Veneto throughfare, traveled about 15 yards over the perimeter fence and exploded at the base of the building. (Reuter)

BOMBS HURLED AT U.S. EMBASSY IN ROME

ROME -- Two bombs hurled from moving cars exploded early today near the U.S. Embassy, damaging an embassy building and cars and buses but causing no serious injuries, police said.

It was not immediately known who staged the attacks, but police ordered security tightened around the embassies of all seven nations taking part in the economic summit in Venice.

Cars burst into flames, bus windows were shattered and one woman was slightly injured and taken to a hospital in shock, police said. They said a U.S. Embassy building also was damaged.

"Nobody was hurt at the embassy," said an embassy employee, who did not give her name. "Some people are in shock, as you can imagine, but no victims at all." (UPI)

CAR BOMB EXPLODES NEAR AMERICAN EMBASSY IN ROME

ROME -- A car bomb exploded near the U.S. Embassy early today, shattering windows in the building and setting several cars afire, and an unexploded bomb was found nearby, police said.

Police said they had no reports of injuries in the blast that occurred about 7:30 a.m., at the beginning of the city's rush hour. Many people in the street "fled in panic," a police officer said by telephone.

"There have definitely been explosions," a woman at the embassy press office said in a telephone interview, her voice shaking. "I am looking at broken glass. But I do not know exactly what happened."

No one claimed responsibility for the blast, and it was not known whether there was any connection between the bomb and the gathering of world leaders, which includes President Reagan. (AP)

U.S. CONTENTS CHINA IS SPLIT OVER ARMS DEAL

U.S. pressure on China to halt its arms deliveries to Iran is sparking a debate within the Chinese government, Administration sources said.

China's foreign ministry opposes the arms sales, but so far has been overruled by the defense and trade ministries, the sources said.

"The Chinese need the money and are prepared to sell arms to anyone with the hard cash to pay for them," said one official. "They are very short of hard currency and have a big trade deficit. But they are playing a dangerous game." (James Dorsey & Richard Beeston, Washington Times, A1)

KUWAIT CONFIRMS IT ASKED CHINA TO JOIN IN PROTECTING SHIPS

PEKING -- Kuwait has asked China to let its oil tankers sail under the Chinese flag for protection in the Persian Gulf, the Kuwaiti Embassy said.

Embassy spokesman Nasser Al-Shuraim told Reuter his government was awaiting a response to the request, which follows U.S. and Soviet agreement to help Kuwaiti shipping.

He said he believed the Chinese government was considering the request, which had been put through diplomatic channels at the U.N.

(Stephen Nisbet, Reuter)

KUWAIT GETS BACKING OF GULF ARAB COUNCIL

ABU DHABI -- Kuwait, seeking U.S. naval protection for its oil tankers in the Persian Gulf, secured the support of its five partners in the Gulf Cooperation Council.

In a communique ending three days of talks on the mounting tension in the Gulf region, the foreign ministers of Saudi Arabia, The United Arab Emirates, Kuwait, Qatar and Bahrain -- members of the 6-year-old GCC -- also welcomed "the interest of the international community in the freedom of navigation" in the Gulf.

"The Council affirmed its support of Kuwait and the measures it has taken to preserve its security and stability and safeguard its commercial and economic interests," the communique said. (UPI)

DE-BUGGING OF EMBASSY TO TAKE YEARS Cost Put In Millions, By Schlesinger Panel

MOSCOW -- Ridding the new American Embassy here of Soviet eavesdropping devices will require at least a 2½-year overhaul and cost "many tens of millions" of dollars, the head of a State Department investigating panel said here.

James Schlesinger, a former CIA director, told a press conference that the Soviets had penetrated the newly built complex by planting in precast concrete sections "a higher plateau of technology" -- listening devices not detectable by traditional U.S. x-ray scanning. They were discovered through a "new detection device," Schlesinger said.

(Gary Lee, Washington Post, A23)

NATIONAL NEWS

EDUCATION CHIEF SHIFTS BUDGET STRATEGY

Bennett Urges Compromise With Hill, Plans Higher '89 Request

Education Secretary Bennett, who consistently has defended Reagan Administration efforts to cut deeply into federal education funding, is urging that the White House move away from its "budget-driven agenda" to defuse congressional criticism and promote Administration initiatives more effectively.

At the same time, Bennett, acting on signals that the Administration has agreed to relax its proposed budget ceilings, is preparing to submit a fiscal 1989 budget request significantly higher than his 1988 request, according to Education Department officials.

The strategy represents a departure for Bennett, who has been criticized sharply on Capitol Hill for his proposed budget cuts in education.

(Barbara Vobejda, Washington Post, A5)

MEESE ORDERS AIDS TEST FOR NEW U.S. PAROLEES

All inmates discharged from federal prisons will be tested for the AIDS virus, and chief probation officers will be notified about infected former prisoners returning to their communities, Attorney General Meese announced.

Meese also said all incoming federal prisoners will be tested for AIDS as will immigrants and illegal aliens applying for permanent residence under the amnesty program.

"It is imperative that the federal government do everything it can to combat this rapidly growing public health problem," Meese told reporters at the Justice Department. These steps "constitute a reasonable and compassionate approach to this serious public health problem," Meese said.

(Sandra Boodman, Washington Post, A4)

HEALTH BILL SEEN AT 15% OF GNP BY YEAR 2000

The nation's health-care bill, which now accounts for 10.9 percent of the total U.S. output of goods and services, will grow to 15 percent of the GNP by the turn of the century, according to a new federal report.

The report said the steep increase will be driven largely by America's willingness to devote a growing share of its income to health care and by its reliance on costly new medical technologies.

The country's total health-care costs will more than triple by the year 2000 -- from its current level of \$458 to \$1.5 trillion, according to the report, about to be released by the Department of Health and Human Services.

(Michael Specter, Washington Post, A1)

WEINBERGER ENDORSES GRAY AS NEXT MARINE CORPS COMMANDANT

Secretary Weinberger has endorsed Lt. Gen. Alfred Gray to be the next Marine Corps commandant and forwarded his name to the White House for a final decision by President Reagan, Pentagon officials said.

The officials, who asked not to be identified, predicted Reagan would approve Gray's ascension to the post.

(Norman Black, AP)

NETWORK NEWS FOR MONDAY EVENING, JUNE 8, 1987

VENICE SUMMIT

NBC's TOM BROKAW: ...When the dinner began President Reagan was seated beside Prime Minister Margaret Thatcher who is here for just one day.

(TV COVERAGE: The President and Mrs. Thatcher at dinner.)

Earlier, the President did do some business with Japanese Prime Minister Nakasone, but tonight he seemed to be more interested in Mrs. Thatcher's re-election campaign.... The President had news for the Japanese Prime Minister that should help his shaky political standing. There will be a partial roll-back of the U.S. economic sanctions against the Japanese....

NBC's CHRIS WALLACE: The President headed for the opening ceremony of the summit.... The big news today came when Mr. Reagan met with Japanese Prime Minister Nakasone who told reporters that there might be something in Ron's pocket. There was. The President lifted \$51 million of the \$300 million in tariffs imposed on Japanese electronic goods last April....

(TV COVERAGE: The President and Prime Minister Nakasone.)

(THE PRESIDENT: "We have to recognize that there are people in Japan like Prime Minister Nakasone, who have worked very hard to oppose the action that they had taken and we think that they ought to be rewarded for their effort.")

But the reward seemed to satisfy no one. The Japanese said all sanctions should be removed while congressional leaders had urged Mr. Reagan not to lift any of them. Amid the high level diplomacy today, the leaders traveled across Venice like delighted tourists....

(TV COVERAGE: The President on a water taxi, waving.)

Mr. Reagan focused today on another naval operation -- trying to win allied support for escorting Kuwaiti tankers in the Persian Gulf. The President said the U.S. isn't bluffing when it warns Iran not to put missiles in the Gulf.

(THE PRESIDENT: "I haven't bluffed once since I've been here. It's a statement of fact.")

But the allies are worried by that kind of talk and have made it clear they are not going to join the U.S. operation. So, tonight the President asked the other leaders simply for a statement of support for keeping the Persian Gulf open.

(FRANK CARLUCCI: "We surely don't need to turn to the UK or some other country and say. 'We don't have the capability, would you escort some of our ships?'"")

So on this first day of the summit, the President was giving more than he was getting -- trying to reward the Japanese for some modest improvements at ending unfair practices, but not getting much support from the Japanese or other allies who are far more dependent than the U.S. is on Persian Gulf oil.

NBC's IRVING R. LEVINE: Nakasone has reason to feel like the odd-man-out among the seven summit leaders. Japan's growing exports and it's trade tactics have earned him the resentment of all the Western leaders meeting in Venice.... Nakasone is presenting a new plan in Venice to satisfy Western grievances.

LEVINE continues: He plans to put more money in Japanese pockets through a \$43 billion government spending program -- money the Japanese could use to buy more Western products. Nakasone is appealing to the other leaders at the summit to trust him that this plan will reduce their trade deficits. But in view of past experience, it is being greeted with skepticism.

BROKAW: ...Tonight I asked White House Chief of Staff Howard Baker why the Japanese couldn't at least help pay American expenses in the Persian Gulf.

(BAKER: "What do you do, Tom? What do you do? Send them a bill for steaming time maybe? But steaming time is a drop in the bucket. What really matters is having the hardware and having the people and having the national resolve to do it.")

You indicated earlier today that Prime Minister Nakasone is willing to help in the Persian Gulf. But, is that what he said?

(BAKER: "Nothing in detail. But you know we haven't gotten very far into these conversations yet. I fully expect that some sort of aid and assistance may be forthcoming, but I don't know that. I only surmise that on the basis of Prime Minister Nakasone's remarks that he is supportive and his implication is that he's willing to be helpful.")

There is the possibility that the Iranians will install the Silkworm.... If they install those missiles and we take them out with a pre-emptive strike, isn't there a possibility that the U.S. will make the Iranians martyrs in the world view?

(BAKER: "I don't think I'll speculate on that. But even if I knew what we would do under those circumstances...I wouldn't say, because I think the Iranians ought to understand that we retain all of our options and we're not going to telegraph them in advance.") (NBC-Lead)

BROKAW reports on British Prime Minister Margaret Thatcher's role at the summit and her election. (NBC-8)

BROKAW reports on tourism and the workplace in Venice. (NBC-9)

ABC's SAM DONALDSON: ...The business of the summit began as the President opened his series of bilateral meetings with his counterparts.

(TV COVERAGE: The President being greeted by Italy's President, saluting Italian honor guard and with Nakasone.)

For Japanese Prime Minister Nakasone, Mr. Reagan brought good news -- the U.S. sanctions imposed against the Japanese semiconductor industry are being partially lifted....

(THE PRESIDENT: "If they don't -- if they go back the other way -- we will again put the penalty on full. But if they continue, we proportionately will lift the tariffs.")

In return, there were indications of good news for the U.S. West German Chancellor Kohl and some of the others pledged support for reducing farm subsidies. Perhaps not as rapidly as President Reagan would like, but a step in the right direction.

(TV COVERAGE: The President and Chancellor Kohl.)

...So tight is the security that while other leaders will go in the front door tomorrow, Mr. Reagan's boat will be slipped into a covered side canal.... A move the President wasn't aware of.

(THE PRESIDENT: "I just wait until somebody points me in the direction I'm supposed to go and I don't ask any questions about it.")

DONALDSON continues: U.S. officials continued to seek allied help in guarding the Persian Gulf; and while denying hostile intent, continued warning Iran not to deploy its Silkworm shore-to-ship missiles.

(HOWARD BAKER: "I have not said, nor do I think anyone in the Administration has said that we're going to take them out. What we have said is that we think that there is a major new danger if they are deployed. And that the U.S. would feel compelled to protect its vital interests.")

The President said such warning should not be taken as a bluff.

(THE PRESIDENT: "I haven't bluffed once since I've been here. It's a statement of fact.")

Tonight at dinner, the leaders discussed the Gulf and the U.S. request for help with options ranging from diplomatic support, to financial aid and even sea power.

(TV COVERAGE: The President and Prime Minister Thatcher at dinner.)

U.S. officials, who have been working hard to lower expectations in the summit, predict significant accomplishments. But such has been their push in the Persian Gulf that it is likely to be the immediate benchmark and on that, they are unlikely to get what they want. (ABC-Lead)

ABC's SANDER VANCOUR reports on the U.S. and the world economy....

(VICE PRESIDENT BUSH: "Japan has a strong democratic system. They are good friends and allies of the U.S. And whereas we have difficulties on trade, that's short-run compared to the long-term advantage of a free, viable Japan.") (ABC-2)

ABC's PETER JENNINGS reports on the history of the economic summits.

(ABC-11)

JENNINGS reports on the gondoliers in Venice.

(ABC-12)

CBS's BILL PLANTE: President Reagan's first act at this summit of allied leaders was to tell Japanese Prime Minister Nakasone he was lifting 17 percent of the sanctions imposed for unfair trading in computer chips because of improvement in Japan's trading practices.

(TV COVERAGE: President Reagan and the allied leaders.)

(PRESIDENT REAGAN: "They go back the other way we will again put the penalty on full.")

But it is the war of words and the threat of worse over the Persian Gulf which remains topic A in Venice. U.S. officials have warned Iran that even deploying, much less firing, Chinese-made Silkworm anti-ship missiles might invite U.S. retaliation. Today Mr. Reagan said that's no bluff.

(THE PRESIDENT: "I haven't bluffed once since I've been here. It's a statement of fact.")

The Administration is determined to stick to its plan to escort Kuwaiti tankers through the Gulf under U.S. protection.

(SHULTZ: "We will do our job in helping to keep the international waterways open -- the Strait of Hormuz open. And that's what we're there for. We're not trying to pick a fight with anybody.")

...Tomorrow Mr. Reagan will press the case for allied support for his policy to keep the the Persian Gulf open but Administration officials already know that they can expect no military or financial help -- only symbolic backing for a policy which the allies fear has not been completely thought out.

CBS's BOB SCHIEFFER: Treasury Secretary James Baker said in Venice today that the summit will not produce any steps to strengthen the dollar. The Reagan policy of allowing the dollar to fall in value against other currencies is designed to cut the U.S. trade deficit. But there is some worry now among the allies over how far it can fall before hurting their economies.

CBS's TOM FENTON: ...The devalued dollar has barely slowed the tide of German exports to the U.S. and has not helped U.S. sales to Germany. Last year Americans bought \$52 billion more than they sold to Germany. That's what makes the U.S. unhappy. Germany is being singled out as the target of the Administration at this summit.... If this turns out to be another inconclusive summit, it may be followed by another fall in the dollar.

(CBS-4)

IRAN-CONTRA HEARINGS

NBC's JOHN DANCY: Fawn Hall's appearance on Capitol Hill was a media event.... She said she worked for North only because of her secretarial skills.

(HALL: "I was a dedicated and a loyal secretary and performed my duties in exemplary manner. I can type.")

Hall said she had typed a April 1986 memo which described the diversion of some of the Iran arms sales' profits to the contras. North had urged his boss, National Security Advisor John Poindexter, to use the memo to brief the President.

(MARK BELNICK: "Do you recall whether this memo was ever prepared and sent out in a final form?"

HALL: "I don't recall, sir.")

Hall testified that when the diversion was discovered she changed words and phrases in certain documents which could have revealed the diversion. North told her to do it.

(BELNICK: "Weren't you curious?"

HALL: "It was a policy of mine not to ask questions and just to follow instructions. I believed in Col. North and what he was doing. I had no right to question him.")

Hall said she had helped North shred documents on the night of Nov. 21st, as the investigations began.

(HALL: "I believe that Col. North probably opened the five drawer safe and began to pull items from it. And I joined him in an effort so that he would not have to waste his time shredding. And as he pulled documents from each drawer and placed them on top of the shredder, I inserted them into the shredder. At the same time, I asked him if I could go ahead and shred the cross notes and phone logs and he acknowledged that I should go ahead and do that and I did so.")

Hall could not shred everything. She told of hiding some documents in her clothes to get them out of the building after North's office was sealed.... Hall said she knew which documents to alter because of a list prepared 16 months early by Robert McFarlane -- they were the documents considered to be most sensitive because they revealed the most about the government's connection to the private contra aid network.

BROKAW: Richard Secord today disputed claims involving a \$200,000 fund he ordered set up....

(NBC-2)

ABC's BRIT HUME:North was fired. Later that day Hall put a call through to North, who had left the office, from the President.

(BELNICK: "And what did Col. North tell you about his phone call with the President?"

HALL: "He said the President called him an American hero and that he just didn't know."

BELNICK: "Did Col. North explain what he understood that reference to mean?"

HALL: "No, sir.")

...Earlier the committee heard from Bretton Sciaroni, the 35-year-old counsel to the President's intelligence oversight board, who wrote a 1985 legal opinion that the Boland amendments restricting U.S. aid to the contras did not apply to the National Security Council and thus to Oliver North. It turns out that this was Sciaroni's first legal opinion ever and that his path to a law career had not been easy. He flunked the bar exam three times. And committee Democrats pounced on the investigation Sciaroni made two years ago of reports North was illegally helping the contras. That inquiry consisted of a five minute talk with North, a half hour with another NSC aide and review of a few documents.

(SCIARONI: "The charges that had been leveled were general in nature and once I had asked the questions about what Col. North's activities were and had been given answers, I had no reason to doubt them.")

Sciaroni's investigation obviously failed, but he is not alone in his view of the Boland amendment. And there will be a bruising debate about that issue in this committee before this is over.

JENNINGS: Col. North won a legal point today. A month ago, the special prosecutor ordered North to produce a sample of his handwriting and when North refused, he was held in contempt. Today an appeals court ruled that Col. North's whole challenge to the special prosecutor must be ruled on before anything else. (ABC-4)

CBS's PHIL JONES: ...Fawn Hall told of Oliver North's shredding party at the White House. Hall told of the panic that took place in North's office on Nov. 21 of last year when the Iran-contra scandal began exploding in the press.... Hall appeared to refute claims by North that he had a close relationship with President Reagan. She claimed North never received telephone calls from the President, but that he worked closely with Vice President Bush on the hostage matter; however, he did not have one on one meetings. She said that he did have frequent meetings with William Casey.... Hall's testimony presents further legal problems for North. The shredding and altering of crucial documents could be grounds for criminal obstruction of justice charges against North. (CBS-Lead)

MRS. REAGAN'S COMMENTS ON IRAN-CONTRA HEARINGS

JENNINGS: Mrs. Reagan had something to say today about the Iran-contra affair. Talking to reporters on board her plane to Sweden, she said others were to blame. "You hate to have people out there," she said, "doing things you don't know about." (ABC-5)

SCHIEFFER: First Lady Nancy Reagan had some rare comments about the effects of the Iran-contra affair on the Reagan presidency.

SCHIEFFER continues:

(NANCY REAGAN: "Certainly it's too bad it happened. You hate to have people out there doing things you don't know about. When you look at the overall picture of what he has accomplished-- he has done so much. Wait until the eight years are over and then ask me.")

Swedish police held back several hundred demonstrators who turned out to protest Mrs. Reagan's visit and U.S. policy in Central America. She went to Sweden to review drug abuse programs while the President is at the economic summit. (CBS-3)

MRS. REAGAN IN SWEDEN

NBC's ED RAYBELL: Mrs. Reagan was given a warm welcome. She danced with the Frank Sinatra of Sweden and sang with him and other artists here who are campaigning against drugs.

(TV COVERAGE: The First Lady dancing and singing.)

Mrs. Reagan came to Sweden because something fascinating is happening here -- the total number of drug addicts is going down. Mrs. Reagan wants to find out why.

(THE FIRST LADY: "I'm terribly impressed. I'm very proud of you -- all of you. And thank you very much.")

Sweden will show Mrs. Reagan how it has been able to reduce drug abuse among pregnant women.... (NBC-7, ABC-6,)

MEESE/AIDS

BROKAW: Attorney General Edwin Meese announced new rules to stop the spread of AIDS. He said federal prisoners will be tested for AIDS both when they enter prison and when they leave. He said the results might be shared with potential employers. Meese said new immigrants in this country will also be tested for AIDS and they will be denied entry if they test positive. (NBC-3, ABC-10)

CBS's RITA BRAVER:

(ATTORNEY GENERAL MEESE: "Those who test positive under this program will be denied entry to the U.S. or to legalized residency as the case may be.") And as he did last week, Meese again endorsed the wearing of rubber gloves by police officers arresting AIDS demonstrators....

(MEESE: "We must do everything within our power to ensure that those who do not have AIDS are protected from unwanted and unknowing exposure to the disease.")

The Justice Department is bracing for legal challenges to the new policies. (CBS-7)

SOVIET BUGGING OF U.S. EMBASSY

BROKAW: James Schlesinger, the former defense secretary and CIA director, said today that the Soviet bugging at the new U.S. Embassy in Moscow is far more extensive than officials first believed. Schlesinger ...said the embassy is honeycombed with electronic listening devices. He said it would take two and a half years to get rid of the bugs at a cost of tens of millions of dollars. (NBC-6, ABC-9)

FOREIGN MEDIA REACTION

VENICE SUMMIT

"With Washington so preoccupied with its own economic problems, so intent on blaming its trading partners for its difficulties and with a weakened presidency, the summit will be hard-pressed to find convincing responses to the problems at hand. But since everyone involved needs a political success, the final communique can scarcely claim less."

(FINANCIAL TIMES, Britain)

"In Venice this week, Mr. Reagan will seek the support of other Western leaders for his policy of keeping open the Strait of Hormuz, the 'chokepoint of freedom,' as he generously calls that windy and inhospitable channel. But the other heads of state are likely to ponder other, less dramatic issues which have surfaced in the past two days."

(TIMES, Britain)

"Washington's public slanging match with Iran, joined yesterday by the White House Chief of Staff and Mr. Carlucci, provides a somber backdrop to the opening this evening of the Venice summit.... The Americans will be asking the allies to provide moral support to the U.S. reflagging operation for Kuwaiti tankers, and to support a U.N. Security Council resolution for a cease-fire, backed by a mandatory arms embargo. The U.S., however, has an uphill battle on this front following Mr. Carlucci's disclosure that the Chinese had rejected U.S. complaints about the Silkworm deliveries.... Mr. Carlucci's undiplomatic words, very much out of keeping with America's generally gentle handling of Peking, seem certain to sour Sino-U.S. relations. They will also make it virtually impossible for the U.S. to be secure the U.N. resolution it is seeking, as China is a permanent Security Council member."

(GUARDIAN, Britain)

"President Reagan is using his visit to Venice for the economic summit to try to counter signs of Mr. Gorbachev's growing popularity in Western Europe.... Mr. Reagan is also trying to defuse impressions in Europe and America that the Iran-contra affair has driven his effectiveness even lower than is usual for a lame duck president with only 18 months to serve.... Yet with the superpowers on track toward an agreement to withdraw medium, and possible short-range nuclear missiles from Europe, Mr. Reagan has no wish to antagonize Mr. Gorbachev to the point of exasperation. So although the President's rhetoric is challenging, his words fall far short of the strident saber-rattling that might leave Mr. Gorbachev feeling obliged to walk away from an accord."

(DAILY TELEGRAPH, Britain)

"The summit takes place at a time when several participants are going through difficult times.... Irangate was a tough blow to Reagan's credibility.... The accord with Moscow is very important for Reagan who does not want to miss the opportunity to end his term with a 'historic' accord. The other big political dossier will be the situation in the Gulf.... The situation in the Gulf and the deliveries of oil to the free world show that it is illusory to deal separately with economic and political issues."

(FIGARO, France)

VENICE SUMMIT (continued)

"Reagan has presided over the development of the most serious imbalances in the history of the U.S.... America is giving every indication of a sort of slide toward underdevelopment, which is totally incompatible with its hegemonic role in the West."
(QUOTIDEN, France)

"The U.S. has no more oxygen. Washington is looking for new solutions.... Reagan is in Venice to transfer part of his military spending to his allies and to encourage them to become the 'gendarmes' of the Gulf. They will also talk about AIDS and drugs; we know the view of the White House leader in these areas."
(HUMANITES, France)

"The U.S. has more or less set the agenda for all participants. At the top of the agenda is a dramatic theme, the development in the Persian Gulf. Unlike the Libyan action last year, America's allies will have the opportunity to demonstrate clearly where they stand. Whether they actually go as far as saying what they really think remains to be seen."
(TV ONE, West Germany)

"This is perhaps the most difficult summit since this annual financial meeting was established 13 years ago.... It does not begin under good auspices.... It is, undoubtedly, the summit of contradictions.... In some way or another, all seven leaders are 'lame ducks.'The contradiction lies in the fact that these weak leaders must deal with very complicated problems, of both economic and political nature, in most cases, problems whose resolutions cannot be delayed."
(IL SORE-24 ORE, Italy)

"With the possible exception of London and Paris, NATO allies have already answered 'no' -- Italy even emphatically -- to the U.S. request for support in the protection of oil routes in the Persian Gulf.... Every refusal to collaborate provides stronger arguments for those in Washington who work not only to enact nuclear arms accords, but also to promote a unilateral or multilateral decision to withdraw U.S. conventional forces in Europe."
(IL GIORNALE, Italy)

"Venice in fact has only one leader and all join under one dominant ideology. The sole actor is Ronald Reagan.... Only he has the key to the solution of problems.... If the leaders are not able to carry out whatever may be necessary to change things as required, Venice will be yet another lost opportunity."
(CINCO DIAS, Spain)

"The 'lame-duck summit' in the 'photo-op' city begins here today, and already the cynics are making puns about a 'Dearth in Venice.' There is a refreshing lack of talk about 'breakthrough initiatives.' The majority of the leaders present are nearing the end of their electoral terms."
(GLOBE AND MAIL, Canada)

"President Reagan is demonstrating that he himself was not gravely wounded by the Iran-contra affair."
(SEOUL SHINMUN, South Korea)

"The U.S. is not anymore the world's strongest economic power. From the world's biggest creditor, it has turned into the world's biggest debtor."
(MANILA TIMES, Philippines)



News Summary

OFFICE OF THE PRESS SECRETARY

TUESDAY, JUNE 9, 1987 -- VENICE AFTERNOON EDITION
6:00 A.M. EDT, NOON ITALY

TODAY'S HEADLINES

ECONOMIC SUMMIT

U.S. WON'T ASK ALLIES FOR A MILITARY COMMITMENT IN THE GULF -- President Reagan and his top aides are seeking diplomatic and symbolic help -- not military aid -- from allied leaders on ways to protect oil shipping in the Persian Gulf, U.S. officials say. (Los Angeles Times, Washington Post, Washington Times, AP, Copley, UPI)

IRAN-NICARAGUA

HALL SAYS SHE SMUGGLED DOCUMENTS IN CLOTHES -- Fawn Hall revealed that she slipped documents under her clothing and smuggled them out of the White House complex to her ex-boss, Oliver North, on the day he was fired. (Los Angeles Times, Washington Post, AP, Newhouse)

INTERNATIONAL NEWS

FOUR BOMBS EXPLODE AT U.S., BRITISH EMBASSIES IN ROME -- Two bombs were launched into the grounds of the American and British embassies in Rome and two car bombs exploded near the U.S. Embassy causing damage but no injuries, police and embassy sources said. (AP, Reuter, UPI)

NETWORK NEWS (Monday Evening)

VENICE SUMMIT -- The President lifted \$51 million of the \$300 million in tariffs imposed on Japanese electronic goods.

IRAN-CONTRA -- Fawn Hall told of Oliver North's shredding party at the White House.

MEESE/AIDS -- Attorney General Meese announced new rules to stop the spread of AIDS.

ECONOMIC SUMMIT...A-2

IRAN-NICARAGUA....A-6

INTERNATIONAL.....A-9

NATIONAL.....A-11

NETWORK NEWS.....B-1

ECONOMIC SUMMIT

REAGAN SEEKS BACKING FROM ALLIES AT SUMMIT U.S. Presses Stand On A-Arms, Persian Gulf

VENICE -- President Reagan sought to forge a unified position among allies on nuclear arms control tonight as the economic summit opened amid continued allied concern over the risks of U.S. threats against Iran if it deploys the Silkworm antiship missile in the Persian Gulf.

British, French and Canadian officials here, while supporting the principle of free navigation in the Gulf, appealed to the U.S. for a calmer approach to the region to avoid further belligerency by Iran and a wider confrontation involving the superpowers.

Earlier today, President Reagan met with Japanese Prime Minister Nakasone and announced the removal of some trade sanctions imposed against Japan six weeks ago. Reagan said he was releasing from tariffs \$51 million in Japanese electronics goods, or 17 percent of those imports that had been penalized, saying this was "strictly proportional" to efforts by Japan to stop dumping semiconductors in Third World markets.

On another front, Chancellor Kohl told Reagan in a separate meeting that West Germany supports the proposal now being hammered out by the U.S. and Soviet Union to eliminate medium-range missiles in Europe. West German spokesman Friedhelm Ost said the two leaders are in "full agreement on arms control."
(David Hoffman, Washington Post, A1)

U.S. WON'T ASK ALLIES FOR A MILITARY COMMITMENT IN THE GULF

VENICE -- President Reagan and his top aides are seeking diplomatic and symbolic help -- not military aid -- from allied leaders on ways to protect oil shipping in the Persian Gulf, U.S. officials say.

As a result, the fizz has gone out of what promised to be one of the most volatile issues of the seven-nation allied summit....

"The tough talk is coming mostly from Congress, not from us," said a U.S. official, who spoke on condition he would not be identified.

Asked if Reagan was seeking military help from the allies beyond the British and French naval forces already in the Gulf, the official responded: "No."

"The United States Navy...is perfectly capable of escorting 11 reflagged Kuwaiti tankers and defending themselves, and they've already worked out a plan for that," said National Security Adviser Frank Carlucci.

"What you're talking about is diplomatic support, symbolic support, coordination and cooperation of various forms from the allies," Carlucci said.
(Barry Schweid, AP)

EUROPEANS ALARMED BY AMERICAN TOUGH TALK

VENICE -- Tough American talk about Iranian attacks on the Persian Gulf shipping is causing concern among European leaders at the economic summit, and some fear it could lead to more kidnappings of Westerners in the Middle East.

Britain, France, Italy and West Germany said Monday they firmly oppose any preemptive American strike against Chinese-made Silkworm missiles if they are deployed by Iran.

"The Iranians could easily take European hostages in revenge," a British summit delegation spokesman said.
(John Callcott, UPI)

REAGAN WARNS IRAN THAT U.S. IS NOT BLUFFING

VENICE -- President Reagan warned Iran that he is not bluffing about retaliation against Iranian missiles in the Persian Gulf, but three European naval powers said they would not support U.S. military action there.

Answering reporters' questions, Reagan said U.S. warnings that retaliatory moves will be taken if Iranian Silkworm missiles are fired at shipping in the Strait of Hormuz are neither a bluff nor a threat, but simply "a statement of fact."

"I haven't bluffed once since I've been here," the President declared.

But West European sources said Reagan was on the defensive in his initial contacts with other leaders, despite his confident public statements. (Andrew Borowiec & Jeremiah O'Leary, Washington Times, A1)

ALLIES DIVIDED ON U.S. GULF POLICY

VENICE -- The seven-nation economic summit opened here with President Reagan winning only mixed reactions as he pressed the allied leaders to unify behind the U.S. controversial military policy in the Persian Gulf.

The President, adding his own warnings to those already issued by his aides, said he is not bluffing about possible retaliation against Iran if it installs Chinese-made missile batteries overlooking the vital oil shipping lanes of the Gulf.

Although Administration officials said their Persian Gulf policy is gaining support and that they expect the summit partners to eventually support it "in principle," French officials here said the policy is too "confusing" for them to know what they are being asked to support.

And a British Foreign Office spokesman said the British are interested in discussing political and diplomatic moves, not "military options."

Meanwhile, White House Chief of Staff Howard Baker said at a separate briefing that Canadian Prime Minister Mulroney had indicated his support in a telephone conversation with Reagan. But a Canadian official said later that Mulroney had merely said the issue should be discussed at the summit.

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

JAPANESE OFFICIAL TO VISIT IRAN IN SEARCH FOR END TO IRAQI WAR

VENICE -- Japan's foreign minister will visit Iran on his way home from the Venice economic summit to continue the search for a diplomatic solution to the seven-year Persian Gulf war, Japanese officials said.

The planned stopover by Foreign Minister Tadashi Kuranari for discussion of "bilateral issues" was disclosed here as Prime Minister Nakasone met with other summit leaders to discuss, among other things, the tense situation in the Gulf.

(Richard Pyle, AP)

PRESIDENT ORDERS PARTIAL REDUCTION IN SANCTIONS AGAINST JAPANESE EXPORTS

VENICE -- President Reagan, praising Japan's efforts to stop the cut-rate dumping of semiconductors in foreign markets, ordered a partial reduction of \$51 million in sanctions against Japanese electronics exports in the U.S.

The President said the 17 percent cut in the \$300 million in sanctions imposed six weeks ago "is strictly proportional" to the partial withdrawal by Japan of trade practices that the U.S. found objectionable and that triggered the punitive measures.

Koji Watanabe, a high-ranking Japanese Foreign Ministry official present at a meeting between Reagan and Japanese Prime Minister Nakasone in which the reduction of sanctions was discussed, said Nakasone expressed his "appreciation" for the partial step even though he pressed for the abolition of all sanctions. (Hobart Rowen, Washington Post, A24)

THE PRESIDENT/SANCTIONS ON JAPAN

VENICE -- President Reagan, citing "marked improvement" in Japan's compliance with an antidumping agreement, lifted 17 percent of the \$300 million in trade sanctions he imposed only two months ago.

But the Japanese reacted coolly, calling for a complete end to the 100 percent import duties the U.S. imposed on Japanese personal computers, televisions and power hand tools April 17.

"I appreciate to some extent the U.S. government's decision," said Minister of International Trade and Industry Hajime Tamura. "The Japanese government strongly expects that the U.S. side would appreciate properly the efforts of the Japanese side under the agreement and realize an early and total lifting of the measures." (Helen Thomas, UPI)

REAGAN PARTIALLY LIFTS SANCTIONS ON JAPAN AFTER MEETING NAKASONE

VENICE -- President Reagan, maintaining that Japanese unfair trade practices have "declined," partially lifted the economic sanctions he had imposed on the country for undercutting the American semiconductor industry.

For Reagan, the decision could mean more trouble on Capitol Hill where both Senate Leaders, Robert Byrd and Robert Dole, had urged him not to lift any of the sanctions they predicted could lose a tide of protectionist legislation.

Within an hour of the announcement by White House Chief of Staff Howard Baker, the Japanese also expressed unhappiness with Reagan's move, indicating they had hoped for a more bold step. (George Condon, Copley)

REAGAN SEEKS TO APPEASE JAPAN, AND CONGRESS, PLACATES NEITHER

VENICE -- In deciding to lift just a portion of the U.S. economic sanctions on Japanese electronics products, President Reagan sought to appease both the U.S. Congress and Japanese Prime Minister Nakasone.

But early indications are that the goodwill gesture, made at the opening of the seven-nation economic summit, will please neither Japanese officials nor congressional critics back home.

Nakasone generally welcomed the gesture and expressed hope that the remaining sanctions could be lifted "at the earliest possible date."

But Japan's top trade official, Hajime Tamura, suggested the gesture was insufficient and urged "an early and total lifting of the measures."

House Speaker Jim Wright said he wanted to see exactly what the President had done, but, "I hope that is not sending the wrong signal to Japan. The Administration must deal resolutely with the Tokyo government."

(Tom Raum, AP)

MUSIC AND PROTESTS GREET FIRST LADY IN SWEDEN

STOCKHOLM -- Blaring rock music, exuberant dancing, serious discussions and shouting protests marked First Lady Nancy Reagan's initial outing as she took her anti-drug campaign to Sweden.

While President Reagan was in Venice for the 13th annual economic summit, Mrs. Reagan set out on a two-day fact-finding visit to Sweden, continuing a battle against drug abuse that has taken her more than 100,000 miles, to 31 American states and seven countries.

(Betty Cuniberti, Los Angeles Times, A12)

FIRST LADY FACES PROTESTS ON ANTI-DRUG CRUSADE IN SWEDEN

STOCKHOLM -- Protesters angered by U.S. policy in Central America pledged they will continue hounding Nancy Reagan today despite the arrest of 90 protesters who threw stones and bottles at police outside her hotel.

Some of the demonstrators, who began denouncing the First Lady's visit days before she arrived, waved signs that read "Reagan Terrorist" and many vowed to keep heckling her as she toured Swedish drug abuse rehabilitation centers.

(Fiona Leney, Reuter)

IRAN-NICARAGUA

HALL TELLS OF ALTERING DATA, SHREDDING PAPERS FOR NORTH

Fawn Hall, the former secretary of White House aide Oliver North, told Congress that she altered documents and helped shred a foot-and-a-half-thick stack of sensitive papers at North's direction, and later smuggled incriminating copies out of the Executive Office Building after an FBI investigation had begun into the Iran-contra affair.

In often riveting testimony...Hall also acknowledged to the House and Senate select committees that she initially misled the White House counsel's office about the extent of the shredding. She further revealed that in the "panic" of events last November, she and North's deputy, Lt. Col. Robert Earl, had agreed not to disclose that they had removed documents from the White House -- thus putting herself in potential jeopardy -- she still felt in a "protective mode" toward North, she testified.

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

HALL SAYS SHE SMUGGLED DOCUMENTS IN CLOTHES

Ex-Secretary Tells Probers Of Giving North Altered Memos

Fawn Hall...revealed that she slipped documents under her clothing and smuggled them out of the White House complex to her ex-boss, Oliver North, on the day he was fired.

Among the documents that she slipped into her boots and inside the back of her clothing were revisions of year-old memoranda that Hall had been ordered to alter, primarily to delete references to North's possibly illegal involvement in Nicaraguan rebel military activities and fund-raising.

"I was very emotional at the time and I was concerned about protecting the initiative, the Iran initiative and the contra initiative," said Hall, who earlier had denied a report that she had hidden documents in her undergarments.

(Karen Tumulty & Sara Fritz, Los Angeles Times, A1)

FAWN HALL TELLS OF SHREDDING NORTH DOCUMENTS, SMUGGLING OTHERS

Former White House secretary Fawn Hall, her mood growing somber, described to congressional investigators how she shredded pounds of key documents in the Iran-contra affair, altered other papers and smuggled still others to her boss, Oliver North.

"I felt a little bit of uneasiness when he was asking me to do this," Hall testified..., speaking of North's order that she retype four memos to obscure references to his activities on behalf of Nicaragua's contra rebels. "I felt there must have been a good reason.... I did as I was told."

Hall said she remembered only one occasion when North spoke of meeting with President Reagan at the White House. But she said he met regularly with former CIA Director Casey and called the director "Bill."

Members of the House and Senate investigating panels said the testimony clearly showed a conspiracy at the White House to obstruct justice, involving at least North and Hall and possibly a Washington attorney, Thomas Green.

(David Espo, AP)

FAWN HALL'S TESTIMONY

Former National Security Council secretary Fawn Hall, describing how she shredded documents and altered top secret memos, has provided the Iran-contra hearings with fresh evidence of an effort by Oliver North to cover up his activities.

Hall testified she altered top secret memos and shredded documents on the orders of North, her boss. The activity occurred on Nov. 21 as Attorney General Meese was beginning an investigation of North's efforts to assist the Nicaraguan contras.

But Hall, 27, is not expected to provide the House-Senate investigative committee with any first-hand details of conversations that may have occurred among North, President Reagan and other top government officials.

Despite her damaging testimony on North's actions, Hall said she believed in the work North, a decorated Marine, was doing to help the contras, "and it was a policy of mine not to ask questions."

(Robert Lewis & Robert Gettlin, Newhouse)

A QUINTESSENTIALLY LOYAL SECRETARY WHO TOOK RISKS FOR BOSS AND CAUSE Hall Thought Of Herself As Player, Pursued Her Own Policy

In her own self-portrait, Fawn Hall was the quintessentially loyal secretary -- and something more.

She was, as her testimony made clear, so totally dedicated to the cause exemplified by her boss, Oliver North, that she was willing to do almost anything to help him. And that included misleading officials; destroying, altering and absconding with incriminating official documents and placing her career in legal jeopardy.

By her own account, Fawn Hall thought of herself as a player -- indeed, she pursued a policy of her own -- no less than North and the others who became involved in the Iran-contra affair.

"It was a policy of mine not to ask questions," she said briskly, when pressed about a number of crucial Iran-contra events in which she was a witness or a participant as North's personal secretary.

(Haynes Johnson, Washington Post, A15)

NORTH REPORTED IN CONTEMPT Order To Give Writing Sample Refused

Lt. Col. Oliver North was secretly held in contempt of court last month for refusing, on constitutional grounds, to provide the prosecutors with a sample of his handwriting, according to informed sources.

The contempt action against North came to light yesterday as the U.S. Court of Appeals sent the case back to chief U.S. District Court Judge Aubrey Robinson with instructions that Robinson resolve the question of independent counsel Lawrence Walsh's legal authority.

(George Lardner, Washington Post, A1)

CURSORY REVIEW LED TO NSC OPINION
Oversight Board Attorney Found Not Violation Of Contra-Aid Ban

A presidential oversight board's 1985 investigation of charges that the National Security Council staff was violating a congressional ban on aid to the contras was limited to a 30-minute talk with one official, a five-minute chat with Oliver North and a quick document review, the board's lawyer testified.

Bretton Sciaroni, general counsel of the Intelligence Oversight Board since mid-1984, told the Iran-contra committees that North and NSC staff attorney Cmdr. Paul Thompson both assured him that the allegations were untrue.

Sciaroni...said he was not shown key files that documented North's role in raising funds and buying weapons for the Nicaraguan rebels. But he added that he still would not change his Sept. 12, 1985, legal opinion that the NSC staff was not covered. (Charles Babcock, Washington Post, A15)

TRIBBLE MOVES TO CENTER STAGE, COMPASS ON NORTH
Conservative Va. Senator Surprises Many
With Aggressive Role In Iran-Contra Hearings

When Oliver North...finally testifies this summer...freshman Sen. Paul Tribble will be one of four members of Senate and House select committees leading the questioning.

In the five weeks since the committees began jointly probing the secret enterprise reportedly dreamed up by North and others to use profits from Iranian arms sales to provide support to Nicaraguan rebels, Tribble has steadily maneuvered his way to the center of the politically sensitive hearings.

To do this, Tribble, a conservative Republican who is up for reelection next year, gambled by allying himself with Sens. Warren Rudman and William Cohen, who are among the most aggressive committee members exploring the alleged misdeeds of the Reagan Administration and its covert agents. In contrast, other Republicans, including Sen. Orrin Hatch and Rep. Henry Hyde, have used the hearings largely as a forum to defend President Reagan and blame Congress for impeding the Administration's Central American policies.

"I'm a supporter of Ronald Reagan, and I believe in the contra cause, but I'm deeply offended by what's gone on," Tribble said.

(Eric Pianin, Washington Post, A16)

INTERNATIONAL NEWS

FOUR BOMBS EXPLODE AT U.S., BRITISH EMBASSIES IN ROME

ROME -- Two bombs were launched into the grounds of the American and British embassies in Rome and two car bombs exploded near the U.S. Embassy causing damage but no injuries, police and embassy sources said.

Police sources said a claim of responsibility had been found near the scene of one explosion but could not say whether the attacks were linked to the Western summit in Venice.

The police sources said a leaflet, apparently a claim of responsibility, had been found near the scene of the U.S. Embassy attacks but could give no further details.

They said the devices aimed at the embassies grounds appeared to have been fired from crude home-made rocket launchers set up in buildings nearby.

Witnesses said the bomb directed at the U.S. Embassy, situated along Rome's exclusive Via Veneto throughfare, traveled about 15 yards over the perimeter fence and exploded at the base of the building. (Reuter)

BOMBS HURLED AT U.S. EMBASSY IN ROME

ROME -- Two bombs hurled from moving cars exploded early today near the U.S. Embassy, damaging an embassy building and cars and buses but causing no serious injuries, police said.

It was not immediately known who staged the attacks, but police ordered security tightened around the embassies of all seven nations taking part in the economic summit in Venice.

Cars burst into flames, bus windows were shattered and one woman was slightly injured and taken to a hospital in shock, police said. They said a U.S. Embassy building also was damaged.

"Nobody was hurt at the embassy," said an embassy employee, who did not give her name. "Some people are in shock, as you can imagine, but no victims at all." (UPI)

CAR BOMB EXPLODES NEAR AMERICAN EMBASSY IN ROME

ROME -- A car bomb exploded near the U.S. Embassy early today, shattering windows in the building and setting several cars afire, and an unexploded bomb was found nearby, police said.

Police said they had no reports of injuries in the blast that occurred about 7:30 a.m., at the beginning of the city's rush hour. Many people in the street "fled in panic," a police officer said by telephone.

"There have definitely been explosions," a woman at the embassy press office said in a telephone interview, her voice shaking. "I am looking at broken glass. But I do not know exactly what happened."

No one claimed responsibility for the blast, and it was not known whether there was any connection between the bomb and the gathering of world leaders, which includes President Reagan. (AP)

U.S. CONTENTS CHINA IS SPLIT OVER ARMS DEAL

U.S. pressure on China to halt its arms deliveries to Iran is sparking a debate within the Chinese government, Administration sources said.

China's foreign ministry opposes the arms sales, but so far has been overruled by the defense and trade ministries, the sources said.

"The Chinese need the money and are prepared to sell arms to anyone with the hard cash to pay for them," said one official. "They are very short of hard currency and have a big trade deficit. But they are playing a dangerous game." (James Dorsey & Richard Beeston, Washington Times, A1)

KUWAIT CONFIRMS IT ASKED CHINA TO JOIN IN PROTECTING SHIPS

PEKING -- Kuwait has asked China to let its oil tankers sail under the Chinese flag for protection in the Persian Gulf, the Kuwaiti Embassy said.

Embassy spokesman Nasser Al-Shuraim told Reuter his government was awaiting a response to the request, which follows U.S. and Soviet agreement to help Kuwaiti shipping.

He said he believed the Chinese government was considering the request, which had been put through diplomatic channels at the U.N.

(Stephen Nisbet, Reuter)

KUWAIT GETS BACKING OF GULF ARAB COUNCIL

ABU DHABI -- Kuwait, seeking U.S. naval protection for its oil tankers in the Persian Gulf, secured the support of its five partners in the Gulf Cooperation Council.

In a communique ending three days of talks on the mounting tension in the Gulf region, the foreign ministers of Saudi Arabia, The United Arab Emirates, Kuwait, Qatar and Bahrain -- members of the 6-year-old GCC -- also welcomed "the interest of the international community in the freedom of navigation" in the Gulf.

"The Council affirmed its support of Kuwait and the measures it has taken to preserve its security and stability and safeguard its commercial and economic interests," the communique said. (UPI)

DE-BUGGING OF EMBASSY TO TAKE YEARS Cost Put In Millions, By Schlesinger Panel

MOSCOW -- Ridding the new American Embassy here of Soviet eavesdropping devices will require at least a 2½-year overhaul and cost "many tens of millions" of dollars, the head of a State Department investigating panel said here.

James Schlesinger, a former CIA director, told a press conference that the Soviets had penetrated the newly built complex by planting in precast concrete sections "a higher plateau of technology" -- listening devices not detectable by traditional U.S. x-ray scanning. They were discovered through a "new detection device," Schlesinger said.

(Gary Lee, Washington Post, A23)

NATIONAL NEWS

EDUCATION CHIEF SHIFTS BUDGET STRATEGY

Bennett Urges Compromise With Hill, Plans Higher '89 Request

Education Secretary Bennett, who consistently has defended Reagan Administration efforts to cut deeply into federal education funding, is urging that the White House move away from its "budget-driven agenda" to defuse congressional criticism and promote Administration initiatives more effectively.

At the same time, Bennett, acting on signals that the Administration has agreed to relax its proposed budget ceilings, is preparing to submit a fiscal 1989 budget request significantly higher than his 1988 request, according to Education Department officials.

The strategy represents a departure for Bennett, who has been criticized sharply on Capitol Hill for his proposed budget cuts in education.

(Barbara Vobejda, Washington Post, A5)

MEESE ORDERS AIDS TEST FOR NEW U.S. PAROLEES

All inmates discharged from federal prisons will be tested for the AIDS virus, and chief probation officers will be notified about infected former prisoners returning to their communities, Attorney General Meese announced.

Meese also said all incoming federal prisoners will be tested for AIDS as will immigrants and illegal aliens applying for permanent residence under the amnesty program.

"It is imperative that the federal government do everything it can to combat this rapidly growing public health problem," Meese told reporters at the Justice Department. These steps "constitute a reasonable and compassionate approach to this serious public health problem," Meese said.

(Sandra Boodman, Washington Post, A4)

HEALTH BILL SEEN AT 15% OF GNP BY YEAR 2000

The nation's health-care bill, which now accounts for 10.9 percent of the total U.S. output of goods and services, will grow to 15 percent of the GNP by the turn of the century, according to a new federal report.

The report said the steep increase will be driven largely by America's willingness to devote a growing share of its income to health care and by its reliance on costly new medical technologies.

The country's total health-care costs will more than triple by the year 2000 -- from its current level of \$458 to \$1.5 trillion, according to the report, about to be released by the Department of Health and Human Services.

(Michael Specter, Washington Post, A1)

WEINBERGER ENDORSES GRAY AS NEXT MARINE CORPS COMMANDANT

Secretary Weinberger has endorsed Lt. Gen. Alfred Gray to be the next Marine Corps commandant and forwarded his name to the White House for a final decision by President Reagan, Pentagon officials said.

The officials, who asked not to be identified, predicted Reagan would approve Gray's ascension to the post.

(Norman Black, AP)

NETWORK NEWS FOR MONDAY EVENING, JUNE 8, 1987

VENICE SUMMIT

NBC's TOM BROKAW: ...When the dinner began President Reagan was seated beside Prime Minister Margaret Thatcher who is here for just one day.

(TV COVERAGE: The President and Mrs. Thatcher at dinner.)

Earlier, the President did do some business with Japanese Prime Minister Nakasone, but tonight he seemed to be more interested in Mrs. Thatcher's re-election campaign.... The President had news for the Japanese Prime Minister that should help his shaky political standing. There will be a partial roll-back of the U.S. economic sanctions against the Japanese....

NBC's CHRIS WALLACE: The President headed for the opening ceremony of the summit.... The big news today came when Mr. Reagan met with Japanese Prime Minister Nakasone who told reporters that there might be something in Ron's pocket. There was. The President lifted \$51 million of the \$300 million in tariffs imposed on Japanese electronic goods last April....

(TV COVERAGE: The President and Prime Minister Nakasone.)

(THE PRESIDENT: "We have to recognize that there are people in Japan like Prime Minister Nakasone, who have worked very hard to oppose the action that they had taken and we think that they ought to be rewarded for their effort.")

But the reward seemed to satisfy no one. The Japanese said all sanctions should be removed while congressional leaders had urged Mr. Reagan not to lift any of them. Amid the high level diplomacy today, the leaders traveled across Venice like delighted tourists....

(TV COVERAGE: The President on a water taxi, waving.)

Mr. Reagan focused today on another naval operation -- trying to win allied support for escorting Kuwaiti tankers in the Persian Gulf. The President said the U.S. isn't bluffing when it warns Iran not to put missiles in the Gulf.

(THE PRESIDENT: "I haven't bluffed once since I've been here. It's a statement of fact.")

But the allies are worried by that kind of talk and have made it clear they are not going to join the U.S. operation. So, tonight the President asked the other leaders simply for a statement of support for keeping the Persian Gulf open.

(FRANK CARLUCCI: "We surely don't need to turn to the UK or some other country and say. 'We don't have the capability, would you escort some of our ships?'"")

So on this first day of the summit, the President was giving more than he was getting -- trying to reward the Japanese for some modest improvements at ending unfair practices, but not getting much support from the Japanese or other allies who are far more dependent than the U.S. is on Persian Gulf oil.

NBC's IRVING R. LEVINE: Nakasone has reason to feel like the odd-man-out among the seven summit leaders. Japan's growing exports and its trade tactics have earned him the resentment of all the Western leaders meeting in Venice.... Nakasone is presenting a new plan in Venice to satisfy Western grievances.

LEVINE continues: He plans to put more money in Japanese pockets through a \$43 billion government spending program -- money the Japanese could use to buy more Western products. Nakasone is appealing to the other leaders at the summit to trust him that this plan will reduce their trade deficits. But in view of past experience, it is being greeted with skepticism.

BROKAW: ...Tonight I asked White House Chief of Staff Howard Baker why the Japanese couldn't at least help pay American expenses in the Persian Gulf.

(BAKER: "What do you do, Tom? What do you do? Send them a bill for steaming time maybe? But steaming time is a drop in the bucket. What really matters is having the hardware and having the people and having the national resolve to do it.")

You indicated earlier today that Prime Minister Nakasone is willing to help in the Persian Gulf. But, is that what he said?

(BAKER: "Nothing in detail. But you know we haven't gotten very far into these conversations yet. I fully expect that some sort of aid and assistance may be forthcoming, but I don't know that. I only surmise that on the basis of Prime Minister Nakasone's remarks that he is supportive and his implication is that he's willing to be helpful.")

There is the possibility that the Iranians will install the Silkworm.... If they install those missiles and we take them out with a pre-emptive strike, isn't there a possibility that the U.S. will make the Iranians martyrs in the world view?

(BAKER: "I don't think I'll speculate on that. But even if I knew what we would do under those circumstances...I wouldn't say, because I think the Iranians ought to understand that we retain all of our options and we're not going to telegraph them in advance.") (NBC-Lead)

BROKAW reports on British Prime Minister Margaret Thatcher's role at the summit and her election. (NBC-8)

BROKAW reports on tourism and the workplace in Venice. (NBC-9)

ABC's SAM DONALDSON: ...The business of the summit began as the President opened his series of bilateral meetings with his counterparts.

(TV COVERAGE: The President being greeted by Italy's President, saluting Italian honor guard and with Nakasone.)

For Japanese Prime Minister Nakasone, Mr. Reagan brought good news -- the U.S. sanctions imposed against the Japanese semiconductor industry are being partially lifted....

(THE PRESIDENT: "If they don't -- if they go back the other way -- we will again put the penalty on full. But if they continue, we proportionately will lift the tariffs.")

In return, there were indications of good news for the U.S. West German Chancellor Kohl and some of the others pledged support for reducing farm subsidies. Perhaps not as rapidly as President Reagan would like, but a step in the right direction.

(TV COVERAGE: The President and Chancellor Kohl.)

...So tight is the security that while other leaders will go in the front door tomorrow, Mr. Reagan's boat will be slipped into a covered side canal.... A move the President wasn't aware of.

(THE PRESIDENT: "I just wait until somebody points me in the direction I'm supposed to go and I don't ask any questions about it.")

DONALDSON continues: U.S. officials continued to seek allied help in guarding the Persian Gulf; and while denying hostile intent, continued warning Iran not to deploy it's Silkworm shore-to-ship missiles.

(HOWARD BAKER: "I have not said, nor do I think anyone in the Administration has said that we're going to take them out. What we have said is that we think that there is a major new danger if they are deployed. And that the U.S. would feel compelled to protect its vital interests.")

The President said such warning should not be taken as a bluff.

(THE PRESIDENT: "I haven't bluffed once since I've been here. It's a statement of fact.")

Tonight at dinner, the leaders discussed the Gulf and the U.S. request for help with options ranging from diplomatic support, to financial aid and even sea power.

(TV COVERAGE: The President and Prime Minister Thatcher at dinner.)

U.S. officials, who have been working hard to lower expectations in the summit, predict significant accomplishments. But such has been their push in the Persian Gulf that it is likely to be the immediate benchmark and on that, they are unlikely to get what they want. (ABC-Lead)

ABC's SANDER VANCOUR reports on the U.S. and the world economy....

(VICE PRESIDENT BUSH: "Japan has a strong democratic system. They are good friends and allies of the U.S. And whereas we have difficulties on trade, that's short-run compared to the long-term advantage of a free, viable Japan.") (ABC-2)

ABC's PETER JENNINGS reports on the history of the economic summits.

(ABC-11)

JENNINGS reports on the gondoliers in Venice.

(ABC-12)

CBS's BILL PLANTE: President Reagan's first act at this summit of allied leaders was to tell Japanese Prime Minister Nakasone he was lifting 17 percent of the sanctions imposed for unfair trading in computer chips because of improvement in Japan's trading practices.

(TV COVERAGE: President Reagan and the allied leaders.)

(PRESIDENT REAGAN: "They go back the other way we will again put the penalty on full.")

But it is the war of words and the threat of worse over the Persian Gulf which remains topic A in Venice. U.S. officials have warned Iran that even deploying, much less firing, Chinese-made Silkworm anti-ship missiles might invite U.S. retaliation. Today Mr. Reagan said that's no bluff.

(THE PRESIDENT: "I haven't bluffed once since I've been here. It's a statement of fact.")

The Administration is determined to stick to its plan to escort Kuwaiti tankers through the Gulf under U.S. protection.

(SHULTZ: "We will do our job in helping to keep the international waterways open -- the Strait of Hormuz open. And that's what we're there for. We're not trying to pick a fight with anybody.")

...Tomorrow Mr. Reagan will press the case for allied support for his policy to keep the Persian Gulf open but Administration officials already know that they can expect no military or financial help -- only symbolic backing for a policy which the allies fear has not been completely thought out.

CBS's BOB SCHIEFFER: Treasury Secretary James Baker said in Venice today that the summit will not produce any steps to strengthen the dollar. The Reagan policy of allowing the dollar to fall in value against other currencies is designed to cut the U.S. trade deficit. But there is some worry now among the allies over how far it can fall before hurting their economies.

CBS's TOM FENTON: ...The devalued dollar has barely slowed the tide of German exports to the U.S. and has not helped U.S. sales to Germany. Last year Americans bought \$52 billion more than they sold to Germany. That's what makes the U.S. unhappy. Germany is being singled out as the target of the Administration at this summit.... If this turns out to be another inconclusive summit, it may be followed by another fall in the dollar.

(CBS-4)

IRAN-CONTRA HEARINGS

NBC's JOHN DANCY: Fawn Hall's appearance on Capitol Hill was a media event.... She said she worked for North only because of her secretarial skills.

(HALL: "I was a dedicated and a loyal secretary and performed my duties in exemplary manner. I can type.")

Hall said she had typed a April 1986 memo which described the diversion of some of the Iran arms sales' profits to the contras. North had urged his boss, National Security Advisor John Poindexter, to use the memo to brief the President.

(MARK BELNICK: "Do you recall whether this memo was ever prepared and sent out in a final form?"

HALL: "I don't recall, sir.")

Hall testified that when the diversion was discovered she changed words and phrases in certain documents which could have revealed the diversion. North told her to do it.

(BELNICK: "Weren't you curious?"

HALL: "It was a policy of mine not to ask questions and just to follow instructions. I believed in Col. North and what he was doing. I had no right to question him.")

Hall said she had helped North shred documents on the night of Nov. 21st, as the investigations began.

(HALL: "I believe that Col. North probably opened the five drawer safe and began to pull items from it. And I joined him in an effort so that he would not have to waste his time shredding. And as he pulled documents from each drawer and placed them on top of the shredder, I inserted them into the shredder. At the same time, I asked him if I could go ahead and shred the cross notes and phone logs and he acknowledged that I should go ahead and do that and I did so.")

Hall could not shred everything. She told of hiding some documents in her clothes to get them out of the building after North's office was sealed.... Hall said she knew which documents to alter because of a list prepared 16 months early by Robert McFarlane -- they were the documents considered to be most sensitive because they revealed the most about the government's connection to the private contra aid network.

BROKAW: Richard Secord today disputed claims involving a \$200,000 fund he ordered set up....

(NBC-2)

ABC's BRIT HUME:North was fired. Later that day Hall put a call through to North, who had left the office, from the President.

(BELNICK: "And what did Col. North tell you about his phone call with the President?"

HALL: "He said the President called him an American hero and that he just didn't know."

BELNICK: "Did Col. North explain what he understood that reference to mean?"

HALL: "No, sir.")

...Earlier the committee heard from Bretton Sciaroni, the 35-year-old counsel to the President's intelligence oversight board, who wrote a 1985 legal opinion that the Boland amendments restricting U.S. aid to the contras did not apply to the National Security Council and thus to Oliver North. It turns out that this was Sciaroni's first legal opinion ever and that his path to a law career had not been easy. He flunked the bar exam three times. And committee Democrats pounced on the investigation Sciaroni made two years ago of reports North was illegally helping the contras. That inquiry consisted of a five minute talk with North, a half hour with another NSC aide and review of a few documents.

(SCIARONI: "The charges that had been leveled were general in nature and once I had asked the questions about what Col. North's activities were and had been given answers, I had no reason to doubt them.")

Sciaroni's investigation obviously failed, but he is not alone in his view of the Boland amendment. And there will be a bruising debate about that issue in this committee before this is over.

JENNINGS: Col. North won a legal point today. A month ago, the special prosecutor ordered North to produce a sample of his handwriting and when North refused, he was held in contempt. Today an appeals court ruled that Col. North's whole challenge to the special prosecutor must be ruled on before anything else. (ABC-4)

CBS's PHIL JONES: ...Fawn Hall told of Oliver North's shredding party at the White House. Hall told of the panic that took place in North's office on Nov. 21 of last year when the Iran-contra scandal began exploding in the press.... Hall appeared to refute claims by North that he had a close relationship with President Reagan. She claimed North never received telephone calls from the President, but that he worked closely with Vice President Bush on the hostage matter; however, he did not have one on one meetings. She said that he did have frequent meetings with William Casey.... Hall's testimony presents further legal problems for North. The shredding and altering of crucial documents could be grounds for criminal obstruction of justice charges against North. (CBS-Lead)

MRS. REAGAN'S COMMENTS ON IRAN-CONTRA HEARINGS

JENNINGS: Mrs. Reagan had something to say today about the Iran-contra affair. Talking to reporters on board her plane to Sweden, she said others were to blame. "You hate to have people out there," she said, "doing things you don't know about." (ABC-5)

SCHIEFFER: First Lady Nancy Reagan had some rare comments about the effects of the Iran-contra affair on the Reagan presidency.

SCHIEFFER continues:

(NANCY REAGAN: "Certainly it's too bad it happened. You hate to have people out there doing things you don't know about. When you look at the overall picture of what he has accomplished-- he has done so much. Wait until the eight years are over and then ask me.")

Swedish police held back several hundred demonstrators who turned out to protest Mrs. Reagan's visit and U.S. policy in Central America. She went to Sweden to review drug abuse programs while the President is at the economic summit. (CBS-3)

MRS. REAGAN IN SWEDEN

NBC's ED RAYBELL: Mrs. Reagan was given a warm welcome. She danced with the Frank Sinatra of Sweden and sang with him and other artists here who are campaigning against drugs.

(TV COVERAGE: The First Lady dancing and singing.)

Mrs. Reagan came to Sweden because something fascinating is happening here -- the total number of drug addicts is going down. Mrs. Reagan wants to find out why.

(THE FIRST LADY: "I'm terribly impressed. I'm very proud of you -- all of you. And thank you very much.")

Sweden will show Mrs. Reagan how it has been able to reduce drug abuse among pregnant women.... (NBC-7, ABC-6,)

MEESE/AIDS

BROKAW: Attorney General Edwin Meese announced new rules to stop the spread of AIDS. He said federal prisoners will be tested for AIDS both when they enter prison and when they leave. He said the results might be shared with potential employers. Meese said new immigrants in this country will also be tested for AIDS and they will be denied entry if they test positive. (NBC-3, ABC-10)

CBS's RITA BRAVER:

(ATTORNEY GENERAL MEESE: "Those who test positive under this program will be denied entry to the U.S. or to legalized residency as the case may be.") And as he did last week, Meese again endorsed the wearing of rubber gloves by police officers arresting AIDS demonstrators....

(MEESE: "We must do everything within our power to ensure that those who do not have AIDS are protected from unwanted and unknowing exposure to the disease.")

The Justice Department is bracing for legal challenges to the new policies. (CBS-7)

SOVIET BUGGING OF U.S. EMBASSY

BROKAW: James Schlesinger, the former defense secretary and CIA director, said today that the Soviet bugging at the new U.S. Embassy in Moscow is far more extensive than officials first believed. Schlesinger ...said the embassy is honeycombed with electronic listening devices. He said it would take two and a half years to get rid of the bugs at a cost of tens of millions of dollars. (NBC-6, ABC-9)

FOREIGN MEDIA REACTION

VENICE SUMMIT

"With Washington so preoccupied with its own economic problems, so intent on blaming its trading partners for its difficulties and with a weakened presidency, the summit will be hard-pressed to find convincing responses to the problems at hand. But since everyone involved needs a political success, the final communique can scarcely claim less."

(FINANCIAL TIMES, Britain)

"In Venice this week, Mr. Reagan will seek the support of other Western leaders for his policy of keeping open the Strait of Hormuz, the 'chokepoint of freedom,' as he generously calls that windy and inhospitable channel. But the other heads of state are likely to ponder other, less dramatic issues which have surfaced in the past two days."

(TIMES, Britain)

"Washington's public slanging match with Iran, joined yesterday by the White House Chief of Staff and Mr. Carlucci, provides a somber backdrop to the opening this evening of the Venice summit.... The Americans will be asking the allies to provide moral support to the U.S. reflagging operation for Kuwaiti tankers, and to support a U.N. Security Council resolution for a cease-fire, backed by a mandatory arms embargo. The U.S., however, has an uphill battle on this front following Mr. Carlucci's disclosure that the Chinese had rejected U.S. complaints about the Silkworm deliveries.... Mr. Carlucci's undiplomatic words, very much out of keeping with America's generally gentle handling of Peking, seem certain to sour Sino-U.S. relations. They will also make it virtually impossible for the U.S. to be secure the U.N. resolution it is seeking, as China is a permanent Security Council member."

(GUARDIAN, Britain)

"President Reagan is using his visit to Venice for the economic summit to try to counter signs of Mr. Gorbachev's growing popularity in Western Europe.... Mr. Reagan is also trying to defuse impressions in Europe and America that the Iran-contra affair has driven his effectiveness even lower than is usual for a lame duck president with only 18 months to serve.... Yet with the superpowers on track toward an agreement to withdraw medium, and possible short-range nuclear missiles from Europe, Mr. Reagan has no wish to antagonize Mr. Gorbachev to the point of exasperation. So although the President's rhetoric is challenging, his words fall far short of the strident saber-rattling that might leave Mr. Gorbachev feeling obliged to walk away from an accord."

(DAILY TELEGRAPH, Britain)

"The summit takes place at a time when several participants are going through difficult times.... Irangate was a tough blow to Reagan's credibility.... The accord with Moscow is very important for Reagan who does not want to miss the opportunity to end his term with a 'historic' accord. The other big political dossier will be the situation in the Gulf.... The situation in the Gulf and the deliveries of oil to the free world show that it is illusory to deal separately with economic and political issues."

(FIGARO, France)

VENICE SUMMIT (continued)

"Reagan has presided over the development of the most serious imbalances in the history of the U.S.... America is giving every indication of a sort of slide toward underdevelopment, which is totally incompatible with its hegemonic role in the West."
(QUOTIDEN, France)

"The U.S. has no more oxygen. Washington is looking for new solutions.... Reagan is in Venice to transfer part of his military spending to his allies and to encourage them to become the 'gendarmes' of the Gulf. They will also talk about AIDS and drugs; we know the view of the White House leader in these areas."
(HUMANITES, France)

"The U.S. has more or less set the agenda for all participants. At the top of the agenda is a dramatic theme, the development in the Persian Gulf. Unlike the Libyan action last year, America's allies will have the opportunity to demonstrate clearly where they stand. Whether they actually go as far as saying what they really think remains to be seen."
(TV ONE, West Germany)

"This is perhaps the most difficult summit since this annual financial meeting was established 13 years ago.... It does not begin under good auspices.... It is, undoubtedly, the summit of contradictions.... In some way or another, all seven leaders are 'lame ducks.'The contradiction lies in the fact that these weak leaders must deal with very complicated problems, of both economic and political nature, in most cases, problems whose resolutions cannot be delayed."
(IL SORE-24 ORE, Italy)

"With the possible exception of London and Paris, NATO allies have already answered 'no' -- Italy even emphatically -- to the U.S. request for support in the protection of oil routes in the Persian Gulf.... Every refusal to collaborate provides stronger arguments for those in Washington who work not only to enact nuclear arms accords, but also to promote a unilateral or multilateral decision to withdraw U.S. conventional forces in Europe."
(IL GIORNALE, Italy)

"Venice in fact has only one leader and all join under one dominant ideology. The sole actor is Ronald Reagan.... Only he has the key to the solution of problems.... If the leaders are not able to carry out whatever may be necessary to change things as required, Venice will be yet another lost opportunity."
(CINCO DIAS, Spain)

"The 'lame-duck summit' in the 'photo-op' city begins here today, and already the cynics are making puns about a 'Dearth in Venice.' There is a refreshing lack of talk about 'breakthrough initiatives.' The majority of the leaders present are nearing the end of their electoral terms."
(GLOBE AND MAIL, Canada)

"President Reagan is demonstrating that he himself was not gravely wounded by the Iran-contra affair."
(SEOUL SHINMUN, South Korea)

"The U.S. is not anymore the world's strongest economic power. From the world's biggest creditor, it has turned into the world's biggest debtor."
(MANILA TIMES, Philippines)



News Summary

OFFICE OF THE PRESS SECRETARY

TUESDAY, JUNE 9, 1987 -- VENICE EVENING EDITION
NOON EDT, 6:00 P.M. ITALY

TODAY'S HEADLINES

ECONOMIC SUMMIT

U.S. LIFTS PUNITIVE TARIFFS ON SOME GOODS FROM JAPAN, BUT NAKASONE ISN'T SATISFIED -- President Reagan removed punitive tariffs on some Japanese imports as the economic summit got under way, but Japanese Prime Minister Yasuhiro Nakasone said the action wasn't enough.

(Baltimore Sun, NY Times, Wall Street Journal)

IRAN-NICARAGUA

HALL SAYS SHE HELPED COL. NORTH SHRED, ALTER DOCUMENTS ON IRAN-CONTRA AFFAIR -- Fawn Hall, former secretary to Oliver North, testified that last November she helped to shred and alter classified documents detailing Col. North's involvement in providing funds and arms to Nicaraguan insurgents.

(Baltimore Sun, Philadelphia Inquirer,

New York Daily News, New York Post, New York Times, Wall Street Journal)

NETWORK NEWS (Tuesday morning)

SUMMIT -- Things seem to be going rather well. Reportedly there was general agreement on several issues.

SECURITY -- Bomb and grenade attacks on the U.S. and British Embassies in Rome, possibly a terrorist response to the summit.

MOSCOW EMBASSY -- James Schlesinger said it would take millions of dollars to de-bug the U.S. Embassy.

SUMMIT.....A-2

IRAN-CONTRA...A-6

INTERNATIONAL...A-9

NATIONAL.....A-10

TV NEWS.....B-1

ECONOMIC SUMMIT

U.S. LIFTS PUNITIVE TARIFFS ON SOME GOODS
FROM JAPAN, BUT NAKASONE ISN'T SATISFIED

VENICE -- President Reagan removed punitive tariffs on some Japanese imports as the economic summit got under way, but Japanese Prime Minister Yasuhiro Nakasone said the action wasn't enough.

As expected, Mr. Reagan told Mr. Nakasone that he is removing the tariffs on 17 percent, or \$51 million, of the \$300 million of Japanese imports on which the sanctions were imposed in April to retaliate for Japanese dumping of computer chips. The White House said the Japanese are still dumping chips in third countries, but to a lesser degree.

(Walter Mossberg, Ellen Hume and Philip Revzin, Wall Street Journal, A3)

REAGAN EASES SANCTIONS ON JAPAN TRADE
Cites Evidence Of Reduced Dumping

VENICE -- In a gesture designed to smooth the way for the opening of the seven-nation economic summit, President Reagan announced yesterday he was partially removing the trade sanctions imposed against Japan.

But the Japanese reacted coolly to the President's decision to move only part way to lifting the punitive action, which involved trade in semiconductors. A statement by Trade Minister Hajime Tamura said his government appreciated "to some extent" the President's decision.

Japan called for "an early and total lifting" of the sanctions.

(Stephen Nordlinger, Baltimore Sun, A1)

Reagan, In Venice, Lifts Part Of Tariff on Japan

VENICE -- President Reagan, after meeting with Prime Minister Yasuhiro Nakasone, announced yesterday that he had lifted part of the tariffs on electronic goods imposed on Japan in April.

Acting as the leaders of the seven largest industrial democracies assembled here, Mr. Reagan said he had removed the additional tariffs imposed on 20-inch television sets imported from Japan. That amounted to about 17 percent, or \$51 million, of the \$300 million in penalties levied on the Japanese.

(Gerald Boyd, NY Times, A1)

ALLIES AGREE ON NEED FOR 'NEW CONCERTED EFFORTS'
TO PROTECT GULF SHIPPING

VENICE -- President Reagan today gained diplomatic and symbolic help -- but neither requested nor received any military commitment -- from allied leaders on U.S. efforts to protect shipping in the Persian Gulf.

"The principle of freedom of navigation in the Gulf is of paramount importance for us and for others, and must be upheld," Reagan and his six Western colleagues said in a joint statement issued on the second day of the 13th annual economic summit.

(Barry Schweid, AP)

Summit/Persian Gulf

Western leaders, at the midpoint of their 13th annual summit, declared today that the free flow of oil "must continue unimpeded" through the Persian Gulf, and embraced a superpower plan to eliminate hundreds of nuclear missiles in Europe and Asia.

Besides giving President Reagan diplomatic support on the troublesome Persian Gulf, the leaders underscored concern about the threat of terrorism -- even as summit serenity gave way before dawn as military frogmen scurried to retrieve a suspicious-looking metal box -- rendered harmless -- from a nearby Venetian lagoon. (Terence Hunt, AP)

Summit/Persian Gulf

VENICE -- President Reagan, attending the first formal working session of the seven-nation economic summit, said today he believed the Americans will smooth over allied concerns about U.S. policies in the Persian Gulf.

Reagan began his day by discussing the Gulf war with Prime Minister Thatcher, his closest ally, over breakfast in a rose garden at his hotel. They traveled together in Reagan's launch to the summit meeting on San Giorgio Maggiore island.

U.S. spokesman Charles Redman said the two leaders conferred on "the importance of the principle of freedom of navigation" and compared notes on what each country was doing in the Persian Gulf. (Ira Allen, UPI)

Turn To U.N. For Help In Persian Gulf

VENICE -- Leaders of the world's major non-communist nations today called for U.N. mediation to end the Iran-Iraq war and agreed to pursue ways to protect free navigation in the Persian Gulf.

The leaders, meeting hours after bombings in Rome and a security scare in Venice, agreed on a draft of a joint declaration on political issues following a morning of talks at the 13th annual Economic Summit.

In addition to the Gulf, the statement dealt with terrorism, arms control and relations with the Soviet Union. (Gregory Jensen, UPI)

Venice Summit Forges Stand On East-West, Terrorism And Gulf

VENICE -- The world's leading industrial democracies today called for urgent efforts to end the Iran-Iraq war and pledge to work together to keep the Persian Gulf oil sea lanes open.

The leaders of the seven nations also expressed their support for a superpower deal on arms control and pledged for the first time to make no concessions to terrorists. (Brian Mooney, Reuter)

PRESIDENT BACKS CALL FOR TRUCE IN GULF

VENICE -- The seven-nation Economic Summit opened here last night with a consensus building among leaders for "a strong statement of principles" on arms control and with President Reagan urging allied support for a U.N. resolution calling for a cease-fire in the Iran-Iraq war.

The call for a Security Council resolution with "teeth" came despite indications that Europe is alarmed by reports that the U.S. is considering a pre-emptive military strike in the Persian Gulf and nervous about heightened rhetoric the White House has directed toward Tehran.

(Julie Johnson, Baltimore Sun, A1)

-More-

In Venice, Washington's Partners Resist Echoing Tough Talk On The Gulf

VENICE -- Leaders of the major industrial democracies reacted cautiously yesterday to the Reagan Administration's tough comments on the situation in the Persian Gulf, an issue that has threatened the seven-nation summit conference here.

Western European leaders and Prime Minister Nakasone of Japan appeared reluctant to endorse the Reagan Administration's menacing language aimed at Iran, but they offered carefully circumscribed diplomatic backing for the declared American aim of keeping the Gulf oil lanes open for navigation.

(James Markham, NY Times, A10)

U.S.-Iran Clash Alarms Summit

VENICE -- European leaders expressed alarm at the war of words between the U.S. and Iran as the annual seven-nation economic summit opened here yesterday.

European representatives said privately they were upset by U.S. threats to launch pre-emptive strikes on batteries of Iran's Chinese-made Silkworm missiles in the Persian Gulf. (Niles Lathem, NY Post, A9)

I Mean It, Says Ron

VENICE -- President Reagan warned yesterday that he was not bluffing about a possible preemptive strike against Iranian missiles, and there were reports that some of the allies were rallying to his Persian Gulf policy.

Reagan and allied leaders opened the 13th summit of industrial powers later in the day as the President sought to hit a soothing note for Japan by lifting some of the sanctions he imposed in April against Japanese computer and electronic products. (Bruce Drake, NY Daily News, A9)

Iran Threat Not A Bluff, Reagan Says

VENICE -- President Reagan yesterday issued a warning to Iran and tried to rally U.S. allies behind his Persian Gulf policy as the annual summit of the free world's seven major industrial nations opened.

Reagan, adding to warnings already issued by aides, said he was not bluffing about possible retaliation against Iran if it installed missile batteries overlooking the Gulf's oil shipping lanes.

(Owen Ullmann, Philadelphia Inquirer, A1)

LEADING INDICATOR FOR CHIP MAKERS ROSE AGAIN IN MAY

The leading indicator of the U.S. semiconductor industry rose again in May with continued improvement in business conditions, the Semiconductor Industry Association said.

The trade association said the industry's so-called book-to-bill ratio for May was 1.26; for every \$100 of product shipped, semiconductor manufacturers received orders valued at \$126. The ratio marks a three-year high, and the eighth consecutive monthly increase, the association said.

(Carrie Dolan, Wall Street Journal, A20)

Industry Backs Easing Of Japan Curbs

SAN FRANCISCO -- Electronics industry executives expressed support today for President Reagan's decision to remove some trade sanctions against Japan, but they said the action would have little effect on American consumers.

President Reagan in Venice, announced the lifting of 100 percent tariffs on 20-inch color television sets imported from Japan. The tariffs, which were levied on April 17, remain in effect on 18-inch and 19-inch color television sets, some power tools and some desktop and laptop computers.

(Andrew Pollack, NY Times, A10)

Tariff Cut Supported By Baldrige

Commerce Secretary Baldrige, the Reagan Administration's self-described "trade hawk," said yesterday that although lifting tariffs on \$51 million worth of Japanese electronics imports was not his idea, he supports it fully.

"I didn't initiate it myself," Baldrige said, referring to President Reagan's decision to scale back what had been tariffs on \$300 million worth of Japanese imports.

(David Willman, Philadelphia Inquirer, A22)

Japanese Disappointed With Only Partial Lifting Of Sanctions

TOKYO -- A Japanese official expressed disappointment today at the U.S. decision to lift 17 percent of the trade sanctions imposed on electronic goods, but one business leader saw the move as a positive first step.

Hajime Tamura, Japanese minister of international trade and industry, said that the move announced by Reagan was insufficient....

But Iwao Ojima, managing director of the Electronic Industries Association of Japan, said in a statement, "Though it is a very small part (of the sanctions)...we welcome it at this time as we see that efforts of the Japanese side were appreciated." His comments were nationally televised.

(Steven Paulson, AP)

REPORTER'S NOTEBOOK: REAGAN, BOWED TO, BOWS TO BUSINESS

VENICE -- Italy is often said to have two governments, one led by politicians and the other by the country's powerful industrialists.

So it was not surprising that the only leader who could lure President Reagan from the Hotel Cipriani, where Mr. Reagan received other leaders in his luxury lodgings, was Gianni Agnelli, the head of the giant Fiat auto concern.

This week Mr. Agnelli appeared to eclipse even Prime Minister Fanfani, the 79-year-old head of Italy's caretaker government.

(John Tagliabue, NY Times, A10)

KOHL SLIPS OUT OF SECURITY NET

VENICE -- Despite the extraordinary security preparations for the annual economic summit, West German Chancellor Helmut Kohl slipped through his own security net -- apparently on purpose.

The night before the summit opened, Kohl was spotted happily sipping a glass of wine at an outdoor cafe as hundreds of tourists passed by, unaware of who he was.

(Niles Lathem, NY Post, A9)

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IRAN-NICARAGUA

HALL SAYS SHE HELPED COL. NORTH SHRED,
ALTER DOCUMENTS ON IRAN-CONTRA AFFAIR

Fawn Hall, former secretary to Oliver North, testified that last November she helped to shred and alter classified documents detailing Col. North's involvement in providing funds and arms to Nicaraguan insurgents.

Ms. Hall appeared yesterday under a grant of immunity before lawmakers investigating the Iran-contra affair. Her testimony was accompanied by the release of records showing wholesale changes were made in the documents to disguise not only the role of Col. North, who was fired from his post at the White House NSC, but also his superiors' knowledge of his activities.

(David Rogers and John Walcott, Wall Street Journal, A4)

HALL DETAILS EFFORT TO HIDE NORTH'S ROLE
Destroyed Documents On Contra Aid

Fawn Hall told Congress yesterday that she altered, shredded and smuggled documents last fall to hide Oliver North's role in orchestrating potentially illegal aid to the Nicaraguan contras.

Testifying in a voice choked with emotion before the committees...North's one-time personal secretary described the apparent coverup her former boss ordered after learning that the Justice Department was investigating him.

(Charles Green and R.A. Zaldivar, Philadelphia Inquirer, A1)

FAWN HALL RELATES TALE OF SHREDDING
North's Secretary Hid Documents In Boots

Oliver North's secretary, Fawn Hall, smuggled NSC documents out of the White House in her boots and under her clothes and promised Colonel North's lawyer to say "We shred every day" if asked about destruction of documents, she testified yesterday.

Ms. Hall told House and Senate investigating committees she helped Colonel North shred an 18-inch pile of documents, telephone logs and computer messages last Nov. 21, the day before Justice Department investigators were to go through his files.

(Mark Matthews and Nancy Schwerzler, Baltimore Sun, A1)

NORTH'S SECRETARY DESCRIBES EFFORT TO HIDE EVIDENCE
Fawn Hall Recounts Activities In Days Before Dismissal Of Colonel From NSC

Fawn Hall, Oliver North's secretary at the NSC, testified yesterday that she had altered some sensitive documents, destroyed others and smuggled still others off the White House grounds last fall in an attempt to protect Colonel North.

In the most dramatic presentation since the congressional hearings on the Iran-contra affair began five weeks ago, Miss Hall said she had changed and shredded the documents at Colonel North's instructions.

The removal of other papers, stuffed under her clothes, was done on her own initiative, she testified. (David Rosenbaum, NY Times, A1)

FAWN: WHAT I DID FOR OLLIE
Shredding, Smuggling & Forgery

Fawn Hall -- the stunning golden-haired secretary to ousted NSC aide Oliver North -- held Washington and the nation spellbound yesterday as she told how she and her boss shredded hundreds of pages of secret government documents.

During two mesmerizing hours of testimony, the 27-year-old parttime model, who still lives with her parents, was frequently torn with emotion as she dropped bombshell after bombshell -- detailing what really happened in North's office on those chaotic days last November as the investigation closed in.
(Eli Teiber, NY Post, A2)

Beastly Ordeal For Beauty On Hot Seat

She left home yesterday a confident and cocky young woman -- but by the end of the day she looked like a nervous little girl on the verge of tears.

Fawn Hall had been clearly shaken during her 2½ hours in the hot seat.
(Jim Nolan, NY Post, A3)

UNDERCOVER JOB
Fawn Used Boots To Smuggle Notes

Blond, beautiful Fawn Hall, Oliver North's former White House secretary, told yesterday how on the day North was fired, she smuggled key documents out of the White House in her blouse and boots.

Testifying under a grant of immunity from prosecution, Hall told a spellbound committee room that she and North spent most of Nov. 25, 1986 -- the day the Iran-contra affair began unraveling -- pulling notes and records from his files, altering some and shredding others.

(Frank Jackman, NY Daily News, A5)

The Fawn Hall Story: A Big Hit On The Hill

The sometimes soporific Iran hearings, which had been getting bogged down in abstruse legal definitions and political grandstanding, sprang to life yesterday afternoon as Fawn Hall testified about sneaking top secret documents out of the White House in her boots and her back.

"It is very unfortunate that she got caught in the middle of this mess, but it's an absolutely fascinating story," said Sen. Orrin Hatch.

Every spectator seat filled up, every senator and representative sat up in rapt attention. Daniel Inouye...has given up the sunglasses he sported earlier in the hearings, but today he held up a piece of paper from the glaring television lights -- the better to see Miss Hall.

(Maureen Dowd, NY Times, A15)

CONTEMPT CASE AGAINST NORTH BLOCKED

A federal appeals court temporarily blocked yesterday a contempt-of-court case against Oliver North for refusing to hand over evidence to a grand jury probing the Iran-contra scandal.

Overturning a federal judge's ruling that held the Marine officer in contempt for disobeying a subpoena from the grand jury led by independent counsel Lawrence Walsh, the U.S. Circuit Court of Appeals for the District of Columbia told the judge to decide now whether that probe was legal.

(Lyle Denniston, Baltimore Sun, A1) ...More

Court Refuses To Rule On Legality Of Walsh's Post

A federal appeals court declined yesterday to rule on the constitutionality of the special prosecutor's investigation in the Iran-contra affair and ordered a trial judge to reconsider his contempt citation against Oliver North. (Philip Shenon, NY Times, A15)

KEY CONTRA RULING CLAIMED BY NOVICE He Describes Advising White House That Aid Was Legal

A novice lawyer who acknowledged failing the bar exam four times testified today that he had drafted the legal opinion cited by President Reagan in maintaining that a ban on aid to the Nicaraguan rebels did not apply to the NSC.

The lawyer, Bretton Sciaroni, told the congressional committees...that he wrote the opinion in September 1985 after only a cursory review of the facts. (Fox Butterfield, NY Times, A1)

NANCY REAGAN SAYS HEARINGS HAVE NOT AFFECTED PRESIDENT

STOCKHOLM -- Nancy Reagan, in her first public comments on the Iran-contra affair since the congressional hearings began a month ago, expressed concern today about the effect of the case on her husband's Administration but said it had not yet affected the President.

Speaking to reporters traveling with her from Venice to Sweden, where she is observing Swedish drug-abuse programs, Mrs. Reagan discussed a range of topics, among them how she views her role as First Lady and her husband's presidency. (Steve Lohr, NY Times, A16)

Nancy Says Hubby Looks Good, Overall

STOCKHOLM -- Nancy Reagan said yesterday the Iran-contra issue won't tarnish the accomplishments of the Reagan presidency, but "it certainly is too bad it happened."

The First Lady left the President at the seven-nation economic summit in Venice to take her global crusade against drugs to Stockholm, and was asked on the flight if the Irancon scandal will mar the legacy of the Reagan presidency. (Wire Services, NY Daily News, A9)

INTERNATIONAL NEWS

BANKAMERICA RAISING RESERVE \$1.1 BILLION:
MANUFACTURERS HANOVER MULLS SIMILAR STEP
Officials Of Manufacturers Expected
To Urge Boost Of \$1.75 Billion To Board

BankAmerica Corp. announced a \$1.1 billion addition to its reserve against troubled Third World loans, and banking sources said Manufacturers Hanover Corp. will consider an addition of more than \$1.75 billion, almost assuring the spread of foreign-loan losses to all major U.S. lenders.

San Francisco-based BankAmerica said its loan-loss provision would result in a \$1 billion loss for the second quarter, and a loss for the entire year. The action will leave the company with razor-thin equity capital margins, and it will be under pressure to further dismantle its operations through asset sales. But A.W. Clausen, BankAmerica's chairman, indicated the company will try to avoid selling any more major assets.

(Peter Truell, Robert Guenther and Richard Schmitt, Wall Street Journal, A3)

REBUILDING OF EMBASSY IN MOSCOW FOUND NEEDED

MOSCOW -- A former CIA chief, warning that the Soviets had achieved a "new plateau" in spying techniques, said yesterday that the incompleting \$195 million U.S. Embassy here would require tens of millions of dollars' worth of reconstruction to become reasonably secure.

James Schlesinger, who was director of the CIA and secretary of defense in the 1970s, said that those major changes required the renegotiation of an agreement under which both countries were allowed to build new embassies.

(Antero Pietila, Baltimore Sun, A1)

Schlesinger Says Moscow Bugging Means Embassy Must Be Rebuilt

MOSCOW -- The new U.S. Embassy must undergo a major reconstruction because it is riddled with bugging devices so sophisticated that American intelligence agents do not fully understand them, the American assigned to investigate the problem said today.

The investigator, James Schlesinger...said the Soviet bugging devices represented "a higher plateau of technology" than the U.S. had seen. He indicated that Soviet intelligence services are ahead of the U.S. in this area.

(Bill Keller, NY Times, A1)

NATIONAL NEWS

AIDS TEST ORDERED FOR U.S. PRISONERS AND IMMIGRATION
Parole May Be Affected -- Critics Fear More Of Compulsion

In the first stage of President Reagan's new plan to combat the AIDS epidemic, Attorney General Edwin Meese today announced details of programs to test federal prisoners and would-be immigrants for infection with the deadly AIDS virus.

Elaborating on a policy that the President announced last week, Mr. Meese introduced at least one surprising element, suggesting that the medical condition of inmates with AIDS might be an appropriate factor to consider in deciding whether they should be released on parole.

The programs were immediately criticized by civil libertarians, including advocates of homosexual rights. They said the testing would be ineffective in curbing the spread of the virus and might set a precedent for mandatory testing of other groups. (Robert Pear, NY Times, A1)

AIDS Could Keep Some Cons In Jail: Meese

Exposure to AIDS could keep some federal prisoners from being paroled, Attorney General Meese said yesterday.

The attorney general dropped the parole bombshell just after announcing a four-point plan to implement the AIDS policy that President Reagan spelled out in a controversial speech last week.

(Rachel Flick, NY Post, A4)

Aliens & AIDS: Deadly Issue

Attorney General Meese said yesterday that illegal aliens who have AIDS will be denied amnesty but cannot, under the law, be expelled from the country because they have the disease.

At a news conference, Meese offered details of the Reagan Administration's plan to expand AIDS testing to immigrants, political refugees, federal prisoners and prison guards. He said that all of the details have not been worked out and that the program would not go into effect for at least a month.

(Joseph Volz, NY Daily News, A5)

COURT FREES U.S. OF DUTY ON ACID RAIN

The Supreme Court freed the federal government yesterday from any duty to act immediately to stop air pollution by acid rain.

The court, without dissent, voted to leave intact a lower court ruling that the government does not have a legally binding duty to order states where acid rain problems originate to clean up their air.

(Lyle Denniston, Baltimore Sun, A1)

Court Rules For Reagan On Acid Rain

The Supreme Court yesterday declined to review a lower court's ruling that the Reagan Administration was not bound by a commitment made by the Carter Administration to control acid rain.

In doing so, the court refused to hear the appeals of environmental groups, eight Northeastern states and the Canadian province of Ontario, which sought to force the government to adopt rules to reduce pollution caused by acid rain.

(Wire Services, Philadelphia Inquirer, A1)

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GORTON SAYS WHITE HOUSE RENEGED ON DEAL THAT SET OFF FUROR

SEATTLE -- Slade Gorton, a Republican who lost his Senate seat after casting an unpopular vote for a Reagan judicial nominee, today accused the Administration of reneging on its part of the bargain that led to that vote.

Mr. Gorton, who is now practicing law here, said the Reagan Administration had failed to fulfill a commitment to nominate William L. Dwyer, a Democratic lawyer in Seattle, for a vacancy on the Federal District Court bench here. (Wallace Turner, NY Times, A18)

NETWORK MORNING NEWS PROGRAMS

ABC's GOOD MORNING AMERICA

7:00 a.m.

VENICE SUMMIT

CHARLES GIBSON: Good morning from Venice. This is the second day of the economic summit. And the leaders of the seven nations represented here gathered for their traditional class picture under extraordinarily tight security.

(TV COVERAGE: Leaders lined up for picture.)

JOAN LUNDEN: And a car bomb exploded outside the U.S. Embassy in Rome this morning. Two hand grenades were thrown over the wall. One minor injury has been reported.

GIBSON: ...About a quarter of a mile behind me across the San Marco Canal here is the Monastery at San Giorgio, where the economic summit is going on. The seven world leaders over there; they have been meeting all morning.... Things seem to be going rather well. Their working dinner last night, the seven leaders sitting down to dinner, went much longer than was expected. It went about 3 1/2 hours. Perhaps that is because it takes that long to eat five courses and drink three wines. Or perhaps it was because reportedly there was general agreement reached on the need to accept the treaty with the Soviets that would result in the removal of hundreds of intermediate-range and short-range nuclear missiles from Europe. Reportedly, the situation in the Persian Gulf and the economic situation that brings about this summit were not discussed last night at dinner. Those were saved for the meetings today.

EDIE MAGNUS: Allied leaders in Venice have drawn up position papers on arms control, the Iran-Iraq war, opening the Persian Gulf to shipping and continued support in the fight against terrorism. Meanwhile, Kenneth Walker reports policing the Persian Gulf remains high on President Reagan's priorities.

KENNETH WALKER: Before the formal start of the economic summit here, President Reagan hosted Britain's Prime Minister Thatcher for breakfast and expressed confidence he'll have no trouble persuading the allies to support the U.S. stand in the Persian Gulf.

(PRESIDENT: "I'm taking it for granted that they're convinced already.")

Thatcher refused to be drawn into a discussion on the level of British support.

(THATCHER: "I don't answer questions over breakfast....")

The President gave Mrs. Thatcher a lift to the formal opening of the summit, and while other Western leaders arrived at the front entrance, because of stringent security re-emphasized by the explosions near the U.S. Embassy in Rome, Mr. Reagan and Thatcher took a back route under a tunnel before emerging inside the former monastery San Giorgio, where summit meetings are being held.

WALKER continues:

(TV COVERAGE: Chancellor Kohl arriving at front entrance. President's boat going into tunnel. President and Mrs. Thatcher disembark.)

Before beginning, the leaders gathered for the traditional group picture, with Prime Minister Nakasone looking particularly somber following only a partial lifting of U.S. sanctions against his country's computer industry.

(TV COVERAGE: Leaders lined up for picture. Close-up of Nakasone.)

Once inside, the President discounted suggestions from Iranian leaders that American allies would never agree to support the increasingly anti-Iran U.S. policy in the Gulf.

(PRESIDENT: "I think Iran doesn't know what it's talking about.")

The Persian Gulf will be fully aired at today's sessions, after which U.S. officials expect the allies will avoid an endorsement of military moves. But the hope is there will be some expression of support for the principle of freedom of navigation as well as a pledge of cooperation for diplomatic moves at the U.N. to enforce a ceasefire and an arms embargo on the combatants in the Iran-Iraq war.

IRAN-CONTRA

MAGNUS: Fawn Hall is resuming her testimony before congressional investigators about her work as Oliver North's secretary....

AIDS

MAGNUS: Civil libertarians are criticizing Administration plans to test federal prisoners and immigrants for AIDS.

DENNIS TROUTE reports that in announcing the Justice Department program, the Attorney General said its principle goal is guarding the public health. Critics once again say the Administration is playing on public anxiety. The most recent ABC News poll shows that 85% of the public is deeply worried about AIDS and supports measures such as excluding foreigners who might help it spread in this country.

ECONOMIC REPORT

STEPHEN AUG reports Bank America is joining other big banks in writing off a lot of Third World loans -- \$1.1 billion worth.

And is the FTC about to get a bit tougher on antitrust enforcement? FTC Chairman Daniel Oliver confirmed yesterday that he would expect to have seen a larger number of complaints filed this year by the commission's Bureau of Competition. Apparently, Oliver relayed this word to the director of the bureau about two weeks ago after the commissioners considered the matter during a closed meeting. The commission had been criticized last week by some congressmen who suggested the FTC had become a bit too quiet.

BIDEN

GIBSON reports Sen. Biden will today announce he is a candidate for the presidency -- interviews BIDEN:

GIBSON: Would Joe Biden be warning the Iranians about deploying those Chinese missiles in the Persian Gulf?

BIDEN: Yes, he would, but he'd be doing what the President is doing now and more insisting that our allies understand that we all are in this thing together and that there be sufficient cover for any U.S. military personnel we put into the Gulf in terms of air cover from bases from the Gulf Cooperation states straight through to consistent support from our allies. This is not a go-it-alone undertaking.

GIBSON: Would Joe Biden have U.S. ships escorting Kuwaiti tankers?

BIDEN: No, he would not have it unless he had air cover for those ships and that would depend upon whether or not we had a basing arrangement with those Gulf states and whether or not our allies are part of it. But the United States has an obligation for its own self interest to be involved in protecting free navigation on the high seas. The question is precisely to what extent do we take on the responsibility and in what parts of the Gulf and under what circumstances.

GIBSON: Would you accept the removal of medium and short-range missiles from Europe?

BIDEN: Yes, I would but I would insist that we in fact maintain the ABM Treaty with the strict interpretation and I would increase the coverage, if you will, to make sure that we bring in our strategic systems as well as our theater systems. It's a bit of a side show to focus only upon that portion of the nuclear equation which affects Europe; at the same time this Administration is dismantling the arms control agreements....

SUMMIT

GIBSON interviews SECRETARY JAMES BAKER.

7:30 a.m.

SUMMIT

MAGNUS: World leaders in Venice have reached agreement on three major political issues: one praising cooperative progress in the fight against world terrorism, two calling for open shipping in the Persian Gulf, and three commending the spirit of U.S.-Soviet proposals for the reduction of nuclear weapons in Europe. Today the leaders are turning to economic issues.

8:00 a.m.

SUMMIT

SHEILAH KAST: None of the summit countries has been more focused on security than the U.S. While other summit leaders arrived for the first working session of the summit at the dock of San Giorgio Island in full public view, President Reagan, as planned, brought Prime Minister Thatcher with him into a side interest.
(TV COVERAGE shows boat going into tunnel.)

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KAST continues: Inside, before the leaders began their meeting, Mr. Reagan was reminded that Iran claims the summit leaders have told Iran they will not go along with the U.S. in the Persian Gulf.

(PRESIDENT: "I think Iran doesn't know what it's talking about.")

When the leaders gathered this morning, there had still been no discussion among them as a group of Mr. Reagan's hopes for increased support for the U.S. in the Gulf. One report is that the U.S. wants the allies to boost their patrols in the North Atlantic, creating more U.S. military resources for the Gulf. Most of last night's three-hour dinner conversation focused on East-West relations and arms control. But at an early morning meeting with Thatcher, the President projected optimism about allied support.

(PRESIDENT: "I'm taking it for granted that they are convinced already.")

Just a little while ago, the summit leaders issued a statement that agrees to increase diplomatic efforts, especially at the U.N., to pressure Iran and Iraq to end their war. On terrorism, the summit leaders said they believed there has been progress since they met a year ago and they promised to work together to bring terrorists to justice. And on arms control, the summit leaders said they welcomed efforts by the U.S. and Soviets to rid Europe of medium-range nuclear missiles. But the leaders said there should be a nuclear deterrent and they said there should be cuts in conventional weapons.

MAGNUS: Sheilah, the statement on protecting ships in the Persian Gulf, is that going to end the discussion on that issue for the duration of the summit?

KAST: No, U.S. officials expect that the President will still raise it with his allies here and really press the diplomatic part, not ask for more ships in the Gulf from them but stress exactly how they will get other countries at the U.N. to back this resolution and how they will make it stick, put some teeth in it with sanctions.

MOSCOW EMBASSY

MAGNUS reports President Reagan sent former CIA director James Schlesinger to look at the U.S. Embassy in Moscow and the report is not good. Schlesinger said it would take millions of dollars and years to de-bug the embassy and he would not rule out tearing the embassy down altogether.

SUMMIT

GIBSON interviews CHRISTOPHER REDMAN of Time Magazine and ABC's SAM DONALDSON:

GIBSON: There are seven leaders of the free world here in Venice but there are 2,300-2,500 reporters here to cover them. How much can those reporters really see and how much are the world leaders really accomplishing? We thought we'd talk about that this morning with Christopher Ridman (?), European correspondent for Time Magazine and with Sam Donaldson.... Christopher, is this much ado about nothing?

REDMAN: If you think the future of the world economy is at stake here, then it's not. I don't think the economy will go into a spin as a result of anything that is said here, but it's an important staging post on the way to keeping this recovery going. So, yes, it's important.

GIBSON: Sam, important but to listen to Christopher, not climactic.

DONALDSON: I like Christopher's word, "staging." A lot of staging is going on here. I mean, if you think the world leaders are hear sitting across the table from each other saying, "No, all right, I'd like you to do X and okay, I'll give you Y," it's not happening. Let me give you an example. Just an hour or so ago, the political statement was delivered, in which we learned of what their attitude was toward the Persian Gulf. It's the question we've been pursuing for days. What we learned [was] their attitude was to pursue peaceful means at the United Nations. And that statement was written days ago at lower levels. So the heads of the governments and state that are here simply blessed the weld, as it were, handed it out and went on to the next meal.

GIBSON: Last night, Christopher, we find that at the working dinner there was agreement made that there ought to be acceptance made of the intermediate-range nuclear missile treaty, but we'd really known that was going to happen since a week or so ago when the Germans signed off on it, didn't we?

REDMAN: No big surprise, but they have to say something at these things. It used to be that world leaders got together...saw a number of heads of state and government who actually knew something about economics getting together -- people like Helmut Schmidt, Valery Giscard d'Estaing -- they could actually get something done, accomplished in those meetings. Since then, they've degenerated into the kind of thing we see here now. This is a rather waterlogged cavalcade we've seen in Venice. But generally speaking they're pre-cooked. The INF decision is pre-cooked and the economic stuff, of course, is fairly predictable.

GIBSON: Are you saying these guys don't know a lot about economics?

REDMAN: Uh, I'm not, I would like, it's, one shouldn't be too unfair on these meetings, but I'm not sure that they are fully aware of some of the nicities of international monetary cooperation and economic coordination. They leave that to the sherpas, the people who climb up toward the summit bearing the communique, and they sign off on it and provided there's nothing in there that upsets them too much vis-a-vis the electorates back home, well, then they return happy.

DONALDSON: Charlie, you talked about the journalists here, all of us reporters trying to get the news. Of course, there isn't much news for us to get and there isn't much opportunity for us to get it. We see these leaders either at long distance -- 150 yards -- or for about 22 seconds around a table. And we do what we can to ask them questions, but let me give you an example. Yesterday, I asked President Reagan, "Are we really bluffing when we warn Iran not to deploy those Silkworm missiles." And he replied, "Well, I haven't bluffed once today." And I said, "Then it's a real threat." "Well, no, it's a statement of fact." Now, that bit of fervent nonsense -- and I'm not slamming Mr. Reagan...and I suppose you're not going to answer the question by saying, "Yes, I am bluffing."

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DONALDSON continues: That led all the network newscasts. And you say, well, what do these networks, what do they know about it? They're not the New York Times or the Washington Post. No, no, it was on the front page of those newspapers. That's what we try to do to get news when there isn't any news to get.

GIBSON: Then the main value...really, this is a sort of a view of summitry of seven people getting together and...it's really sort of a bull session.

REDMAN: That's part of the value. I've heard summits described as decompression chambers for world problems and there's some value to be had in the seven leaders of the world's most powerful economies getting together from time to time. There's something about a meeting like this where you actually have to look at your peers across the table and they try to clear the decks before they come here. It's not surprising that Helmut Kohl, for example, took a decision on INF before he got here and had to confront Ronald Reagan.

GIBSON: Then, Sam, why send 2,300 reporters?

DONALDSON: That's a good question, but out of a decent respect for our managements' judgement which sent us here, and for our audiences which are kind enough to watch it, I'm not going to answer it fully. I suppose one of the reasons, to be very blunt about it, is that this is a pageantry and it's a spectacle.... And so instinctively you want to put that on the air. And then the competitive edge comes in....

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CBS MORNING NEWS

7:00 a.m.

SUMMIT

FORREST SAWYER: Bomb and grenade attacks on the U.S. and British embassies in Rome, possibly a terrorist response to the Venice summit. And in Venice itself, a mystery object is found floating in a lagoon.

TOM FENTON reports a series of bombs exploded near the American and British embassies in Rome this morning. The Italian press agency said its Beirut office was warned yesterday that Italian interest would be attacked because Italy is hosting the economic summit. The warning came from an organization calling itself the Palestinian Islamic Jihad. There was a scare in Venice this morning when a metal device was found floating near here in the lagoon. Police feared it might be a mine. They attached a charge to it and exploded it harmlessly in the sea.

TERENCE SMITH: As you can imagine, the bombs in Rome and even unconfirmed reports of terrorism here have only served to heighten the tension surrounding this 13th gathering of the free world's leaders. Most of the heads of government arrived in an open dock in front of the conference center, but for added protection President Reagan and Prime Minister Thatcher were brought to a boat house away from the public view.

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SMITH continued:

(TV COVERAGE: President and Mrs. Thatcher arriving at summit meeting.)

The summit so far has gone according to script, beginning with the traditional class photo followed by the first formal discussion of economic issues.

(TV COVERAGE: Leaders pose for group photo.)

The President is using the summit as an opportunity to rally allied support for his military buildup in the Persian Gulf. He dismissed claims by Iranian officials that the allies were divided on the issue.

(PRESIDENT: "I think Iran doesn't know what it's talking about.")

In fact, we are being told that an allied statement will be released shortly that will include language on the Persian Gulf as well as East-West relations and terrorism.

LESLEY STAHL: We've had some reports that the allies are sort of leaning on President Reagan to lower tensions in the gulf, not increase them. Are they criticizing him?

SMITH: Well, there is certainly a difference in nuance here and maybe a bit more than that. They are in agreement. The allies are on the fact that you have to keep the Persian Gulf open to freedom of navigation. That's terribly important. The question is, how do you go about it? And the allies generally feel that the United States has been a bit too belligerent, a bit too provocative in the way they have talked up the war of words with Iran, while slowly building up a Naval force in the Persian Gulf. So there is certainly a difference in emphasis, yet the goals are the same.

SAWYER: Here in the states the Iran-contra hearings are attracting a great deal of interest this week, partly because of what is being said, partly because of who is saying it.

IRAN-CONTRA

DEBORAH POTTER reports that Fawn Hall will face more questions today about her role in what some committee members believe was a conspiracy to cover up the Iran-contra affair, because of her admission in shredding reams of White House documents....

AIDS

SAWYER: The Reagan Administration is moving ahead with its controversial plan to fight the AIDS epidemic, with Attorney General Edwin Meese announcing two major AIDS testing policies effective immediately. All convicted federal criminals will undergo AIDS testing when they enter prison and when they get out. Probation officers will be notified if the results are positive. And a program is being developed to test all would-be immigrants. Those who test positive will be denied entry.

BIDEN

STAHL: Senator Joseph Biden of Delaware elbows his way into the crowded race for the Democratic presidential nomination. He'll be the fifth declared candidate.

TAX COLLECTION

ROBERT KRULWICH: April 1987 will go down as one of the greatest months in the history of tax collection. The Internal Revenue Service in Washington collected more taxes this April than any previous month in the history of the United States, much more than the White House predicted, much more than Congress predicted, much more than any private forecaster predicted. April is always the month that money showers into Washington, but this April the IRS took in 34 percent more money than the previous April.

STAHL: Does this mean that we are on our way to solving the deficit problem?

KRULWICH. No, I wish we could say that, but no, not at all. This looks like a one year lucky break. If there is a recession next year our deficit could double to \$300 billion. The fact is this is the first summit when the United States with the most powerful economy on earth is showing up as a net debtor. We now owe money to almost every country in that summit, especially Japan, now how big a power can you be when you're in hock to your allies. This April surprise is kind of like a spring shower. It's here, it's over, then comest the summer, the fall, and then the winter.

7:45 a.m.

SUMMIT

SAWYER: ...At the summit a statement was approved that urged Iran and Iraq to negotiate an end to their war. It also called for freedom of navigation in the Persian Gulf. The leaders issued another communique favoring a verifiable arms control accord between the United States and the Soviet Union.

FIRST LADY

MARIETTE HARTLEY interviews author FRANCES SPATZ LEIGHTON, who has written a book called, "The Search for the Real Nancy Reagan."

MARIETTE HARTLEY: When Ronald Reagan came to the White House, Nancy Reagan became highly visible and seemed to like it. Whether it's for her high fashion look or commitment to fighting drugs or the charges she's exerting too much influence on her husband, Nancy Davis Reagan is seldom out of the spotlight, but what kind of woman is behind that public image. Author Nancy Spatz Leighton has written a book called "The Search for the Real Nancy Reagan" and she is here with us this morning. Did you interview Nancy Reagan for this book?

LEIGHTON: No, I didn't. She stonewalled me. I have met her on various occasions. But this is the book she didn't want written.

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HARTLEY: Who do you feel the real Nancy Reagan is?

LEIGHTON: Well, not at all the person that she portrays in public, the gentle little woman who is kind of shy and who says "my husband has enough brains of his own. He doesn't need mine to help him." She is a rather tough cookie and she knows what she is doing, and she is determined to help in every way as she sees fit. And she is a woman who takes more, a greater role in government than is thought. And a woman who can get people bounced out of the White House if she does not like them, if she feels they are not doing a good enough job. Other First Ladies have not been that concerned.

8:15 a.m.

FIRST LADY/SWEDEN

SAWYER: Nancy Reagan is in Stockholm, Sweeden, toasting that nation's anti-drug campaign. She also attended a concert organized by a group called Sweedish Entertainers Against Drugs. Outside, the sound of protest. Some 200 anti-American demonstrators, angry at U.S. policies in South Africa and Central America.

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NBC's TODAY SHOW

7:00 a.m.

SUMMIT

BRYANT GUMBEL: A series of explosions rocked the American and British Embassies in Rome overnight. Details are sketchy, but it appears that four grenades were thrown into the American compound, two of which were real and exploded causing minor damages and no injuries. Outside the U.S. Embassy, two car bombs exploded, again causing some damages and one minor injury. The story at the British Embassy was similar, but only one grenade exploded there. As this was happening, security forces in Venice discovered what appeared to be a mine in the waters off of Lido Island. It was detonated without incident. Well, that mine now appears to have been a dummy device. Terrorist experts are trying to determine if all the explosive events in Italy are connected today. Security at the economic summit, already substantial, has been tightened this morning in the wake of those explosions in Italy. We're going to get the latest on those attacks and the rest of the day's news.

DEBORAH NORVILLE reports on the bombings. All of this understandably has heightened security concerns at the summit in Venice where leaders of seven top industrialized countries are already worried about security in another part of the world. President Reagan is hoping to get strong, unified backing for the toughened U.S. stance in the Persian Gulf. But so far, other Western leaders have shown little enthusiasm for it. White House correspondent Andrea Mitchell this morning from the summit.

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ANDREA MITCHELL: Good morning from Venice where security is especially tight after today's bombings in Rome. Meanwhile, the allies are very nervous about U.S. saber-rattling in the Persian Gulf. The focus today -- political issues: arms control and security in the gulf. Although they were all smiles when posing for their class picture this morning, the allies want the United States to stop threatening military action in the gulf, fearing that the super powers will be drawn into the Iran-Iraq conflict. But at a meeting with Prime Minister Thatcher, the President was characteristically optimistic.

(REPORTER: "President Reagan, are you going to be able to convince the allies of the wisdom of U.S. policy in the Persian Gulf?" PRESIDENT: "I'm taking it for granted that they're convinced already.")

(TV COVERAGE: President and other leaders sitting around summit table, President shaking hands with other world leaders, President talking with Prime Minister Thatcher.)

However, they are not convinced. The allies worry that any military action could prompt the taking of more European hostages in the Middle East -- a worry Iran is trying to exploit.

(PRESIDENT: "I think Iran doesn't know what it's talking about.")

Although a joint statement on the Persian Gulf is likely, it will stress the need for diplomatic, not military, solutions. The leaders have agreed to support the President on arms control. Their aides stayed up all night drafting a communique which should be agreed to finally today.

IRAN-CONTRA

NORVILLE: In Washington, Fawn Hall, Oliver North's former secretary, is testifying again at the Iran-contra hearings....

SUMMIT

ANDREA MITCHELL interviews SECRETARY OF STATE GEORGE SHULTZ.

BIDEN CANDIDACY

GUMBEL: Today, yet another Democrat joins the race for President. This time it's Senator Joseph Biden of Delaware. NBC News national political correspondent Ken Bode fills us in on this latest '88 entry....

BRYANT GUMBEL interviews SENATOR JOSEPH BIDEN.

8:00 a.m.

SUMMIT

NORVILLE: The summit continues this morning amid heightened security. Western leaders meeting in Venice approved a joint communique today endorsing efforts to try to settle the Iran-Iraq war. They also agreed to look for ways to protect free navigation in the Persian Gulf. And Prime Minister Margaret Thatcher plans to leave the summit early later today to head back to Britain for this week's national elections. And she goes back to London a confident candidate.

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HENRY CHAMP reports on the British elections. Prime Minister Thatcher woke up this morning with the latest election polls from London predicting a majority conservative government and that nothing short of a major catastrophe can prevent her third term as that country's leader. As pictures of her meetings with heads of state dominate British newscasts, party spokesmen will project Europe's senior leader as an international stateswoman, well above the cut and thrust of the election. There was every impression President Reagan was using whatever body language he could as support.

(TV COVERAGE: President and Mrs. Thatcher seated at dinner.)

The two leaders hovered close together whenever photographers were near. In return, the Prime Minister gave the President a lesson on how to handle the press.

(REPORTER: "Prime Minister, are you concerned about U.S. policy in the gulf?" THATCHER: "I don't answer questions over breakfast. You've tried that one before." REPORTER: "This is true." PRESIDENT: "I'm going to remember that answer.")

The "Iron Lady" is no mollycoddler of journalists.

(REPORTER: "Why was dinner so long?" THATCHER: "You'd have asked us why it had been short if it had been short.")

On a British radio broadcast taped previously and released this morning, the confident Prime Minister indicated she felt this campaign was already over. She told the interviewers she would be running for a fourth term, probably in 1991.

8:30 a.m.

SUMMIT

NORVILLE: No group has claimed responsibility yet for the bombings this morning at the U.S. and British Embassies in Rome. Meanwhile, at the summit, the seven leaders issued a communique calling for stepped-up efforts to combat international terrorism. The leaders are also discussing today a possible U.S.-Soviet arms agreement and the U.S. military presence in the Persian Gulf.

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