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Dear John:

I am enclosing for your information a copy of the special edition of our Wireless File which we produced to cover May 3 and May 4 developments at the Tokyo Economic Summit. We transmitted this File over the weekend on an expedited basis so that our posts could get the U.S. point of view on summit issues immediately before the overseas media. I'm sure you will agree that our spokesmen provided many important contributions to our public affairs effort overseas.

Best regards.

Sincerely,

Charles Z. Wick
Director

Vice Admiral John M. Poindexter
Assistant to the President
for National Security Affairs
The White House

NSC 8603620

U S I A W I R E L E S S F I L E
SPECIAL TOKYO SUMMIT FILE

THIS IS A SPECIAL JOINT WIRELESS FILE COVERING MAY 3 AND 4 DEVELOPMENTS AT THE TOKYO ECONOMIC SUMMIT. IT WAS PREPARED BY THE AGENCY'S PRESS AND PUBLICATIONS SERVICE FOR TRANSMISSION TO THE FIVE REGIONAL AREAS -- AFRICA, EAST ASIA-PACIFIC, EUROPE, LATIN AMERICA, NEAR EAST-SOUTH ASIA.

SUNDAY, MAY 4, 1986

*SFF602 05/03/86
TIMING FOR TOKYO SUMMIT GOOD, U.S. SAYS (780)
(Article on briefings by Shultz, Baker, Speakes)
By Eugene Brake
USIA Economics Correspondent

Tokyo -- As leaders from the major industrial nations gathered in Tokyo for their latest economic summit meeting, U.S. officials continued to say the timing was right for positive results.

"This summit meeting comes at a moment of real opportunity and important responsibilities," Secretary of State Shultz told reporters May 3 in Tokyo. "...We meet at a time when there are quite a number of favorable developments at hand" and when a strategy to deal with the remaining problems is "becoming clearer and clearer."

Secretary of the Treasury Baker, joining Shultz at the same briefing, seconded the secretary of state's comment and elaborated. The May 4-6 Tokyo Economic Summit is taking place "in the most favorable economic environment we've seen in many years," he said, pointing to declining oil prices, the lowest inflation in the summit nations since 1967, falling interest rates, and exchange rates "moving into better configuration."

Baker also listed some "responsibilities" the summit leaders need to deal with:

-- High unemployment in some countries;
-- Continued imbalances in international transactions;
-- The problem of debt in some developing nations;
-- "And, of course, the continuing problem of protectionism."

Baker also repeated a list of areas the United States would like to see the economic summit concentrate on: "Strengthening the performance of summit countries' economies generally; improving growth in the developing countries; strengthening the international trading system; and finding ways, if we can, to improve international economic coordination and cooperation."

At an earlier briefing, White House Deputy Press Secretary Larry Speakes commented that "the sixth summit that President Reagan is attending is being held against a backdrop of worldwide economic expansion and the recognition and adoption of many of the market-oriented policies that the

president advanced at the first economic summit of his administration in Ottawa in 1981.

"The summit is also taking place in the context of a convergence of economic and political freedom that has resulted in a renewed worldwide commitment to democracy, free enterprise and self-determination," he added.

Baker confirmed that that 11 Latin American nations have sent an appeal to the summit leaders.

"As I understand it," he said, it is an appeal "for additional assistance with respect to the international debt problem, a request for better understanding of the problem, and a request for serious and in-depth discussions of the issue -- which is already on the summit agenda."

The secretary of the treasury refused to answer questions about exchange rate policy. But he commented that while the United States shares the concerns of other countries about the stability of exchanges rates, "We prefer to concentrate, quite frankly, on finding ways to enhance international economic cooperation and coordination, or improve the workings of the system, rather than talking about intervention."

Baker said that greater growth in other countries would be "a preferred way" to correct the huge U.S. trade deficit. He said a recession in the United States would be another way to do it but said that "is unacceptable to everybody."

In reply to another question, Baker said that President Reagan would be able to report to the other summit leaders that the United States is making progress on reducing its budget deficit.

Attending the Tokyo Economic Summit are Prime Minister Nakasone of Japan, President Reagan, Prime Minister Mulroney of Canada, President Mitterrand and Prime Minister Chirac of France, Chancellor Kohl of Germany, Prime Minister Craxi of Italy, Prime Minister Thatcher of Great Britain, and, representing the European Communities (EC), Commission President Delors and Netherlands Prime Minister Lubbers, president of the EC Council.

The summit meetings start the evening of May 4 (Tokyo time) with a dinner. This dinner, and all other meals, will be reserved for political discussions.

"You can expect East-West relations to come up," Speakes told reporters.

The leaders are permitted to bring up any subject they want at these political discussions, and President Reagan will certainly have terrorism and the Soviet nuclear accident on his agenda, Speakes said.

On the morning of May 5 the leaders will put the finishing touches on a political statement and then move on to the economic summit agenda items. The economic discussions will continue in the afternoon, when the leaders will be joined by their foreign ministers and finance ministers.

The economic discussions will continue Tuesday morning, May 6, and the final summit communique will be issued in the afternoon. The 1986 economic summit will end that night with a banquet given by the emperor of Japan.

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*SFF603 05/03/86
REAGAN STRESSES TO ALLIES NEED TO COMBAT TERRORISM (610)
(Article on background briefing on Nakasone, Craxi talks)
By Alexander M. Sullivan
USIA White House Correspondent

Tokyo -- President Reagan prepared for the Tokyo economic summit May 3, stressing -- in separate meetings with two close allies, Japan's Prime Minister Nakasone and Italy's Prime Minister Craxi -- the need to combat terrorism.

A senior administration official said the president discussed with Craxi "an array" of measures to further isolate Libya economically and politically from the world community, including a switch in oil purchases from Libya to other suppliers.

The official said there was discussion "of an array of steps...that did include the question of (not) buying Libyan oil and the utility that would have in increasing Libya's economic isolation. There was no direct Italian response." The leaders also discussed credit restrictions as another method of making Libya pay a price for its support of terrorism.

Craxi mentioned Italy's presence in the Libyan oil industry, the official said, but there was no discussion "of how much oil Italy does or does not buy...There was no statement yes or no to the notion that reducing or eliminating purchases of Libyan oil was something that Italy would or would not do. There was acknowledgement that it is one of the means to isolate Libya economically..."

The official said that Reagan did not suggest an alternate supplier of oil for Italy, although Mexico has been mentioned as one substitute source. Craxi mentioned the continued presence of U.S. oil firms in Libya under presidential exemption from the terms of an executive order cutting U.S. economic ties with Tripoli. The official said the United States recognizes there are "complications" in the oil relationship, "complications for us as there are complications for them."

The official said Reagan did not specifically ask Craxi to reduce or eliminate Libyan oil purchases, but he noted that it is "implicit" in raising an array of steps that the United States would welcome being joined by other nations. The discussion, the official added, was not couched in terms of seeking an immediate answer.

The official said Reagan told Craxi that the Soviet Union has not yet accepted a specific date for the second

meeting between Reagan and General Secretary Gorbachev; the two leaders agreed in Geneva last November that they would meet in the United States during 1986. A Craxi-Gorbachev meeting is also in the planning stage.

Nakasone told Reagan, a second official said, that terrorism is "perhaps the most important topic" to be discussed at the summit; Reagan agreed, the official added, that terrorism "is terribly important."

The official said Nakasone told the president that the detailed briefing on terrorism he received gave him a "better appreciation of Libyan involvement in the international terrorist movement. There was a sympathetic understanding expressed by the prime minister of the circumstances which led the United States to take" action against terrorist facilities in Libya April 15. The official said the Japanese have "moved considerably" in recent weeks toward "recognition of what the world really faces from international terrorism, specifically from Libya."

The official said both Reagan and Craxi mentioned their "deep concern" over the failure of the Soviet Union to provide prompt and accurate data on the nuclear accident at Chernobyl and its aftermath. Both, he added, declared it "essential" that Moscow make public "relevant information" immediately. He said that Nakasone, chairman of this year's summit, said the subject would be taken up by participants.

The official told a questioner he is "leaning" toward the belief that the summit participants will issue statements on terrorism and the nuclear accident.

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*SFF604 05/03/86
SHULTZ: SUMMIT OCCURRING AT "SPECIAL MOMENT OF OPPORTUNITY"
(Article on Shultz briefing) (770)
By Alexander M. Sullivan
USIA White House Correspondent

Tokyo -- The Tokyo economic summit is convening at "a special moment of opportunity," Secretary of State Shultz said May 3.

President Reagan and the leaders of six other industrialized democracies meet May 4-6 in the 12th annual summit on economic and political issues affecting the Western alliance.

Shultz, briefing reporters on what to expect from the session, said the leaders come together at a time of "real opportunity and important responsibility." He said the responsibility derives from the fact that the glittering prospects for economic expansion are matched by the fact that there are "clearly great problems" that the leaders should "come to grips with. It's important for this group of countries to maintain cohesion...in addressing all of the issues in the East-West arena."

The nations meeting in Tokyo are the United States, Japan, West Germany, France, Great Britain, Italy and Canada; the European Community is also represented.

Shultz said he is sure that East-West relations, arms control, the Chernobyl nuclear accident, and terrorism will be discussed. He said that in the discussion on terrorism it is of "key significance" that the nations "examine the issue together and determine what, in our separate ways, we can do about it."

He said the Chernobyl disaster "highlights the responsibility that each state has" to inform the world of events which have "clear effects on people in other states, adjoining and otherwise." President Reagan, meanwhile, told a questioner that he hopes the Soviet Union will shortly "rectify" its reticence about the disaster "and give us information." He said he would not comment when asked what the Soviet attitude signifies in terms of the mutual trust needed for substantial arms reduction agreements.

Shultz said that he expects a two-fold discussion on the accident growing out of the "two sets of concerns" common to the varying viewpoints of participants. Of immediate concern, he said, would be a "call for more information" from Moscow so that nations can "assess what the potential implications of the accident are and do what is necessary to

do to safeguard the health of citizens and to understand what happened and why...so that to the extent we can learn from that, we do so."

Shultz said the participants would also likely "focus on the question of whether it would be worthwhile at this time...to firm up the inherent obligation that states have to provide information about something going on within their borders that has effects on others."

He said that obligation is "generally understood" but added, "maybe it would be timely and good to kind of reinforce it a little." Shultz said he's "certain" the information provided by Moscow is not "anywhere near the scope of information that we have ourselves based on our own independent sources. So by that standard they have not been very forthcoming."

Responding to Soviet charges that Washington has been exaggerating the seriousness of the accident, Shultz said the "way to deal with that kind of question is to provide access and provide information, and if we're exaggerating, I would be delighted...if that were so...We'd like to be able to have whatever verification we could get." He noted that radiation has been disseminated and "people measure that."

The secretary stood by his earlier assertion that the level of casulaties is higher than Moscow has revealed; the Kremlin has said two persons died and about 180 were injured, 18 seriously. Shultz said he could not give exact numbers but called the two dead a "very low" count.

"The information they provided on the number killed and those in some way incapacitated looks very low compared to information we have from a variety of sources," Shultz said. "You take pictures and you see what's on the ground, you see the immobility of emergency equipment that came there and is still there, and you accumulate reports of one kind or another...it all suggests that the impact on the individual lives is much more than the statements that they have said."

Shultz said that while there is no direct connection between the accident and nuclear arms reduction negotiations, it does underscore the importance of achieving the radical reductions in armaments that Reagan has been seeking for six years. He said the United States will continue to pursue deep cuts "energetically" in the Geneva nuclear and space talks which resume later this month.

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*SFF605 05/03/86
U.S. WANTS FULLER EXCHANGES ON NUCLEAR ACCIDENTS (1100)
(Article on comments in Tokyo by Reagan, Shultz, Speakes)
By Eugene Brake
USIA Economics Correspondent

Tokyo -- The United States is continuing to call on the Soviet Union to provide fuller information on the nuclear accident at its Chernobyl power reactor, and U.S. officials expect a full discussion of the subject at the May 4-6 economic summit meeting in Tokyo.

Secretary of State Shultz and other officials told reporters the Soviet nuclear accident points up the responsibility of nations to provide full information to other countries that might be affected by such incidents. Shultz said one of the questions the United States wants to explore at the Tokyo talks is the possibility of a strengthened international commitment to provide such information.

President Reagan sharply criticized the Soviet Union for "its secrecy and stubborn refusal to inform the international community of the common danger from this disaster."

"The Soviets' handling of this incident manifests a disregard for the legitimate concerns of people everywhere," Reagan said in his regular weekly radio address to the American people May 3. "A nuclear accident that results in contaminating a number of countries with radioactive material is not simply an internal matter."

Reagan and U.S. officials briefing reporters in Tokyo emphasized that the United States sympathizes with the Soviet citizens affected by the disaster and stands ready to help.

But Shultz explained that the United States and other nations want fuller information so as to better judge what action it should take to protect the health and safety of U.S. citizens who are in affected areas of the Soviet Union and in other countries over which radioactive fallout may be drifting.

A second set of concerns among the summit nations, he said, "is to focus on the question of whether it would be worthwhile at this time to try, in a sense, to firm up the inherent obligation that states have to provide information about something going on within their borders that has effects on others.

"That (obligation), I think, is generally understood, but maybe it would be timely and good to kind of reinforce it a little bit," he said.

Background information put out by the White House press office said that there are no international agreements, "per se," to provide information on nuclear accidents. But it added that "it is a principle accepted in customary international law that an incident likely to have trans-boundary effects should be notified in a timely fashion."

The International Atomic Energy Agency inspects non-weapons-producing nuclear reactors to assure against diversion of nuclear materials for weapons but not for safety features. The United States has designated all of its peaceful nuclear installations for such inspections. The Soviet Union has only recently begun designating certain of its nuclear reactors for international inspections, U.S. officials say.

Shultz said the Soviet Union had provided some information but it was less information than was available from other sources, such as photographs taken from satellites and measurements of increased radioactivity in the atmosphere outside the Soviet borders.

White House Deputy Press Secretary Larry Speakes told reporters in Tokyo that the Soviet Union had not refused to provide the information requested but that it just had not provided it.

Asked what kinds of information the United States had asked for, Speakes mentioned the extent of the damage, measurements on the amounts of radioactivity released, results of efforts to put out the fire at the plant, and the kinds of safeguards in operation on Soviet nuclear power plants.

Secretary Shultz, questioned by reporters about an earlier statement that casualties in the Soviet nuclear accident were considerably higher than the Soviet government has announced, repeated his suggestion that more persons were killed than the two reported by the Soviet Union.

At the American embassy in Tokyo, where President Reagan was meeting with Italian Prime Minister Craxi, the U.S. president was asked to comment on the Soviet contention that the United States was exaggerating the extent of the nuclear disaster.

"Maybe they would not have any problem if they would come forward and tell everybody exactly what happened," Reagan replied.

Speakes said the latest information available to the United States does not confirm the Soviet Union's contention that the fire in the number four Chernobyl reactor had been completely smothered. Speakes said there were indications

that the fire, which had been burning fiercely immediately after the accident occurred April 26, was diminished. But "there is evidence that the reactor or associated equipment with the reactor continues to smolder," he added.

Speakes said that a second "hot spot" previously detected at the site was not in one of the other reactors at the Chernobyl plant but in another area of the complex.

Other information provided by Speakes included:

-- "Airborne radioactivity now covers much of Europe and a large part of the Soviet Union." Increased atmospheric radioactivity resulting from the Soviet nuclear accident had reached 644 kilometers west of northern Norway and was believed to be turning to the south and southwest. Some increase in radiation had been detected as far south as Italy.

-- The U.S. Environmental Protection Agency (EPA) is taking daily readings of atmospheric radiation but expects no threat to health in the United States.

-- The United States is advising its citizens not to travel to the Kiev area and advises children and women of child-bearing age to avoid Poland as well. It is advising citizens to avoid milk and other dairy products from Eastern Europe.

-- U.S. radiation monitoring teams have been sent to several European countries, and EPA experts are being sent to determine any radiation dangers to U.S. personnel in Moscow, Leningrad, Warsaw and Krakow.

-- A U.S. expert on bone marrow transplants, Dr. Peter Gale, has gone to the Soviet Union "to offer his expertise and assistance."

The White House press secretary reported that President Reagan received a written report from Vice President Bush on a May 2 meeting at which the nuclear accident situation was reviewed by a group that included Secretary of Defense Casper Weinberger, Secretary of Energy John Herrington, Director William Casey of the Central Intelligence Agency and several other high-level government officials. Speakes explained that the high-level review was not a substitute for the continuing work being done by an inter-agency task force headed by EPA director Lee Thomas. Speakes praised the Thomas group as one of the best U.S. inter-agency task force operations he has ever seen.

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*SFF606 05/03/86
FEW SOVIET NUCLEAR REACTORS OPEN TO IAEA INSPECTION (290)
(Text: White House fact sheet on IAEA safeguards)

Tokyo -- While the Soviet government was not obligated under international agreements to immediately notify neighboring countries of the nuclear accident at Chernobyl, it was morally obligated to do so, according to White House officials.

A fact sheet issued by U.S. officials in Tokyo May 3, points out that the United States has designated all of its civilian nuclear reactors for periodic non-safety inspections by the International Atomic Energy Agency (IAEA). By contrast, the Soviet Union has designated only a few of its reactors for such inspections.

Following is the text of the White House fact sheet:

(begin text)

-- While there are no international agreements, per se, it is a principle accepted in customary international law that an incident likely to have trans-boundary effects should be notified in a timely fashion.

-- There is an incident reporting system that is coordinated through the Paris-based OECD (Organization for Economic Cooperation and Development) Nuclear Energy Agency, but this only includes OECD members (Western Europe, United States, Canada, Japan, Australia, and New Zealand). The Nuclear Energy Agency has agreements to exchange data with the Vienna-based International Atomic Energy Agency (IAEA), of which the Soviet Union is a member.

-- Both the United States and the Soviet Union individually allow the IAEA to inspect reactors (non-weapons producing) for safeguard purposes, that is, to assure against the diversion of nuclear material for other than peaceful nuclear purposes. They are not for inspections of safety features.

-- The Soviet Union designated certain of its reactors for such inspection. We have designated all of our peaceful nuclear establishments for such inspections.

(end text)

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*SFF607 05/03/86
WHITE HOUSE REPORT, SATURDAY, MAY 3 (800)
(Summit topics, nuclear inspections, Japanese economy)

NEWS BRIEFING -- Deputy Press Secretary Larry Speakes in Tokyo covered these topics:

SUMMIT TOPICS LISTED --

Speakes said the Tokyo economic summit, which takes place at a time of economic expansion and the convergence of economic and political freedom, is expected to take up East-West relations, arms control, terrorism, regional issues, narcotics trafficking, and the Chernobyl nuclear accident during political discussions. The leaders will take up political matters during working dinners and luncheons.

President Reagan will hold bilateral sessions with each of the summit participants, at which the future of U.S. and European summit meetings with the Soviet Union, Chernobyl, and arms control negotiations will be discussed, Speakes said.

Asked if there was concern that Chernobyl and terrorism would "overshadow" economic issues at the summit, Speakes declared, "What better time to have seven world leaders join in a face-to-face meeting and several hours of conversation than when you have something that is dangerous to all nations, such as the Soviet nuclear accident? What better time to have these people meeting than now? What better time to have them meeting than when you have the world confronted with terrorism? That is not to say that all of these issues regarding financial issues, economic issues, won't be discussed in detail, as the final communique will reveal."

ON-SITE NUCLEAR INSPECTION URGED --

Speakes said that in the wake of the Chernobyl disaster, "an expanded version of on-site inspection" of nuclear reactors is "certainly something that would be preferable and a worthwhile goal to work toward...to prevent accidents of this type and, should they occur, to prevent their spread."

He said that through the International Atomic Energy Agency, the Soviet Union in recent months has agreed to limited inspection.

Speakes told questioners that Washington has not asked specific questions of the Soviet Union, but he noted that Moscow has not been forthcoming with information. Among the

things Washington wants to know, he said, are "the extent of the accident, (radiation) measurements in the specific (accident) area, the success or the lack thereof in controlling the fire, and we'd surely like to know more about the safeguards that they have on reactors in the Soviet Union."

He said that Vice President Bush has reported in writing to Reagan on the results of the Cabinet-level meeting in Washington on the disaster. He said the meeting was called to oversee the work of the inter-agency task force under EPA Administrator Lee Thomas, whose work he termed extraordinary.

As a result of the meeting, Speakes said, both Reagan and Bush expressed "serious concern about the lack of information" furnished to the world by the Kremlin. He said the United States would continue to "press for full and accurate information" from Moscow.

He said that fallout from the accident now has covered much of Europe, reaching as far south as Italy, and large parts of the Soviet Union. He could not confirm reports that Moscow has smothered the fire and said experts believe it continues to smolder. Chernobyl is a complex of four graphite-moderated light water reactors about 130 kilometers north of Kiev; according to news reports, the reactors produce plutonium for the Soviet nuclear weapons program and also generate electricity.

Bush reported that there has been no trace of Chernobyl-related radiation detected in the United States or Canada. Speakes noted that the State Department has issued travel advisories about the Kiev area and has advised women of child-bearing age and children to avoid travel to Poland.

Speakes said the accident "underscores the need to do away with nuclear weapons in their entirety. That's the president's position. It drives home the point that we've been trying to say over the last five years."

He said the Soviet charge that the United States has been "gloating" over the accident "doesn't deserve a reply," but he noted that the very first U.S. reaction was Reagan's expression of sympathy in his personal message to General Secretary Gorbachev.

JAPANESE STEP HAILED --

Speakes noted that Japanese Prime Minister Nakasone's party has agreed to proposals for restructuring the Japanese economy to rely more on increasing domestic demand for its

economic growth and to embrace additional imports, especially of manufactured goods.

He said specific actions targeted for implementation by the prime minister and his ruling Liberal Democratic Party include "tax reform, financial liberalization, encouragement of investment, and transformation of the industrial structure." He added that the Japanese government has also announced intentions "to stimulate housing construction, cut working hours, and rationalize coal mining and agriculture."

Speakes said the prime minister's program "is moving forward at an excellent pace."

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*SFF608 05/03/86
SOVIETS SHOW DISREGARD FOR CONCERNS OF PEOPLE EVERYWHERE
(Text: Reagan weekly radio address) (1010)

Tokyo -- Soviet handling of the nuclear disaster at Chernobyl "manifests a disregard for the legitimate concerns of people everywhere," President Reagan said May 3.

In his weekly radio address to the nation, broadcast from Tokyo, the president declared that an accident that "is contaminating a number of countries with radioactive material is not simply an internal matter. The Soviets owe the world an explanation, a full accounting of what happened at Chernobyl..."

One of the four graphite-moderated light water reactors at Chernobyl was involved in an explosion and fire April 26 which has spread radioactive waste over a broad segment of Europe, from Sweden to Italy, and over parts of the Soviet Union. Moscow has said two persons died and another 185 were injured.

Reagan contrasted Soviet "secrecy and stubborn refusal to inform the international community of the common danger" with the Tokyo Economic Summit, where leaders of the industrialized democracies will be dealing "openly with common concerns."

The text of the president's remarks follows:
(begin text)

Greetings from Tokyo. I'm here for the 12th annual meeting of seven major industrialized democracies. I flew here last night after a meeting in Indonesia with some of America's close friends and energetic trading partners.

During my stay there, I conferred with President Soeharto of Indonesia on a number of issues of common interest to our countries. President Soeharto has led his country during a period of impressive economic growth. Over the last 15 years, the annual increase in Indonesia's gross national product has averaged 6.8 percent. The Indonesian people have reaped the rewards of a higher standard of living.

While in Indonesia, I also met with the foreign ministers of six countries which make up the Association of Southeast Asian Nations, or ASEAN. Indonesia, Malaysia, Singapore, the Philippines, Thailand and Brunei have joined together in one of the most successful and admirable regional groupings in the developing world.

Our relations with these ASEAN countries exemplify the mutual benefits that can be derived from close and open relations among free and enterprising peoples. Over the last two decades, ASEAN countries committed to free trade and open markets have had some of the highest growth rates in the world. Commerce between us has created a host of jobs on both sides of the Pacific. The sound management of their economic affairs enable the ASEAN countries to weather much of the turbulence experienced in other parts of the world.

On the eve of the Economic Summit here in Tokyo, there was much to talk over with our ASEAN friends. One of the issues of concern to us all, and a subject I expect to discuss in detail at the Economic Summit, is the growing pressure for protectionism to shut world markets. Unfettered commerce has been a mighty force for growth and prosperity since the close of the Second World War.

Our open trading system has kept American efficient and on the cutting edge of technology. While free trade means change and progress, protectionism invariably leads to stagnation and decline. Well, Americans aren't going to be left behind by anyone. But like our friends in ASEAN, we want to make certain that free trade is not a one-way proposition, that markets are open in all countries and that other governments do not unfairly subsidize their exports.

I assured our ASEAN friends that the United States will continue to fight trade-killing protectionism and aggressively pursue open markets and trade that is free and fair. There is no reason to doubt America's ability to compete. No reason to lack confidence in our working men and women and our corporate leaders. When everyone plays with the same rules, our people have what it takes -- the ingenuity, the hard work, and the integrity to compete with anyone, anytime, anywhere.

Economic challenges remain. At the summit, we will discuss interrelated problems of growth, debt, trade and finance. The fundamental strength of the economies of our summit partners will be a major focus of our discussions. At the same time, however, we will address the situation of debtor countries. Growth-oriented structural reforms in developing countries, and the opening of their economies to international trade and investment is the path to progress. It's up to the industrialized democracies to lead the way.

The summit will also serve as a forum for discussion of critical non-economic issues -- the environment, and terrorism, for example. Poet John Donne once wrote that "no man is an island." Well, when it comes to terrorism, no

country is a fortress. The death of innocent people at the hands of terrorists, then, is everybody's business, a threat to the liberty and well-being of all free people.

Here in Tokyo, I'll be talking with the leaders of the other industrialized democracies about what must be done in response to terrorism, especially state-sponsored terrorism. We must, and will, stand as one against the enemies of civilization.

Seldom has the interdependence of modern industrial states been more evident than this past week. All Americans, indeed the entire world, sympathize with those affected by the tragedy at Chernobyl. We stand ready, as do many nations, to assist in any way we can. But the contrast between the leaders of free nations meeting at the summit deal openly with common concerns and the Soviet government with its secrecy and stubborn refusal to inform the international community of the common danger from this disaster, is stark and clear.

The Soviets' handling of this incident manifests a disregard for the legitimate concerns of people everywhere. A nuclear accident that results in contaminating a number of countries with radioactive material is not simply an internal matter. The Soviets owe the world an explanation, a full accounting of what happened at Chernobyl and what is happening now is the least the world community has a right to expect.

Until next week, thanks for listening, and God bless you.

(end text)

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*SFF609 05/03/86
REAGAN: OPEN MARKETS, FREE TRADE ARE SUMMIT AGENDA (1020)
(Transcript: remarks to Chamber of Commerce in Tokyo)

Tokyo -- "Open markets, free trade, a fair chance for everyone to compete -- that's our agenda for this summit and our goal for the years ahead," President Reagan declared May 3.

Speaking to the American Chamber of Commerce in Tokyo, the president called for "an expanding world economy" and said attention must be focussed on the "urgent issue of economic stagnation in much of the developing world."

The free-market nations that created the post-war "economic miracle," including those in Asia, must now help "unlock the vast potential for economic growth that still lies dormant around the world," he said.

Meanwhile, he said, the United States will continue working to "keep the markets open:" It will do everything it can to make a new round of multilateral trade negotiations a success, and it will "continue to resist protectionist pressures at home."

Following is a transcript of his remarks:

(begin transcript)

Thank you all very much. It's great to be meeting with all of you and wonderful to see how Asians and Americans share the spirit of enterprise. You stand as testimony to the positive economy-building power that is unleashed by free enterprise.

Of course, mistakes can happen, no matter how much good we feel about free enterprise. There is a story about a businessman who ordered flowers to be sent to the opening of his friend's new branch office and when he got there, he was shocked to see the flowers with the inscription, "Rest in peace." He was so outraged that on the way home he stopped at the florist to complain. And the florist said, "Don't get so upset. Just think of it this way. Today someone in this city was buried beneath a flower arrangement with the inscription, "Good luck in your new location."

Well, what you men and women of Commerce have accomplished has been due to much more than luck. Behind the great progress we've witnessed since the close of the Second World War has been your hard work, diligence and competitive spirit. But, of course, even the best need a level playing field on which to compete, and that's why the subject of free and fair trade will be a priority at this Economic Summit.

America's summit partners have set the ball rolling on a new round of multilateral trade negotiations, and we're going to do everything we can to make those negotiations a success. While we work to open markets abroad, we'll continue to resist protectionist pressures at home in the United States. Many of you, as representatives of America's business community abroad, know how vulnerable we all are to a retaliatory protectionist backlash.

As I said to the Chamber of Commerce in Washington, the winds of freedom blow both east and west, and carried on those breezes are the world's hopes for a prosperous, growing future.

Ultimately, of course, expanding trade depends on an expanding world economy. And that's why we must also begin to focus our attention on the urgent issue of economic stagnation in much of the developing world. We'll not be able to prosper indefinitely while much of the world lags behind, caught in a web of poverty and under-development.

In America, the inflation of the 1970s gave us bracket creep. In much of the developing world, though, it was more like a stampede. Rapidly rising marginal tax rates, often on very low incomes, destroyed incentives to work, save and invest in stifled growth. Making matters worse, one often finds that on top of these explicit taxes were piled more onerous implicit taxes such as price controls, regulations, currency controls, protectionism, and inflation.

A new study commissioned by the Agency for International Development found a direct relationship between high tax rates that kick in at low thresholds and low to negative economic growth. On the other hand, they found that low tax, high threshold countries -- many of them right here in the Pacific Basin -- are among the fastest growing in the world. And rapid growth brings rising real wages and improved living standards.

Because high tax rates force economic activity underground or drive it abroad or discourage it all together, they often bring in little revenue. That's why reducing tax rates and increasing thresholds not only stimulates growth, it often increases government revenues too.

In the post-war period, the world has undergone a kind of experiment in which two basic development models have been tested. One is based on central planning and high taxes: the other, on free enterprise and low taxes. The results of the experiment are in freedom works.

We've seen the proof here in Asia, in the Pacific Basin countries with their sometimes double-digit growth records,

and in the low tax ASEAN nations, which recorded heroic economic growth throughout the 1970s despite the twin shocks of oil price hikes and inflation.

The lesson has been learned well here. Singapore and Japan are considering further tax cuts to keep the growth momentum going. With their dramatic success, these free market countries have much to offer those still struggling with the problems of under-development. It's my hope that the Pacific Basin and ASEAN countries will come to take a leadership role in world development: that they'll share with other nations the wealth of their knowledge and the rich resources of their experience.

The free market nations of Asia have already performed one economic miracle. Now it's time for a second -- helping to unlock the vast potential for economic growth that still lies dormant in much of the world. Meanwhile, we're going to keep working to level out that playing field and keep the markets open.

There are encouraging signs. Currencies are adjusting, some barriers are being lifted, and Japan is considering steps to increase domestic demand and bring more balance to its export-oriented economy.

Open markets, free trade, a fair chance for everyone to compete -- that's our agenda for this summit and our goal for the years ahead.

(end transcript)

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*SFF610 05/03/86
SHULTZ STRESSES IMPORTANCE OF "POSITIVE RESULTS" AT SUMMIT
(Transcript: remarks at joint press briefing) (2120)

Tokyo -- Secretary of State Shultz says it is important that the Tokyo summit participants do everything they can "to set out a line of action that can give positive results" on the "big array of subjects" under discussion, including terrorism and the Soviet nuclear accident.

Shultz made his remarks May 3 in a joint press briefing with Treasury Secretary Baker. Following is a transcript of Shultz's question-and-answer exchange with reporters:

(begin transcript)

SHULTZ: This summit meeting comes at a moment of real opportunity and important responsibilities: opportunity because the chances for worldwide economic growth look very good. We meet at a time when there are quite a number of favorable developments at hand and where there is a strategy becoming clearer and clearer for how to deal with it. So, it's a great moment of opportunity.

It's a moment of responsibility because, clearly, there are great problems: problems that we have it in our hands to come to grips with. It's important for this group of countries to maintain the cohesion that we have always had and which there is every indication we retain in addressing all of the issues in the East-West arena. So, I'm sure that will be a subject of discussion -- an important one.

It's of key significance in the fight against terrorism that we examine this issue together and see what, in our respective ways, we can do about it. Certainly the nuclear accident in the Soviet Union will be discussed, and it highlights the responsibilities that each state has in the case of an event in that state that has clear affects on people in other states, adjoining and otherwise.

So, there are a big array of subjects and, as I said, there -- this is a special moment of opportunity because there are many positive developments, and the cohesion of these countries and our associated allies has been so significant and important, and there are many important issues that put a responsibility before us to discuss them candidly and fully and to do everything we can to set out a line of action that can give positive results for our people.

QUESTION: What are we going to propose in terms of the nuclear accident? What can the rest of the world do? What

kind of pressure are you going to put on the Soviet Union? What are you asking?

A: I think -- how this will come out, I don't known, obviously. People will come with varying perceptions, no doubt. But from public statements I think it's clear that there's kind of a two-fold set of concerns. One is immediate: to call for more information so that all of us can assess what the potential implications of the accident are and do what is necessary to do to safeguard the health of citizens and to understand what happened and why so that, to the extent that we can learn from that, we do so.

And second is to focus on the question of whether it would be worthwhile at this time to try to, in a sense, firm up the inherent obligation that states have to provide information about something going on within their borders that has effects on others. That I think is generally understood, but maybe it would be timely and good to kind of reinforce it a little bit.

As far as we're concerned, comparing notes and seeing what others are doing and thinking and what information they have will help us in continuing our own efforts to, on the one hand, be helpful: and, on the other, to help our own citizens, not so much here, because it seems that there is very little threat to people in the United States, but we have Americans scattered throughout the area, and we are trying to give them the right kind of advice and provide on-the-spot information for them.

Q: In terms of information, Mr. Secretary? It's been seven days or so since the accident. Have they been any more forthcoming in private to us about what the status is?

A: They have given some information, but I don't think it is -- well, I'm certain that it isn't anywhere near the scope of information that we have ourselves, based on our own independent sources. So, by that standard, they have not been very forthcoming.

Q: And they have suggested that -- in response to your comments of two days ago -- that we are exaggerating the seriousness of this. Can you respond to that?

A: The way to deal with that kind of a question is to provide access and provide information. And if we're exaggerating, I would be delighted to -- if that were so. And we'd like to know. We'd like to have the information. We'd like to be able to have what verification we can get. Of course, people measure radiation in the air then, and they can do that, and where it's located. And so people see that.

Q: You said the strategy is becoming clear on how to deal with the opportunities of worldwide economic growth. What is that strategy?

A: First of all, for each country to run its own economy in a way that will be in tune, as much as possible, with non-inflationary real growth, with strong savings and investment. Second of all, to keep world markets open to trade, so that there can be mutually-reinforcing expansion. Third, to see that in the Baker Plan there is a means of dealing with the problems of debtor countries, as well as others, that will help get out from under that very considerable problem. So I think those are the fundamental elements here.

I'm sure, also, there'll be some discussion of monetary developments and other similar things, but I think healthy national economic policies, openness to trade and dealing with outstanding financial issues. And I would put the debt problem up at the top of the list.

Q: What relevance, if any, do you believe that the nuclear accident has to the arms control process?

A: I don't think it has any sort of one-to-one connection, but, of course, a reason why people are so interested in reducing nuclear weapons stockpiles is the fear that if ever there should be a war -- a nuclear war -- and the president has said many times that a nuclear war should never be fought and can never be won. And the reason it can never be won is that it has two great effects of the kinds that people are worrying about.

Now, as far as we're concerned -- as far as the president's concerned, he has had at the top of his agenda, even long before he was president, the importance of radical reductions in nuclear weapons. And those -- that subject is the center of the agenda in Geneva and it will be pursued energetically by us.

A: There are those who are saying that this shows we can't trust the Soviets, and, therefore, arms control is probably that much more difficult. Do you concur?

A: The problem of verification and compliance is a very important problem. And certainly in any agreements that we work out, we'll have to address those issues and address them very completely.

In the statements that Mr. Gorbachev has made, he was perhaps more than Soviet leaders in the past, recognized the importance of this issue and he's talked about various possible techniques and he's used words like on-site

inspection. So, hoping that we can get to that point, that's all material that we should follow up on.

Q: On the subject of on-site inspections, do you see the nuclear accident as an opening to begin expanding the system of on-site inspections for nuclear power in the Soviet Union?

A: Of course, the inspection of nuclear power plants under IAEA safeguards is something that has been going on. It's part of the process and it's been a long struggle to get the nuclear weapons states to agree to have their power plants inspected. We have -- the Soviet Union has begun to do that, and I think that's something that needs to be stimulated and encouraged, and I would think that this accident would show the importance of inspections and reviews of procedures. For example, just how this accident took place we don't know. People are speculating about it. But review of what the procedures were and are is the kind of thing that one needs to be doing and so inspection has a broad cast to it in that light.

Q: Do you stick to your assertion made in Bali that the casualties in the Soviet accident are considerably higher than they announced and, if so, can you back it up against Soviet insistence that that they've told the truth?

A: I can't give you a number, but the number of two dead I will bet you 10 dollars is very low, and I don't know whether you're ready to take me up on that or not.

Q: In other words, you think it's considerably higher -- I mean, four would be considerably higher than two. I'm trying to get some range. What do you have in mind?

A: Let me -- I don't think this is any matter and I didn't mean to jocular about it. But I think that the information they provided about the number of killed and others who are in some way incapacitated looks very low compared with information we have from a variety of sources. You take pictures, you see what's on the ground, you see the immobility of emergency equipment that came there and is still there. And you accumulate reports of one kind or another that come into your hand and all of it suggests that the impact on individual lives is much more than the statement that they have said. So, yes, I stand by that statement.

Q: Did you tell the Japanese this morning what the U.S. position was on intervention -- their intervention in the -- to support the dollar and the German intervention recently to do the same thing? And could you tell us what your position is on that?

A: When I was secretary of the treasury, I didn't appreciate it when, for instance, Mel Laird, as I remember when I was Tokyo, made some comments about the dollar and I told him to keep his cotton-pickin' hands off economic policy, if you remember. And I'll keep my cotton-pickin' hands off the yen-dollar relationship. Ask Secretary Baker.

Q: What does the way Mr. Gorbachev has handled this suggest to you about his leadership? You mentioned that he has seemed more interested in verification, for instance, in arms control. But what does this suggest about whether he's any different from previous Soviet leaders?

A: Well, he hasn't been forthcoming with information about this accident and, so far as we can see, knowledge about it within the Soviet Union is far, far less than knowledge about it in -- right here. So, if that doesn't look like an example of more openness -- but that's about all I can say on -- as far as that's concerned.

Q: Could you tell us please what are the considerations that have led the United States to criticize the Soviets publicly for a lack of information? Are you doing it to try to nudge more information from them, to assure Americans you're on top of it? Why isn't this a matter of the quiet diplomacy that you often prefer?

A: The reason why we want more information is that an event has taken place that is potentially -- that is spreading material across areas where American citizens are, and it is a responsibility of the American government to look after the health and welfare of U.S. citizens. So, we want information about what happened and what is the extent of it and what may happen further so that we can make an assessment and we can give proper advice to people and send the kind of help that's needed. It's an operational matter, and we have called for it privately and we've called for it publicly and I think we should. And I might say that I think every other country has had exactly the same feeling. And it comes from, on the one hand, a feeling of interest and sympathy with people near the event itself: but on the other, the desire to do everything we can to see that the safety and health of American citizens is taken care of.

(end transcript)

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*SFF611 05/03/86
BAKER SAYS COOPERATION IS KEY TO BETTER MONETARY SYSTEM
(Transcript: remarks at joint press briefing) (2640)

Tokyo -- The United States would prefer to improve the functioning of the international monetary system through the coordination of economic policies with its major trading partners, rather than through exchange-rate intervention, according to U.S. Secretary of the Treasury James Baker.

But in the final analysis, Baker told reporters at a joint press briefing with Secretary of State Schultz in Tokyo May 3, "we believe, as they do, in increasing in any way that we can stability as far as exchange rates are concerned."

Following is a transcript of Baker's question-and-answer exchange with reporters:

(begin transcript)

SPEAKES: We now have Secretary Baker. Before he comes on, I'd like to point out, at the conclusion of his briefing, we'll be distributing a fact sheet on international agreements on atomic -- or nuclear inspection, including the current status of our international agreements.

BAKER: I'd start out by seconding the comments of the secretary of state that this summit offers certain opportunities as well as certain responsibilities. I think we should take note of the fact that it occurs in the most favorable economic environment we've seen in many years -- with oil prices declining sharply, summit country inflation at its lowest level since 1967, interest rates continuing to fall, and exchange rates moving into better configuration. Those offer opportunities.

On the other hand, there are certain responsibilities, I think, that summit countries should face up to. High unemployment figures in a number of countries, large current account imbalances across the system, the LDC debt problem and, of course, the continuing problem of protectionism.

I think, as I mentioned before we left the United States, there are four major economic areas that we would like to see concentration upon. One is strengthening the performance of summit countries' economies generally, improving growth in the developing countries, strengthening the International Trading System, and finding ways, if we can, to improve international economic coordination and cooperation.

So I'll take your questions.

QUESTION: Are you making any proposals to suggest to some of the big importers of foreign oil, such as German and Italy and France, that they might want to stop buying oil from Libya and buy it from perhaps a Third World nation that has some debt problems?

A: Well, that's not a proposal that I'm making. And I've never been secretary of state, but if I were, I would want the secretary of treasury to keep his cotton-pickin' hands off foreign policy questions and that's pretty close to a foreign policy question -- even though my department might implement some measures of that nature.

Q: There are some very large purchasers of Libyan oil who will be here at the summit. And the administration has certainly tried to get some economic sanctions in place against Libya from these countries. Is that an area to discuss at least?

A: I think it would be an area to discuss, but you asked me if we'd made such requests of these countries, and the answer, as far as I understand it to date, is we have not.

Q: The major goals that you enunciated again today are quite similar in scope to those that you brought to bit -- I'm sorry -- to Bonn. Given that fact, how would you assess your opportunities in 1986 versus what occurred in 1985?

A: I think the opportunities are much better in 1986 for the reasons that I've outlined to you. We've got a very favorable convergence of economic factors: the general economic situation is much improved. And I think that gives you some room, politically -- it gives governments room, politically, to adopt measures that would otherwise, perhaps, be foreclosed to them.

Q: It's been reported that 11 Latin American nations sent an appeal to the summit leaders. Could you tell us if they did and what the appeal was?

A: The question was, 11 Latin American nations -- it's been reported that eleven Latin American nations have sent an appeal to the summit leaders. If so -- well, first, can I confirm that? Yes, I can confirm it. Secondly, can you tell us what it was? I have not actually seen the text of the appeal, but as I understand it, it's for additional assistance with respect to the international debt problem -- a request for better understanding of the problem and a request for serious and indepth discussions of the issue which is already on the summit agenda.

Q: The house Ways and Means Committee action on a trade bill, imposing barriers -- what kind of a position does that

put you right now as you go into these trade negotiations as an agenda item?

A: The House Ways and Means Committee's action on a trade bill puts us in the position of being able to say to other countries here at the summit, "I told you so," when we suggested last fall that protectionism would be returning in full flower in the spring. And it has, indeed, returned. And I think evidence of that fact is the action that the Ways and Means Committee has taken.

Q: How about answering the question Shultz bucked to you on what you told the Japanese about their intervention and the German intervention on the dollar?

A: What did we tell the Japanese about their intervention and the German intervention on the dollar? We basically said that we believe, as they do, in increasing in any way that we can stabilize as far as exchange rates are concerned.

We prefer to concentrate, quite frankly, on finding ways to enhance international economic cooperation and coordination or improve the workings of the system, rather than talking about intervention.

I was asked the question, "Do you share our concern about stability of the International Monetary System or the exchange rate system?" And the answer is, yes, we do share that concern. We would prefer to work at it from the standpoint of improving international economic cooperation, improvements to the system, if you will.

Q: If I could follow that, does that mean that you feel that the current situation puts a little pressure on the Japanese to rely more on domestic growth than on international export growth?

A: I think that there's no lack of appreciation on the part of the Japanese of the importance of increasing domestic demand. They've spoken to that issue for quite some time now, and I think they recognize its importance. I think they further recognize, as most countries do, that you cannot deal with trade imbalances simply on the exchange rate side of the equation. You've got to look at the underlying economic fundamentals and deal with it that way.

Q: Did they ask you for intervention at this point?

A: Well, we don't comment, as you know, on intervention. We don't comment on when we're going to intervene, whether we're going to intervene, whether we've been requested to intervene or anything else. So, my answer to you is we simply have no comment on questions relating to intervention.

Q: Well, just comment on whether or not they put the question to you.

A: I cannot. I would be commenting on the substance of a private conversation, and I don't intend to do that.

Q: At this point, how optimistic are you that you can get any sort of commitment from the Japanese and the West Germans to make the kind of structural and economic reforms that you believe are necessary as a long-term answer to trade imbalance?

A: I would refer you to the OECD communique of two or three weeks ago where it was recognized on the part of all the countries there -- 24 industrial nations -- that increased growth in the major industrial nations of the world was something we should all strive for. I think there's already been agreement with respect to that.

Your next question is going to be what specific measures do you want -- or are you going to suggest that these countries take. And I don't think that it's in our best interests, nor, indeed, is it our responsibility to suggest in public how other economies -- other nations should run their economies, particularly when their economies have been as successful as Japan's and Germany's.

Q: Does the Cabinet officer to whom the U.S. Secret Service reports -- What do they tell you about the terrorist threat against the summit -- the summit leaders here?

A: That's something that I would be foreclosed from sharing with you, even if I'd gone into it with them in detail. They don't discuss with me the detail of those investigative and intelligence reports unless I ask them for them, and I haven't asked them for them with respect to this.

Q: Is it fair to conclude that if you do not get some kind of commitment from the Japanese and the Germans to boost their economies that the only alternative will be further depreciation of the dollar against those currencies?

A: No, I wouldn't suggest that. I would suggest this, that a trade deficit in the 100,000 million dollar range, which is what, frankly, we think the United States trade deficit would be after 1987, moving into 1988, is a politically unsustainable level. I've already said, it's our view, and other countries' view, that you can't take care of that just on the exchange rate side. So if there's no movement with respect to economic fundamentals -- that is increased growth -- the only other way to deal with it, perhaps, would be a recession in the United States, which, of course, is unacceptable to everybody --

Q: A year ago, the other nations were complaining about our internal government deficit. What are you going to tell them this year about it? That it's going to grow its way out? That the alarm is past?

A: No, I'm going to tell them the same thing that we've been telling them now for some time, and that is we're making progress on our deficit. We're continuing the fight with respect to our fiscal deficit. As you know, for the first time in five years, the executive branch and the legislative branch are in agreement with respect to the deficit path. There's no difference of opinion with respect to the numbers, and they show the deficit declining to roughly 100,000 million dollars in 1991, or a figure under two percent of GNP.

One reason we're getting there is because the president, quite frankly, agreed during the course of last year's budget deliberations to take a 290,000 million dollar hit in defense authority.

And so we are making progress on our deficit. We had a sequestration under Gramm-Rudman in March -- 4.3 percent. It saved us billions of dollars. I think we have something that we can discuss that shows progress.

Q: When the Senate budget resolution was passed, which held defense authority for the next fiscal year to -- what, 301,000 million dollars -- the president's statement makes clear that he doesn't like that at all. He wants more defense spending, which would increase the deficit.

A: Well, the issue here is not how you get there, it is the willingness of the United States to address its fiscal deficit problem. We are very willing and we are making progress in that regard.

Q: What will happen here regarding the dispute between the United States and the European Community over agricultural issues? And is there anything that can happen here that would forestall the retaliation that both sides have threatened?

A: I think that the dispute between the EC and the United States with respect to agricultural issues is one of the most troublesome problems we have in the whole trade area. And I cannot forecast for you that there will be a solution of the problems that have been generated with respect to the accession of Portugal and Spain here at this summit. Quite frankly, I wouldn't expect that because, for one thing, we do not have our trade negotiator and some of the people responsible for trade policy in the United States at the summit, nor do some other countries.

I think it is very healthy, on the other hand, that the subject of agricultural trade problems is going to be addressed. As recently as a year or so ago there was a fundamental reluctance on the part of many countries to even address this issue, and it is a very troublesome issue.

Q: Were you suggesting a moment ago that if the Europeans do not stimulate their economies then necessarily the United States faces a recession?

A: No, I wasn't suggesting that. I was simply saying that would be, of course, one way that you would get there, which is totally unacceptable to everybody. That is not -- that would be one way to see the trade deficit of the United States decline, but that is a totally unacceptable way.

Q: But you did not suggest there was any other way except a recession?

A: I did, too. I suggested that additional -- increased growth abroad would be not only another way, but a preferred way.

Q: Well, then your answer is that there is no other way. Unless they do it, we'll have to -- or there isn't any other way except a recession?

A: The way to do it is either further movement on the exchange rate side, additional or increased action by way of growth abroad. Those are the ways to do it.

Q: Is tax reform dead?

A: Tax reform is far from dead.

Q: How so?

A: Tax reform is quite alive and, as you know, the Senate Finance Committee is working as we talk here. Tomorrow I think they are going to be having a session on a proposal that constitutes real tax reform that would provide a top rate of 25 percent on the individual side, 33 percent on the corporate side, and meet the requirements of the president's letter to House Republicans.

Q: Well, would you favor doing away with all of the -- I've lost track of where the Packwood Plan is, but when I last looked at it, he was proposing -- or his staff director -- to eliminate most of the deductions -- in other words, almost starting from scratch on that?

A: Well, they made a lot of shelters.

Q: They'll start --f

A: There is much about that that we are very optimistic about. We are very pleased with the progress that the senate finance committee is making. We have not seen the final package yet, and we cannot judge it until we see it.

Q: Do you expect the Japanese to ask the United States to help stabilize the price of oil, and what would be the U.S. answer on that?

A: I think our answer would be that we don't believe in sitting down with members of a cartel and talking about the appropriate price for a commodity. Certainly not for oil. The drop or the decline in oil prices has been a very healthy thing, not only for the U.S. economy overall, but for the world economy as well.

There are some down sides to it. There is another side to the sword, and that is the adverse effect it has on our domestic energy industry and the adverse effect that it has an oil exporting debtor nations.

Q: How about the first part of the question? Do you expect the Japanese to ask the United States to do that? Or have they already asked?

A: They have not already asked for that as far as -- they have not asked in any of the meetings I had with them.

Q: I'll bet you 10 dollars on tax reform.

(end transcript)

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*SFF612 05/03/86
USDA ANNOUNCES PREVAILING WORLD MARKET RICE PRICES (150)
(Press Release from Department of Agriculture)

Washington -- Under Secretary of Agriculture Daniel G. Amstutz April 29 announced the prevailing world market prices of rice, loan rate basis, as follows:

-- long grain whole kernels, 6.68 cents per pound;
-- medium grain whole kernels, 5.73 cents per pound;
-- short grain whole kernels, 5.74 cents per pound; and
-- broken kernels, 3.34 cents per pound.

Based on the world prices announced today, the per hundredweight repayment rates for 1985-crop farm-stored loans are 4.06 dollars for long-grain rice, 3.55 dollars for medium grain rice, and 3.55 dollars for short grain rice.

The prices announced today are effective at 1930 GMT, April 29. The next scheduled price announcement will be made May 6 at 1900 GMT, although prices may be announced sooner if warranted.

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*SFF702 05/04/86
SUMMIT LEADERS IN UNITY ON TERRORISM, NUCLEAR SAFETY (1280)
(Article on first day talks, Reagan meetings with leaders)
By Alexander M. Sullivan
USIA White House Correspondent

Tokyo -- The industrialized democracies have forged a common front demanding tighter nuclear safeguards and a tougher stance against terrorism, the White House said May 4.

Deputy White House Press Secretary Larry Speakes, briefing reporters on the first substantive session at the Tokyo economic summit, said President Reagan and the leaders of Britain, Canada, France, Italy, West Germany, Japan and the European Community formed "a united front... on the major issues of nuclear safety and international terrorism."

As has become traditional, the leaders turned first to political matters at the summit's opening dinner. Speakes said the accident at the Chernobyl nuclear plant near Kiev and methods of combatting terrorism were the sole topics.

The 12th economic summit, characterized by Secretary of State Shultz as a "juicy" target for terrorists, opened under a tight veil of security which included thousands of extra police, a complicated series of credentials for participants, and a virtual cordon sanitaire drawn around parts of the city.

Despite those precautions, a rocket was fired at Akasaka Palace in an attempt to disrupt the summit. Japanese news agencies reported the rocket exploded harmlessly near the Canadian Embassy, which adjoins the palace grounds. The reports said a dud rocket round also was found inside the palace grounds.

Asked if he was concerned about the rocket attack, President Reagan replied, "No, they missed...They fired over the palace and missed."

Speakes said the summit leaders ordered their aides to draft overnight separate statements on Chernobyl and terrorism, which are to be issued May 5. He said the participants agreed, in the wake of the nuclear accident, "on the need to strengthen safety procedures and improve accident reporting procedures." He said the leaders would call for improved construction standards and enhanced operating procedures as well as "timely" notification to neighboring states of any nuclear mishap likely to affect other nations.

On terrorism, he said, the leaders agreed on "the need for strong, concerted action" and called cooperation and

unity essential ingredients to winning "the war on terrorism."

Speakes said Reagan described the dinner conversation as "a very open, very strong discussion." The spokesman said possible steps against Libya were discussed, and he said Washington "feels any economic squeeze that can be put on Libya" is worthwhile.

The summit participants made their way around Tokyo behind elaborate security precautions. Police used wheeled metal barriers to block streets leading to the American Embassy and the Hotel Okura, where Reagan and his party are staying. Armor-clad police buses were parked across key driveways and were moved only to allow arrival and departure of authorized vehicles. Press buses were stopped at random for checks of reporters' credentials by some of the 30,000 police guarding the city.

As he prepared for the opening sessions of the summit, the president continued his separate bilateral meetings with individual heads of government.

East-West summitry was a major topic during Reagan's session with British Prime Minister Thatcher, with the president assuring her of his interest in meeting this year with Soviet Communist Party General Secretary Gorbachev. Thatcher received a message from Gorbachev last week asking if London knew whether Reagan was interested in a 1986 meeting.

Reagan told a questioner at the Nakasone residence that he had invited Gorbachev to the United States in 1986 and "the invitation is still good."

A senior administration official said the Gorbachev message was the first indication the general secretary would pursue his second meeting with Reagan. A summit planning session between Shultz and Soviet Foreign Minister Shevardnadze, scheduled for mid-May, was delayed by Moscow last month in reaction to the U.S. air strikes on terrorist facilities in Libya.

The official said Reagan told Thatcher he and Gorbachev had agreed last November to meet in Washington during 1986. Reagan said he is waiting for agreement on a date.

Reagan and Thatcher spent 55 minutes of their 75-minute session in private talks. During the time advisers were present, the official said the two discussed East-West relations, including the possible Washington summit; ways of handling the consequences of the accident at the Soviet nuclear plant at Chernobyl, and agricultural issues relating

to the expansion of the European Community with the addition of Spain and Portugal.

Earlier in the day, the accent was on terrorism; the president held a meeting with West German Chancellor Kohl, and U.S. and British officials continued discussions begun by Shultz and British Foreign Secretary Howe.

The senior administration official said the leaders Reagan has met thus far are agreed on the need to combat terrorism, and the discussion has dealt with how to present the unity of views to the public. "The discussion centered on their agreement that international terrorism is a challenge we can deal with successfully," the official said.

The leaders talked of ways to get across to the world public the adverse impact terrorism has on tourism, trade and investment, the official said. "People are saying 'yes, this is a battle we can fight, this is a battle we can win.'"

Reagan's bilateral discussions were not designed to seek agreement on any course of action, the official explained. Rather, the sessions are intended as a sharing of ideas among leaders who know one another well.

For example, the official said, Reagan told Kohl that all the Western countries should be cutting political and economic ties with Libya, a foremost exponent of state-sponsored terrorism.

Included in the array of steps against terrorism outlined by Reagan, the official said, were closing of Libyan People's Bureaus (embassies), tightening visa requirements, reducing or eliminating purchases of oil from Libya, preventing the abuse of diplomatic immunity by Libyan diplomats, transportation actions which might include denial of landing rights for the Libyan airline, and eliminating credit arrangements.

Kohl has acted to cut the size of the Libyan People's Bureau in Bonn. The official said Reagan urged the chancellor "to further reduce imports of Libyan oil." The official said the chancellor "did not respond specifically."

Speakes confirmed that Reagan has discussed with European leaders the need for American oil firms to end their operations in Libya. The firms were exempted from Reagan's order directing Americans to cut all economic ties with Libya on the grounds that abandonment of their holdings in Libya would constitute a windfall profit for Libyan strongman Qadhafi. Speakes said the Reagan administration will be consulting the companies on "an accelerated departure" from Libya.

"In the long run," the spokesman said, "we think orderly abandoning of the properties will be less a windfall to Qadhafi than if they continue to operate...We think continued operation by the companies...would continue the status quo, and there's no penalty to Qadhafi involved. We believe that in the long run, if they get out, then the benefit would be less to him...It's our judgment it be best for them to get out, but we would like an opportunity to consult with them...."

The leaders also discussed the nuclear accident at Chernobyl, the paucity of information given by the Kremlin in its aftermath, and what Western nations can do to avert a repetition. "The kinds of concerns voiced," the senior official said, "included expressions of sympathy for the fact of the accident as it touches people's lives, and talking in terms of providing humanitarian and technical assistance to the Soviet Union. They sought to assess what has happened and to perhaps strengthen international regimes" concerning nuclear safety.

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*SFF703 05/04/86
WHITE HOUSE REPORT, SUNDAY, MAY 4 (1000)
(Satellite loss, Chernobyl, radioactivity in Japan)

NEWS BRIEFING -- Deputy Press Secretary Larry Speakes in Tokyo covered these topics:

SATELLITE LOSS PROBED --

Reagan has ordered his aides to provide him with all available information about the May 3 failure of a Delta rocket attempting to place in orbit a GOES (Geo-stationary Operational and Environmental Satellite) meteorological satellite. The rocket was destroyed by space program officials because of premature engine shutdown and resulting loss of control. The National Aeronautics and Space Administration is naming a panel to investigate the loss.

Speakes said William Rogers, chairman of the president's commission investigating the loss of the space shuttle Challenger, does not expect the rocket failure to affect the scheduled mid-June release of the commission's report.

Reagan, during a photo session with West German Chancellor Kohl, acknowledged the accident "could have picked better timing" than the eve of the economic summit, but he noted that it was not the first time there has been trouble with the Delta rocket. Asked if the recent difficulty in getting satellites into orbit is a national security threat, the president answered, "No. As I say, if you look back, this is the 12th failure of one of those rockets out of 178" flights. That meant "166 were successful," he noted.

On April 18, a Titan Two rocket exploded shortly after launch, destroying its military satellite payload. On January 28, the space shuttle Challenger was lost when one of its rocket boosters exploded 73 seconds after launch, killing the seven-member crew and destroying the satellites it had been scheduled to place in orbit. The last successful U.S. space launch was that of the space shuttle Columbia on January 12.

Asked about the possibility that sabotage might be involved in the three recent failures, Speakes said that there is no indication of sabotage in the Challenger explosion and that it is too early to draw conclusions about the Delta explosion.

Speakes said the Delta rocket had to be destroyed because its main liquid fuel engine shut down prematurely -- at 71 to 76 seconds after launch instead of 120 seconds --

causing loss of control of the vehicle. The rocket's destruct device was detonated 91 seconds after launch.

He called the Delta rocket a "mainstay of the U.S. space program" for the last 26 years, although a Delta had not been used in 18 months. There had been 177 previous launches; the last failure occurring on September 14, 1977. There had been 43 successful launches since that time.

The satellite would have been used for predicting weather on the U.S. east coast. A satellite that had been doing that work went dark two years ago, and a west coast weather satellite has been doing double duty in the interval. Speakes said the GOES provides a "substantial part" of the nation's ability to monitor offshore weather developments.

He said a new satellite and a Delta rocket could be ready for launch by mid-July. Speakes noted that because of the gap in Delta launchings, a special NASA team had spent 20,000 man-hours more than usual in checking all aspects of the launch, conducting a "thorough review" of all procedures.

Speakes said Reagan has not yet received the report of his experts concerning methods of launching satellites -- manned or unmanned -- and has not reached decisions about the direction the U.S. space program will take. But he pointed out that Reagan has repeatedly stated his support for the program and has repeatedly cited the wishes of the families of the Challenger crew for continuation of the shuttle program.

CHERNOBYL MONITORING CONTINUES --

Speakes said U.S. experts continue to monitor the radioactive air mass arising from the nuclear accident at the Chernobyl reactor near Kiev. He said no radioactivity has reached North America, the bulk of the air mass remaining over Europe and the western part of the Soviet Union.

Reagan, at the Kohl photo session, said again the accident is not an internal Soviet matter because of its consequences. "It would be proper," the president said, "for the world to be notified when things of that kind happen, regardless of whose country it happens in."

Speakes said the cause of the accident is not known but from data collected it would appear "massive core damage must have occurred" to the graphite-moderated light-water reactor. He said the evacuation of people in an area 30 kilometers from the plant is consistent with that assessment.

A U.S. team is in Moscow, he said, to evaluate the health and environment of U.S. Embassy personnel. In Warsaw,

radiation was found to be double the normal background level, a circumstance he said is "not particularly serious."

JAPAN CITES IODINE LEVEL --

Speakes, quoting the Japanese Foreign Ministry, said the level of iodine detected in central Japan has risen by one-third, but he said there is no danger to the president or his party.

According to Speakes, the foreign ministry said rain water in central Japan, west of Tokyo, was found to contain 4,000 pico curies of iodine, one-third above the level calling for an official review of the environment.

A team of experts headed by a cabinet minister evaluated the data, Speakes said, and advised Japanese not to drink rain water and to wash vegetables and fruit before use. Water in the Japanese drinking water system was found safe, he said, and the Japanese concluded conditions are not so severe as to require "stringent" measures, such as avoiding consumption of milk.

Speakes said the Japanese called the readings the "first indication of radiation" since the Chernobyl nuclear plant accident.

President Reagan made light of the radiation, saying the report he had received from the Japanese "said it was not alarming." He said his staff members had been told by Japanese officials the level of radioactivity was not a threat.

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*SFF704 05/04/86
SHULTZ EXPECTS TERRORISM STATEMENT AT TOKYO SUMMIT (2760)
(Transcript: interview on "This Week with David Brinkley")

Tokyo -- Secretary of State Shultz says he is "confident there will be a statement of some kind about terrorism" agreed to at the Tokyo Economic Summit.

Terrorism is "a very important topic" at the Tokyo meeting and U.S. participants "and others certainly intend to talk about it thoroughly," Shultz said in an interview on ABC's "This Week with David Brinkley" program May 4.

Important as a joint statement by the summit leaders will be, the secretary added, "more important is what we do -- what do countries do when they go home and confront possible actions that can be taken against Libya and others."

The secretary said that even though Libya may not be specifically named in a summit statement, "there is no argument anywhere about Libyan culpability in terrorism."

In response to questions about the Chernobyl nuclear plant accident, Shultz said that one can infer from photographs and other types of information coming in from the disaster area that more than two people were killed, as the Soviets have contended.

Concerning steps the Tokyo summit might take to enforce reporting of nuclear incidents with cross-boundary effects, Shultz suggested that the International Atomic Energy Agency's existing voluntary procedures could be strengthened.

Following is the transcript of Shultz's remarks, as released by the White House in Tokyo:

(begin transcript)

Question: Mr. Secretary, the president, saying that the explosion in the Soviet Union was hardly an internal matter since the fallout has floated over several countries, has demanded more information about it. Has there been any response?

Answer: No.

Q: Do you expect any?

A: Of course.

Q: Mr. Secretary, you said you would bet the press corps ten dollars that there were more than two people killed by that...tell us how you know more about that.

A: It may be that at some point in time there were only two people killed, but we have photographs -- we have other kinds of information coming in from the area, and we know that the radiation levels and the heat in the vicinity of the plant have been -- and still are, for that matter -- intense.

From pictures you can see that, as they realized what was happening, they must have had on the one hand, evacuation of people, and, on the other hand, people who stayed and tried to cope with what was going on and get control of it.

And among the reasons why you can see that is, you see emergency equipment like fire engines and so forth, and you can see that they are still where they were parked. Now if you went someplace to do an emergency operation and you decided you had to get away in a hurry, I suppose you would grab the truck you came in and drive it as fast as you could go, but it is still there.

So I think there is a certain amount of inference that comes from that.

Q: Mr. Secretary, after the Korean airline was shot down, the Soviet Union spent five days denying that it happened and then started lying about it, and they seem to have gone into that same pattern here. What conclusion should the American people draw specifically with regard to arms control negotiations about dealing with a regime that was this character, as it has shown again this week?

A: Well, first they haven't denied that it took place. They could hardly do so because the pictures are there, and the radioactive substance is being measured elsewhere. They haven't been forthcoming with information, and we think they should have been forthcoming with information.

I think the implications are no different than what we have known all along. We know they are a closed society, and so we know that it is important, in any arms control agreement, for example, to have as good a means of verification as you can get and to try to build in the consideration of compliance as distinct from verification.

Q: Mr. Secretary, aside from the casualty figure and whether it was two or 20 or what number, have we not tried to hype the situation from the standpoint of beating the Soviets over the head? I mean, you have even suggested just now once again that, while they may not have lied about it, it if was simply because they had no choice.

A: We haven't been trying to beat them over the head. We have, first of all, expressed sympathy, and continue to; second of all, offered to be helpful if we could; and third, said that since the citizens of other countries, including our own people who are in the vicinity or in neighboring countries, have their health endangered, we want to know what is going on so that we can take steps to protect our people. And I don't see that that is -- I think that is what we should be doing.

Q: Well, now the radiation levels reported from Western Europe and from Poland just a few hours ago suggest that there has really been no threat to humanity, no threat to health -- at least so far. Do you have any information that contradicts that?

A: The radiation levels measured have been announced, and all sorts of precautions are being taken. I think when something like this happens you should observe and then you should err on the side of safety, and that is what is being done, and I think it is proper to do.

Q: You are suggesting that here in Tokyo the summit leaders may agree in some way to strengthen the reporting of cross-boundary incidents. What do you have in mind?

A: Well, the International Atomic Energy Agency has considered the question of cross-border flows of radioactive material and I think that -- and theirs are just voluntary and there is a loose procedure surrounding it, and perhaps it would be well to tighten that up and to do more.

Q: Are you suggesting through that agency or international treaties among governments?

A: Well, that agency is an international treaty among governments and it is the most extensive in existence -- and I might say it has been broadly very successful.

Q: But how do you want it strengthened?

A: You might write in and have everybody agree to certain standards and procedures in the event that there is an accident or something of that kind.

Q: What are the chances the Soviets would agree?

A: I don't know exactly what, but that is the general idea.

Q: What are the chances the Soviets would agree?

A: We shouldn't always judge whether we should do something by whether or not they will agree. Maybe they will agree. They agreed to inspection of power plants.

Q: You said a moment ago that this again dramatizes the closed nature of the Soviet society and has to be important in ratifying agreements with some international technical means of verification of arms control agreements with them. Given the fact that NASA has now suffered yet another setback in its attempt to launch a space vehicle, are we reaching a point where the decline in the execution of its mission by NASA is jeopardizing our national security, specifically with regard to the verification of arms control compliance?

A: It is a problem, but it hasn't reached that point, and I think that it emphasizes on the one hand the importance

of the space program and the need to build redundancy into the system.

Q: We got a report here in our news room a short time ago from Poland -- some official whose name I do not know saying that their view was that children and women of child bearing age should not come to Poland because of the danger from radioactive fallout. Now my question is, do you foresee this will cause problems for the Soviet Union with its client states -- satellite states?

A: It is interesting that Poland has treated this in a sharply different way than the Soviet Union has. Poland has kept people informed of all the information they have had. They have issued warnings about drinking milk. They have issued the kind of statement -- or caution -- that you just referred to. So I think it is an interesting fact that they have reacted in a different way.

Q: Here at the summit, terrorism, I guess, is supposed to be the big issue. Will it still be or will this nuclear accident overshadow it?

A: Well, of course this is an economic summit, and there are very important economic matters to be discussed -- some great opportunities around the world, and a generally good economic environment: so that is going to be a centerpiece in this summit. Terrorism, however, is a very important topic and we and others certainly intend to talk about it thoroughly and I expect that out of it will come some positive results.

Q: All right. Do you expect that there will be a statement -- a political statement in which terrorism is not only mentioned, but I assume condemned, and do you expect Libya to be condemned by name?

A: I feel confident there will be a statement of some kind about terrorism, and at the same time my own view -- I know the president's view -- is that it is important to say these things, but more important is what we do -- what do countries do when they go home and confront possible actions that can be taken against Libya and others.

Q: But do you expect Libya to be specifically named in the statement? Do you want it to be named?

A: I don't know whether it will be named in the statement or not, but I think by this time, whether it is named or not, there is no argument anywhere about Libyan culpability in terrorism.

Q: The Italians, who have a large economic stake in Libya, have now indicated a willingness to go along with very substantial economic sanctions against Libya. A, is that

enough, and B, are they doing that in an attempt to head off the Americans from doing something that they disagree with -- that is, the use of force again?

A: The Italians have a good record of fighting terrorism. They have done a good job of it. And insofar as their relations with Libya are concerned, of course it has been very extensive. But I gather that whereas, let's say, a little over a year ago there were some 18,000 Italians in Libya: now there are only about 3,000. So they have been decreasing.

I think steps of this kind that Italy and other governments are in the process of taking isolate Libya diplomatically and economically and that is good, and it is going to cause concerns inside Libya, and we have indications that that is continuing to be the case.

Q: When some people in the American government began to leak to the press shortly after the raids that we had hoped to kill Qadhafi in those raids, you said that was not our aim, but if he had been killed, it would have been -- I believe I've got your words rights -- all to the good.

A: I didn't say that.

Q: You didn't?

A: You have my words wrong. First of all, there was no plan or effort to go after Qadhafi personally, and at least one potential target, namely his tent, was explicitly not targeted. So whoever said that was wrong -- was not present at the discussion when the targeting was discussed. So that statement that you quoted was wrong.

As far as I'm concerned, what I said was that if we had a change of government -- a coup of come kind, so that we could expect that Libyan behavior would be different, I would be all for that, and I'll repeat that right now.

Q: Well, that is really what I wanted to clarify and I guess you have answered it, and that is this -- that the United States not only was not out to get him, but took pains not to -- took some care to minimize the chance that he, himself, would be killed?

But if Qadhafi's government falls in the sense that he no longer has the power, is that necessarily a terrific thing for us, particularly if those who succeed him go closer to the Soviet Union?

A: Of course it makes a difference what follows on, and you never know for sure. On the other hand, I think we have some indications that a successor government, if one emerges, would be different. For one thing, a successor government has to face the fact that Qadhafi now has the Libyan economy

and society in a shambles, and they're going to have to so something about that.

Q: Mr. Secretary, the other day when the president suggested that he might order a strike against Syria or Iran or any other state that can be shown to have sponsored a direct terrorist attack, you tried to soften those remarks. At least that is the interpretation. Are we in fact pulling back from the idea that we would strike Damascus?

A: The president had some words put in his mouth by a question and did not mean to say that we had a plan for attacking Syria or Iran. And I pointed that out. However, insofar as the fight against terrorism is concerned, we have to be ready to use all the available means we have to fight it, and we have to have present in our tool bag the possibility of military action. And the fact that we did take action against Libya shows that that tool is in the bag and it is important that everybody know it.

Q: Yes, but you are asked repeatedly why, if we do this against Libya, we don't do it against Syria?

A: When we get ready to do something, we'll do it.

Q: In other words, we might do it against Syria -- against Damascus?

A: I am not going to get involved in speculation about the use of military force except to say that it is a good thing that everybody now sees that there are some circumstances when the United States will act.

I think this fight against terrorism is very important, and we have to focus on what it takes to win, and we have to recognize we can win. And the main things it takes is unity and purposefulness and a recognition that the answer to the fear that terrorists try to spread is courage to confront that and take the actions necessary to stamp it out.

Q: Do you really think we can win without alleviating the root causes of political unrest and terrorism? Do you think you can kill every terrorist in the Mideast and have the Palestinian question still unresolved?

A: I just told you, what the root causes are. The root causes of terrorism are a lack of courage in confronting it, a not-full understanding of the threat that it is to our society, and so we need unity and recognition of those facts in confronting it, and then we'll be able to stop it. The terrorists are scared to death.

Q: It is said you are now a enemy of the Arab world. It is printed that Shultz has turned around and is an Arab enemy.

A: Get off it.

Q: It's not true?

A: Many in the Arab world are just delighted to see us going after Qadhafi. They are -- they have no sympathy with him.

Q: You have pleased the allies with whom you are meeting by saying that although we think the Salt II Treaty is fatally flawed and is being comprehensively violated by the Soviet Union, we will continue to agree to comply with it almost unilaterally. Why is it not fair for the Soviet government to conclude that we are so in the thrall of our allies on arms control that we simply cannot get out of the treaty even though they are violating it?

A: Well, first of all, the president hasn't made any decision that I know of, and what he has done is put forward some ideas that our allies have heard and have reflected on. And we've also had some discussions with members of Congress, and the president is now considering what position he should take.

(end transcript)

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*SFF705 05/04/86
GROWTH ABROAD WOULD REDUCE TRADE DEFICIT, BAKER SAYS (3730)
(Transcript: interview on "Face the Nation")

Tokyo -- Exchange rate adjustments and measures to spur stronger economic growth in certain countries are two alternative ways to correct the large U.S. trade deficit, Treasury secretary Baker says, but he adds that U.S. officials are not making such statements to pressure countries like Japan and West Germany into stronger efforts to expand their economies.

"The United States has carried a large share of the load for a long time" in leading the rest of the world to economic recovery, Baker said on CBS' "Face the Nation" television interview program May 4. "We simply would like to see some increased growth abroad."

The U.S. secretary of the treasury, in Tokyo with President Reagan for the May 4-6 economic summit meeting of the industrial nations, has been making the point that the size of U.S. trade deficit is politically intolerable and must be reduced. Otherwise, he has said, it will be difficult for President Reagan to resist the growing protectionist sentiment in the United States.

"We've done quite a bit on the exchange rate side," Baker said in the CBS interview. He predicted that the effects of the decline in the dollar would begin to show up in the trade figures but that the full effect would not be felt for 12 to 18 months.

Japanese newspapers have been reporting that Prime Minister Nakasone, in his bilateral discussions with the leaders of the other summit nations, has expressed concern over the sharp rise in the yen in recent months and its effects on Japanese industries.

Baker was asked about reports that Japanese officials have also suggested that a continued slide in the value of the dollar would cause investors to take money out of the United States, causing difficulties for the U.S. economy.

"We are not concerned," Baker said. "We think that the decline that we have experienced in the dollar has been very orderly and it has been accomplished in an orderly and moderate way over a long period of time."

"We have seen no sign" of foreign investors pulling money out of the United States, he said, and "we don't think it will happen."

Other points made by Baker in the interview:

-- The United States has "discussed with a number of countries the possibility of boycotting oil sales from Libya. Some of them have evidenced some interest in doing that."

-- The United States has ordered U.S. companies to get out of Libya, but gave them time to dispose of their assets there. "I think that you could reasonably anticipate that they might be leaving in the near term."

-- Despite the recent series of mishaps in U.S. rocket launches, "the president's commitment to the space program remains every bit as strong as it was before these unfortunate accidents....We have the most successful space program in history."

Following is the transcript of the Baker interview, as released by the White House in Tokyo:

(begin transcript)

Question: Mr. Baker, let me ask you first, if I can, about the explosion of the Delta rocket. NASA has not had a successful launch since January. We've got three horrible explosions, starting with the challenger. What is going wrong with the American space program?

Answer: Well, the loss of the Delta rocket was a very unfortunate accident, but I think we ought to look at it in the larger context. We've had, I think, a large number of launches of that same rocket successfully -- 94 or 95 percent success over a period of 12, 13 years -- something like that. And I think that the president's commitment to the space program remains every bit as strong as it was before these unfortunate accidents. So it's something we have to accept and it's something we have to move forward from.

But we ought not to lose sight of the big picture, which is that, for the most part, we have the most successful space program in history.

Q: Well, I know you've been briefed on this today. We've had three explosions or failures of rockets since January, we haven't had a successful launch since the beginning of January. Is there some flaw in the system? Why are they all going wrong suddenly?

A: No, I think, without trying to pinpoint the cause of the challenger explosion, because as you know, there's a full-fledged commission investigating that. But it's our view that these are not caused by the same problems, and in the case of the Delta particularly, we've got a 94 to 95 percent success ratio there. And that's a pretty darn good success ratio over a long period of time.

Q: Well, we've had some pretty serious failures lately. Isn't this an embarrassment for American technology? And

what about the timing of this, coming as the president was hoping at this summit here in Tokyo to highlight the Soviet accident? We've heard a lot on this trip about American technology being superior.

A: I don't think it's an embarrassment. I think it's an unfortunate accident. I don't think it's an embarrassment, because we do have the most successful space program any nation has ever had, including the Soviet Union. And I don't think this -- the loss of this rocket quite frankly can compare to the embarrassment that the Soviet Union is bound to experience over the nuclear disaster that's just taken place there -- and the way in which they handled it -- the aftermath of it, if you will.

Q: And the president will try to draw that contrast here.

A: I'm sure he will.

Q: Speaking of the summit, do you think it's possible, given the statements we've heard already from the European leaders, the president can win any economic sanctions against Libya out of this summit?

A: I think that the mood and the attitude and the whole focus has shifted since the raid on Tripoli. I think that the evidence that was made available publicly by the United States concerning the ventures of Colonel Qadhafi has made quite a difference in the attitude of our allies, and you've seen a number of diplomatic sanctions being taken here over the last couple of weeks.

So I think it's reasonable to expect that there might be progress in that area. That's not to say that everything would be announced publicly.

Q: Yes, but my question was about economic sanctions.

A: Yes. I think there is possible progress in the area of economic sanctions. I think that, you know, we've discussed with a number of countries the possibility of boycotting oil sales from Libya. Some of them have evidenced some interest in doing that, so --

Q: Who?

A: Well, those are things I ought not to --

Q: Italy, for example, let it be known yesterday after President Reagan discussed the question of an oil embargo, and Mr. Craxi, the prime minister, said "no," and we were told that he brought up the whole point that American oil companies are still operating over there.

A: Well, let me make a couple of points on that. What you say is true. There are other countries who have indicated a willingness to look seriously at the possible

boycott of Libyan oil. The Italians have a special situation in the sense that they accept Libyan oil in payment for preexisting indebtedness. So their situation is a little bit different.

As far as American oil companies are concerned, it was our feeling back in January and February, when we first announced our sanctions, that to run those companies out of there or require them to leave immediately would, in effect, deliver a windfall to Colonel Qadhafi, which we really didn't want to do. We wanted to give them time to dispose of their interests and dispose of their assets and We've done that, and I think that you could reasonably anticipate that they might be leaving in the near turn.

Q: When?

A: That's not something I'm free to speculate about in terms of putting a date. I just can't put a date on it for you, but --

Q: Are you talking weeks, or --

A: I'm just saying in the reasonably near future.

Q: Well, was that the kind of information that perhaps would satisfy the Italians? No, they're still not going to go along with economic sanctions.

A: They have a special situation, particularly in terms of boycotting oil sales. But there are other things that they are doing. They've taken action with respect to sales of arms and parts for weapons, They've taken action with respect to diplomats in the Libyan people's bureau and so forth, so --

Q: Yes, but you know, most of the leaders are saying that they still oppose the whole idea of economic sanctions.

A: Many leaders will say economic sanctions don't work. I think it's our position -- and I think one of these days, we'll be in a position where we might see this proven true -- that if everyone were willing to jump in there and exercise or invoke economic sanctions, they would work and work quite well.

Q: But they say publicly they're not willing to.

A: So far. So far.

Q: Is President Reagan planning to suggest that if they don't come through with some economic sanctions that we might use military force again and kind of use that as a stick --

A: No, I don't think that the president has said that or suggested that or implied that. The actions that the United States took would clearly suggest that, because we found it necessary to take military action. But the proof was there, the involvement of the Libyans was clear and it

was convincing and it was direct and it was absolute, and I think the proof has now been made.

Q: But that hint is still out there, isn't it? Even if the president doesn't have to say it explicitly?

A: Well, it may be there just simply as a consequence of what the United States found it necessary to do.

Q: You know, this is actually an economic summit. You'd hardly know it by the flow of news, but it is. And before we came here, you suggested that the United States would look favorably upon actions by the Japanese and Germans to spur growth in their countries. They've pretty much made it clear -- at least the Germans have -- that they're not interested in doing that.

You've also said that if they don't do that, then the United States will probably have no choice but to see the dollar drop even further. Is that your position?

A: No. We've not said that in the nature of a threat or a suggestion that if they don't move to spur growth that somehow we're going to move to bring the dollar down. That's not it at all. What I said was that there are two ways that we can attack the trade imbalance and the big trade deficit that the United States has. One way is on the exchange rate side. We've made considerable progress there: the dollar has come down.

The other way is to see increased growth abroad. The United States has carried a large share of the load for a long time. We simply would like to see some increased growth abroad.

Q: But why doesn't it follow if they're saying "no," which the Germans are that --

A: Well, we've done quite a bit on the exchange rate side. So we're not suggesting "you either grow or we're going to hold you hostage as a result of some action we're going to take with respect to the dollar." We're not making that suggestion.

Q: Well, they're reading it that way.

A: Well, They may be reading it that way, but that's not what we intend.

Q: But wouldn't you like to see the dollar go a little lower to deal with that trade deficit?

A: As you know, we, don't have a target for the dollar.

Q: Well, you don't say you have a target.

A: And we don't specify a target for the dollar or for any other currency, for that matter.

Q: But you know, you've had the dollar come down -- it has been coming down since September -- and we still just had a record trade deficit in the last month.

A: That's right. It takes a while for exchange rate changes to be reflected in trade balance figures and you don't normally see it for 12 to 18 months. So, come this fall, we ought to be looking for a little improvement in our trade balance numbers.

Q: You think it will happen?

A: Yes, I do think it will happen.

Q: The Japanese, who of course are not so thrilled to see the Yen go so high, are saying that if the dollar keeps dropping foreign investors will start pulling money out of the United States and interest rates will go up. Have you seen that begin to happen yet and are you concerned?

A: We are not concerned. We think that the decline that we have experienced in the dollar has been very orderly and it has been accomplished in an orderly and moderate way over a long period of time and we don't think -- we are not concerned about that. We have seen no sight of it.

Q: You say that you don't threaten that we are going to have the dollar go on. The Japanese would never threaten to pull foreign money out, but they are suggesting it might happen if the Yen continues to rise. Do we --

A: We don't see any evidence of that and we're not concerned about that, and we don't Think it will happen.

Q: You know, there seems over the last few months to have been a perceptible change in American policy. It seems that, as a country, in terms of the alliance, we seem more willing to act on our own against the wishes of our allies. We did it on the raid in Libya, we are threatening retaliation on agricultural quotas in Europe, and all of this dollar business is taking on the tone of threats and counterthreats. Do we have a new policy that perhaps is not stated but are we now willing to be much more aggressive?

A: Well, I think the president is willing to be much more aggressive in enforcing the unfair trade laws of the United States -- the laws we have on the books. He is the first president in history to self-initiate what we call 301 cases.

As far as exchange rate relationships are concerned, I think you have seen more cooperation and better coordination than you have seen in a long time among the various industrialized countries, growing, quite frankly, out of the group of five meeting at the plaza hotel in September of last year. That was a coordinated action. Now we find a

situation where there is some difference of opinion on exactly what course currency should take or what the proper level might be. I think that is natural. But I would suggest to you that there has been better cooperation and better coordination, not worse.

Q: But a sense that the United States would go it alone anyway?

A: Well, not go it alone. We're in a situation where we're running an historic trade deficit. That is not a politically sustainable situation for us to be in. Our exporters and American businessmen who compete against imports are quite properly asking their government to stand up and be counted, and we are.

Q: Let me ask you about a domestic issue -- the budget. A majority of the Republicans in the Senate have now voted for tax increases and cutbacks in the military budget. Is the budget now out of the president's hands? Has his own party turned against him on this?

A: As you know, the president proposed changing the budget laws in a way that would permit the president to sign a budget resolution. As it now stands, and, as it has been for some time, the president of the United States really isn't in the budget debate after a budget resolution is passed because it does not come down to him for signature. What comes down to him are specific bills. At that point, he can decide whether to sign them or to veto them. I am quite confident that if the congress sends him a big tax increase bill, he'll veto it. No question about it.

Q: But the republicans -- his own party -- have gone ahead and moved against the heart of his program -- the very heart of his program.

A: Well, I would not be surprised if the president were not disappointed -- in the budget results. They don't reflect his wishes with respect to defense, and clearly, on the issue of raising taxes, he feels strongly about it.

Q: But has he lost control of his party?

A: No, I don't think so. I think that particularly in an election year -- and this is a midterm election year -- there is a different viewpoint, a different vantage point, and people, who are out there running in a house district or in statewide, sometimes have different priorities, different interests, and different requirements.

Q: You are beginning to hear the word "lame duck."

A: No. Lame duck -- 68 percent popular approval rating or public approval rating? That doesn't sound very lame to me. All-time high.

Q: But he does seem to be losing control of the budget process, clearly.

A: Well, I think the budget process has been characterized by some as the most Mickey Mouse process in the world. It is a process that the governors of the various states do not have to live with. We've gone through this same routine now for five years. The president sends a budget up, the Congress chops it up and changes it a lot and, if they don't send the president back what he wants by way of appropriations bills and implementing legislation, he doesn't sign them.

Q: Let me ask you another question about the budget from a different angle, and that is the David Stockman angle. He's made quite a splash with his book about what it was like when he was budget director. You were in the White House. Do you think that he betrayed the public trust by waiting four years to tell the American people that he thought from almost the beginning that Reaganomics would never work?

A: I have refrained from commenting upon that book ever since it came out since I am still in government. He is free to write what he wants -- he's out of government. But I am of the view that those of us who are still in fighting the battle ought not to comment on that book, and I haven't commented on it and I'm not going to start now.

Q: Well, then let me ask you another question about another former colleague of yours -- Michael Deaver. He of course has been charged with violating ethic rules on influence peddling. Do you think that he did anything wrong? You were there when some of this was going on.

A: Well, when you say "you were there when this was going on," I was out of the White House and over at the Treasury Department. But I am not in any position to judge that. I do think that the process we are seeing ongoing now in Washington, D.C. is something that recurs with some frequency and some regularity, and we see a great big hype and hoopla and a lot of attention focused on a matter and then sometimes something comes of it and sometimes something doesn't, and I'm just not in a position to judge here what the situation is.

Q: Well, do you think those laws should be tightened up so that there won't be any grey areas?

A: Well, I don't know. It's possible that there could be some improvements in the laws. I think some of the things the Congress is debating are quite out of the ballpark, to be very honest with you though. One of the provisions, as I understand, it would prohibit a cabinet officer or a senior

White House person from ever representing any foreign government. I practiced law for 22 years before I ever got into politics, and I don't think it would be fair for people in my position, for instance, to simply say that you, simply because you were willing to serve your country and serve your government, would be prohibited in perpetuity from ever representing a foreign government in a legal capacity. I don't think that would be fair.

Q: What about a time limit though?

A: I think that is what the Congress is going to end up looking at, is how long should the bar last. Right now it is one year. You are prohibited from lobbying the agency you work for for one year and you are prohibited for quite a period of time from lobbying on a matter that you were personally and substantially involved in. I think with respect to the latter issue particularly, that is probably a good prohibition. And if there is a way to tighten that, maybe they ought to tighten it. And if they want to extend the other, that's something they can look at. But don't bar it in perpetuity. I don't think that is a suitable approach.

Q: And as far as you are concerned, you were there when they were planning at least for that Quebec summit that Michael Deaver --

A: No. I left in January of 1985.

Q: Let me ask you a final question. You know they are now saying here in Tokyo that they are detecting elevated radiation levels right west of here and they are warning people -- the authorities -- not to drink rainwater. Is there any concern in the American delegation about the radiation levels here?

A: No, our information is that the radiation levels are not sufficiently high to constitute a hazard to health, although there is some increase in those levels.

(end transcript)

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*SFF706 05/04/86
SOVIET HANDLING OF CHERNOBYL "AN OUTRAGE," REGAN SAYS
(Transcript: interview on "Meet the Press") (2690)

Tokyo -- White House Chief of Staff Donald Regan says that Soviet handling of the Chernobyl nuclear reactor accident "is an outrage."

"With over a third of the world's population directly affected by this accident, they have a moral obligation to tell the world what's going on -- and to try to stonewall it, to keep the information themselves and let the rest of the world try to figure out whether they're in danger or not, is beyond what civilized nations should do," Regan said May 4 on the NBC television interview program "Meet the Press."

Interviewed at the start of the May 4-6 economic summit meeting of the leading industrialized nations in Tokyo, Regan said the Soviet approach to the accident "teaches us quite a lesson: that we have to be able to verify whatever it is that we agree to with the Soviets."

He said he still expects a summit meeting between President Reagan and Soviet leader Gorbachev this year.

Following the Tokyo economic summit, Regan said, "I think you will be seeing action" by the major industrialized nations on ways to deal with state terrorism.

"I think now it's time for the civilized world to cut this cancer out of its body," he said, adding that Western Europe is beginning to realize that terrorism costs them not only lost lives but lost commerce.

He also made the following points:

-- The intentions of the Japanese leadership toward economic reforms is good, but it will take time to change cultural behavior that runs contrary to some of the proposed changes.

-- If Europe and Japan fail to open up their markets to U.S. goods, protectionist legislation in the United States will pass.

-- U.S. nuclear plant construction, with its containments around the reactors, is much safer than that of the Soviets and would have prevented much of what happened at Chernobyl.

Following is the transcript of Regan's remarks, as released by the White House in Tokyo:

(begin transcript)

Question: On the issue of the Soviet nuclear reactor disaster at Chernobyl, what is the United States doing now to

protect the lives, the health of American citizens in the Soviet Union.

Answer: What we've done is to send a team to our Embassy in Moscow to monitor radiation and to check individuals there. We have not noticed that there is anything amiss, but we are standing by ready to assist if anything does happen to American citizens in the Soviet Union.

Q: Any possibility of evacuation once you get the results in?

A: We don't know as yet. I think that's -- it's too early to say that. We have not tole our people to come out. We are warning people against travel in Poland, travel in a few other countries. But apart from that, we have not told our people to leave.

Q: Are you at all surprised that Mikhail Gorbachev, the so-called "master of public relations," has handled this case so badly?

A: Well, frankly, the way they've handled it is an outrage. We think that, with over a third of the world's population directly affected by this accident, that they have a moral obligation to tell the world what's going on and to try to stonewall it, to keep the information themselves and let the rest of the world try to figure out whether they're in danger or not, is beyond what civilized nations should do.

Q: What does it tell you about your future dealings with this new regime in the Soviet Union?

A: Well, you'll recall that we've been talking about verification in terms of disarmament all along. And this teaches us quite a lesson, that we have to be able to verify whatever it is that we agree to with the Soviets.

Q: Do you think all this bad publicity makes it more important now for Mr. Gorbachev to have a U.S.-Soviet summit to try to improve his image?

A: We don't know about that from his point of view. We're still expecting that there will be a summit this year. He did say he would come in 1986 and we're expecting him.

Q: Let me ask you about what the administration is going to do about its own nuclear power plants. For example, rhetorically, the administration is very much in favor of the idea of as many of these as possible, but, in fact, very few orders have gone out to build new ones. Might this even further delay the prospects of leaning upon nuclear power?

A: Well, I would hope not because we are not so self-sufficient in oil, and we need to have clean sources of

power. We would think that additional nuclear power is needed in the United States.

Our system is much safer then that of the Soviets. We do have containments built around our nuclear reactor that would prevent much of what has happened. We have never had a nuclear accident in which people have been killed. And I also point to the fact that in our Navy, for decades now, we've had nuclear ships without any fatalities. We can make safe nuclear reactors, and I think that's what we should be aiming to do.

Q: At the very same time, for example, in the Shoreham nuclear plant in Long Island, the people who live in that area -- and it's a very dense populated area -- they say that unless they agree to the evacuation proceedings, they're not going to allow that plant to proceed. That is also true in Massachusetts and it may be spreading throughout the country. How are you going to handle this?

A: Well, I might say a little bit lightly as one who did live in Long Island for quite a few years, there's no way to get off Long Island on a Sunday afternoon. You know that as well as I do.

Q: So how do you handle -- exactly. So how does one handle this kind of a problem?

A: There are bridges that can be built. As you know, there's been an agitation for a bridge across Long Island sound to Connecticut for quite a while. There are many ways to handle that problem. I think that's become a political football, that Shoreham plant.

Q: You know, our country also has its technological problems. Yesterday, at Cape Canaveral, there was still another rocket accident, the third in a row, including, of course, the Challenger disaster. What's wrong with the U.S. space program?

A: We don't know that's going on. This has been a very uncanny, strange series of events. We do have, as you know, quite an investigation going into the Challenger accident and I suspect that we'll have to take a very good look at this delta.

Delta's been a very steady method of propulsion and it has not had any degree of mishaps or what-have-you. This is a very strange one that happened yesterday.

Q: Do you have any thought at all that it could be sabotage?

A: I don't know about that. We'll have to take a check on that. I'm not saying it was. We'll have to take a check, though.

Q: At the Tokyo summit, one of the issues that you're going to discuss, that you want to discuss, is terrorism. What I'd like to ask you, and if you could be as specific as you possibly can, what is it that you want the allies to do to help the United States cope with this problem?

A: I think the time for words has passed. I think that everybody can abhor terrorism, can decry terrorism, can say that terrorism is a bad thing. But I thank now it's time for the civilized world to cut this cancer out of its body.

The fact that there is state terrorism is something new in the world. It has grown increasingly in the last few years. We've always had gangs in various countries who promote terrorism, but now, you actually have states that are training, financing, equipping these terrorists. And that's the type of thing that the nations of the world have got to band together to stop. And just talking about it is not going to be enough. We need action.

Q: Okay, well, you use the words "put out the cancer." How, in fact, are you going to persuade the allies who have not exactly been interested in taking joint military action with the United States, to say the least, to cut out that cancer?

A: Well, we're pointing out to them facts that, of course, most of them, they already know. First of all, it's hurting them, hurting their own citizens. Their own citizens are getting killed, as in the tragic case in West Berlin. There was an awful lot of non-Americans that were injured during that.

The second thing is that this is costing them in the terms of commerce. Tourists are not going to Europe or to other nations were there's terrorism or terrorist acts being committed. And this is hurting them in the pocketbook.

So for their own good, we think that they should be allying themselves with us to prevent further acts of terrorism.

Q: It's almost certain that the summit will pass a statement on terrorism, but some of your colleagues are saying don't expect anything on economic sanctions, don't expect any endorsement of U.S. military action. Are they and you low-balling it or do you really not expect very much in terms of this formal statement out of the summit?

A: I would hope that we wouldn't be too specific and I'll tell you why. If we are specific, then the terrorists are going to know and anticipate what we're going to do to them. I would rather have each country agree to do

something, keep it quiet until they actually do whatever it is they're going to do.

Q: But, you know, you talk about economic sanctions. President Reagan went in to see, yesterday, Italian Prime Minister Craxi and ask for economic sanctions. And Mr. Craxi said, look, you've put in these economic sanctions and U.S. oil companies are still doing business in Libya. Isn't that hypocritical?

A: No. I think you'll find that we ordered Americans out of there and that we have set a deadline for American oil companies to get out. And they will have to observe that deadline.

Q: Well, what's the deadline, though? I suppose -- they were supposed to be out by the first of February.

A: No, we gave them a further extension of time. If we didn't give them time to try to dispose of those assets, Qadhafi would have fallen into a real bonanza. We don't -- we're trying to prevent that. But they'll be out shortly.

Q: So what's the firm deadline?

A: They'll be out shortly.

Q: No firm deadline?

A: You'll hear about that in a while.

Q: Should it not be the case that the United States should be pressing right now all of its NATO allies to expand quite literally the geographic responsibilities of that alliance because the source of terrorism is in the Mediterranean: the Mediterranean washes the shores of five NATO countries. Shouldn't that point now come across more directly?

A: I think it is becoming better known and at the top level, people are becoming more willing to deal with terrorism. You notice that the EC ministers, a week or so ago, agreed on some joint action. I think you'll see more and more of that going on as people agree on what should be done. I think a lot of them were waiting until they could discuss it with their fellow heads of government here at the summit. And after this discussion, I think you will be seeing action.

Q: This is, after all, an economic summit and there are some economic issues. And perhaps the most important one is trade. Japanese Prime Minister Nakasone has promised the U.S. that he's going to reform the Japanese economy -- less exporting, more importing. But already some of his top officials are beginning to hedge. Are you going to hold Nakasone and Japan to that commitment?

A: We're going to advocate it to them, certainly. And I think that the prime minister wants to do this. But when you change the whole social fabric of a nation, the entire way that they've looked at their economy over the last 40 years -- remember, Japan, after World War Two, was prostrate. They had to export in order to survive. They did. They geared themselves up to it. They had to save, they didn't have much capital. So they've had 40 years of a culture that we're now asking them to change.

That doesn't come about overnight. You have to be a little bit patient. But I think that their intentions are good.

Q: How much longer can the United States wait when, after all, one of the allies is profiting at the expense of almost all of the others? Japan this year will have 80,000 million dollars in a trade surplus.

A: Well, I'm not sure it's going to be that high, but I do know that it will be a high surplus. From the point of view of changes, notice now that the dollar-yen relationship has changed. It's getting so now that the dollar is so cheap that maybe the Japanese will start buying American cameras. But from our point of view, we think that with the dollar down this way, that gradually, this balance of trade will start.

Now, we've also asked the Japanese as well as the European countries to open up their markets. And this is one of the things the president's going to really come down strong on -- the necessity for avoiding protectionist measures in the United States. And if they don't open up their markets, protectionist legislation will pass.

Q: In the minute or so that we have left, I'd like to raise a couple of personalities with you, and start with Michael Deaver. Do you believe that in the case of Mr. Deaver, that influence peddling has really gone to far?

A: I don't think I should refer to anything about Mike Deaver for this reason -- he's asked for the special investigator to look into the situation and since it's going that route, I think comments by me at this point would not be appropriate.

Q: Well, let me ask you, if I may then, about David Stockman. In his book, he accuses you of being a "yes man," more interested in telling the president what he wants to hear than giving him sound economic advise. I know you've gone to great lengths not to give his book any publicity, but these are very serious charges about you and the president

and everyone else in the administration. What do you think of David Stockman?

A: I plead guilty to being faithful to the president and trying to carry out the president's programs. The president was elected twice by overwhelming majorities of the American people who wanted his program put into effect.

Q: What do you think about David Stockman?

A: I'm carrying out those. Those who don't want to carry out the president's program are not loyal to the president. I happen to be loyal to this president.

Q: Let me ask you about Kurt Waldheim, the third personality. Do you feel, on the basis of everything that is now known about his past during World War Two, a Nazi affiliation, that he should be put definitely on a watch list and not allowed to enter the United States?

A: Well, we've asked the attorney general to look into that and we hope to have some type of reply from him shortly after we return from the summit. So I'll hold a comment on that until we see what the attorney general has to say. (end transcript)

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*SFF707 05/04/86
SOVIETS URGED TO RELEASE CHERNOBYL DATA (1050)
(Transcript: Thomas interview on "Face the Nation")

Washington -- A leading U.S. environmental official has urged the Soviet Union to release data on the Chernobyl nuclear reactor accident so that Western experts can assess the health aspects for other countries.

A radioactive cloud has dispersed widely over northern Europe, Scandinavia, the Soviet Union and Asia, Lee Thomas, administrator of the U.S. Environmental Protection Agency, said on the CBS television interview program "Face the Nation" May 4.

Thomas, who is also chairing the White House Task Force on the Chernobyl Disaster, said that, so far, the Soviet Union has failed to provide the kind of information "needed to determine the kind of consequences to the people of the countries both surrounding the Soviet Union and at far distances."

He said that the doses of radiation to those two and three miles (3.2 to 4.8 kilometers) downwind from the reactor were probably lethal and that this level of radiation would likely cause serious illness to those five to seven miles (8.0 to 11.3 kilometers) from the accident.

Following is a transcript of the interview:

(begin transcript)

Question: Mr. Thomas, what's the latest information from the task force? Where exactly is that cloud cover right now?

Answer: The latest predictions on the air mass are that it is dispersed widely over northern Europe, Scandinavia, the Soviet Union and, as you know, now across Asia over Japan.

Q: Mr. Thomas, anybody who comes under this cloud -- are they in any kind of danger? For example, those of us here in Tokyo, are we in danger?

A: No, the levels of radioactivity that are being detected don't present a threat to public health. The kind of deposition from that radioactivity that's detected is more than likely from rainfall, and that would be very small amounts.

Q: But you know, we are hearing reports that in Italy officials are telling people not to drink milk, not to eat lettuce. We have reports in Europe of people vaccinating children with Iodine. What about the Europeans? Are they in danger?

A: Well, clearly the tremendous explosion and resulting radioactive emissions from the site had the worse effect near the site and then, as you went out from the site, you began to get contamination as well. And the earlier the deposition from that accident, the more concern there would be.

Q: What about long-term effects?

A: Without more detailed information, without many more readings, it's very hard to predict. Additionally, the actual amount of radioactive material that was released, the amount that was released over a continuing period of time, we still don't have that information from the Soviet Union to draw the kind of conclusions to answer those questions.

Q: How do you respond to the Soviet officials who say that the west has been exaggerating the extent of the damage, exaggerating what really happened there? Have we in any way?

A: The information that we have gotten from the Soviet Union -- for instance, a Soviet official two days ago talking about the kind of radiation readings around the site -- are all consistent with the predictions that our experts have made which leads you to conclude that you had the worst nuclear accident in history has taken place, you have a radioactive air mass that has spread across Europe, Scandinavia, Asia. You had radiation levels substantially above background in a number of countries that are being read. I don't think I would characterize anything I've seen as an overreaction.

Q: What do you think about what they're telling us on casualties? They say only two died and very few injured.

A: We think the kind of levels that they have talked about -- the kind of radiation levels we've predicted would present lethal doses of radiation probably within two to three miles (3.2 to 4.8 kilometers) of the plant downwind, probably five to seven miles (8.0 to 11.3 kilometers) would result in serious illness. A lot, as far as casualties are concerned, depends on what kind of protective measures the Soviets were able to take both before the accident or shortly thereafter, meaning evacuation. So it's difficult to draw conclusions today on casualties, but I think that particularly since the effects of radiation and higher levels of radiation will be seen over the next week, two weeks, 30 days, those figures may well change.

Q: Well, tell us what you can about the evacuation. From what the reporting is telling us, there wasn't an evacuation in the first few days.

A: It's difficult to say when it actually took place. We know that, as the Soviets have indicated, there has been

an extensive evacuation, possibly out to 20 miles (32.2 kilometers) from the site, which include a number of villages and towns, a substantial number of people are out of that area, which is consistent with what we would've expected based on the predictions that our experts made of the kind of radiation levels that would be in that area.

Q: How do you, in your own mind, view the position the Soviets have taken in terms of the world?

A: I think that the Soviets clearly have not provided the kind of information in the timeframe that everyone needed to determine the kind of consequences to the people of the countries, both surrounding the Soviet Union and at far distances. I cannot find any explanation in my reasoning that would suggest why they've done this. And I think even today, clearly we still need the kind of information that we've been requesting.

Q: You know, we have a Soviet official coming up on this broadcast. Is there anything you'd like to say to him directly?

A: Yes, I'd like to say that as soon as we are able to obtain the information we've requested, we would be in a far better position to calculate any health or environmental consequences to U.S. dependents and citizens in foreign countries. We do not think there's any health or environmental consequence to the United States, but we do need that information for our dependents and we want them to release that just as soon as possible.

(end transcript)

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*SFF708 05/04/86
U.S. SET TO MONITOR ANY NUCLEAR FALLOUT FROM CHERNOBYL
(Transcript: Denton interview on "Meet the Press") (1490)

Washington -- The U.S. Environmental Protection Agency (EPA) is prepared for extensive monitoring of air and water in the United States following the recent nuclear power plant disaster in the Ukraine, according to a Nuclear Regulatory Commission (NRC) official.

Harold Denton, Director of the NRC's Office of Nuclear Reactor Regulation, said May 4, however, that he does not see a health hazard to U.S. inhabitants as a result of the accident at the Chernobyl nuclear facility.

Speaking on NBC's "Meet the Press" television interview program, he was asked if the economic summit leaders meeting in Tokyo are endangered by radiation fallout from the nuclear accident.

"I don't think so...It's (the radiation's) been so dispersed, and so much decay has taken place," he said.

Following is a transcript of Denton's remarks:

(begin transcript)

Question: Mr. Denton, it is commonly acknowledged now, a week after the Soviet nuclear disaster, that is is the worst in history. Could you tell us briefly, on the basis of what you know now, what really happened?

Answer: I'd agree with your assessment, but we don't know exactly what happened because the Russians aren't telling us. But I can speculate for you. This was the fourth unit at the Chernobyl reactor site. It's a graphite moderated reactor, it's a uniquely Russian design, it has on-line refueling, 16,000 fuel assemblies. Our best knowledge is that it suffered some sort of loss of coolant activity, leading to cladding failure, leading to production of hydrogen and ultimately explosion and fire. And the combination of these things resulted in the loss of the top of the building over the top of the reactor, it was widespread contamination of the land.

Q: Was it something like an atomic explosion?

A: I wouldn't characterize it that way. It may have had a slow start and then evolved into a hydrogen burn.

Q: Did they have any warning in advance? Were they able to evacuate the building and grounds?

A: We have no knowledge of the events leading up to it. It could have happened Friday night or Saturday morning. For

calculational purposes, we assumed it happened at midnight Friday.

Q: The Russians still claim that two people died, 18 seriously injured. Again, on the basis of what you know or can speculate about intelligently, do you accept those numbers?

A: I've tried to point out the health effects are delayed, so it may have caused effects which won't be observable in the way of fatalities or acute illness for another week or months. So they could be accurate as of today, but I expect there are quite a few severely ill people, because we project lethal doses within the first several miles around.

Q: Would they have been very lucky if they get away with two dead and two hundred injured?

A: Well it depends on their evacuation planning and how much advance warning they had.

Q: How many were evacuated?

A: We've established that three towns to the north of the plant have been evacuated, and so apparently they're evacuating out to about 30 kilometers.

Q: We were told, I believe by a Soviet official today, that as many as 45,000 people were evacuated. Is that correct?

A: That's not been the focus of our work. We've been trying to establish what got in the atmosphere so we can calculate the impact on the U.S. public here and abroad.

Q: Well fair enough. What did get into the atmosphere? What is the radiation level -- let's start with the Soviet Union first.

A: I think a large amount of the most important radio nuclides for health and safety did get in the atmosphere. Noble gasses, cesiums, iodides, rubidiums -- all the things that are of concern to health officials.

Q: Over how large an area?

A: Oh, over a very large area, in fact, it will eventually disperse throughout the atmosphere and affect us. But out to five to seven miles, I would think severe health effects if anyone were not evacuated; fifteen, twenty, thirty miles of a lot of fallout deposition. As you know, it was first picked up in Sweden at one of their reactors.

Q: Well, what would you think the cost of cleanup of that magnitude would be? You've had experience with Three Mile Island.

A: Well Three Mile Island was contained. That cleanup has cost a billion dollars, but it was all done inside the containment building.

Q: And the price of the reactor was a billion dollars or so. I mean, the cost to the economy -- to the Soviet economy -- what would you estimate, from lost electricity production?

A: It depends on whether they have excess capacity and the price of alternative ways, I guess. We haven't really focused on those costs, but I would think they would be large and might be some time before they could clean up the area.

Q: But billions of dollars, certainly.

A: I think it would be very large, yes.

Q: Well let's get back to that radiation levels. Has it reached, for example, into Asia. Could it have reached Tokyo by this point?

A: I think our calculations showed it should be reaching Tokyo about this time. We were expecting it to pass over the island of Hokkaido.

Q: Does it constitute any kind of danger to the leaders meeting in Tokyo?

A: I don't think so, no. It's been so dispersed and so much decay has taken place. We are fortunate in that the cloud moved north and then meandered around in Europe before coming towards us.

Q: What about the United States?

A: I don't think there's any health hazard here. But the EPA is set up to monitor extensively air and water.

Q: We've banged the Soviets quite a lot about not announcing it, or at least not giving details so people could take precaution. But there's apparently a fine line between giving information that would be helpful in protecting the health of individuals, and creating panic, which itself could cause casualties through evacuation. Do you think they could have done more than they did without causing panic?

A: We really don't know what they've done. You know, it's a bit like that Plato's cave analogy. We only see the shadows on a wall as to what's really going on there, and you shouldn't expect us to be able to know completely what they've done.

Q: But just judging from your own experience with Three Mile Island, there was a lot of information given out. Do you think it unnecessarily panicked people?

A: I think there was some panic, but being in the area affected, there was not that panic problem. There were reports coming into Middletown and Harrisburg all the time,

from Arizon for example, of deaths in the street in Middletown, and I think we tried to be careful here that we didn't give out anything we couldn't factually verify.

Q: Tell us what you know about the danger to the water supply, say, from the Chernobyl area down to Kiev?

A: I think it's very real. There's every indication there is widespread, serious contamination around that plant. I mean, a lot of the long-lived nuclides are going to be there for a long time, in the foodstuffs and in the water.

Q: You say a long time -- help some of the laymen out here. You're talking about years, now?

A: Months and years, yes.

Q: Months and years. And what do you do with the land around that area?

A: I think it would have to remain unused for a long time until they cleaned it up.

Q: Couldn't they plow it under? Couldn't they plow it under and you wouldn't see the effects in the next year's crop?

A: But it would depend on the crop and the isotope involved.

Q: Well, sugar beets --

A: We really have never had a case like this before. And I think that's why it's vital we get information from the Russians on what happened and what's the impact been. We've spent hundreds of millions of dollars in this country trying to simulate and calculate this sort of accident. This is something I hope the Russians will eventually give us a full scientific report on.

Q: Well briefly, do you think that we at this point know anything about radiation levels that could affect Americans in Moscow?

A: We've sent some people to Moscow and they are monitoring water, air and food, and the results aren't back in yet. So we don't know, but I would not think that far away -- and the way the cloud moved originally more to the west than toward Moscow. So I don't think that our embassy people in Moscow are adversely affected.

(end transcript)

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SUMMIT UNITY ON NUCLEAR ISSUE COULD INFLUENCE SOVIETS
(Transcript: Speakes interview "Newsmaker Sunday") (3550)

Tokyo -- A unified stance on nuclear safety at the Tokyo economic summit could influence Soviet behavior in the event of a another nuclear disaster like the recent accident at the Chernobyl facility, says White House spokesman Larry Speakes.

"If the allies present a united front, as we almost certainly will do here" on the subject of nuclear safety, "it sure could have a bearing on world opinion and it could have a bearing on Soviet behavior in the future in regard to these type of accidents," Speakes said May 4 on Cable News Network's "Newsmaker Sunday" television interview program.

Speakes emphasized that the Soviet Union is morally obligated to release information about the disaster immediately "so that people can make judgments about what they need to do for their own health and safety."

"It should be a basic moral principle for any country to do this," he said.

The Soviet Union's neighbors in East and West Europe, he said, "are in a tremendous bind because their lives, their safety, the welfare of their people on a long-term basis" are threatened by the Chernobyl disaster, Speakes said.

"They need answers, and they need them now," he said.

On another summit issue, Speakes called for "a thorough discussion of what each country can do individually and collectively to combat the problem of terrorism."

He said summit leaders meeting with President Reagan in Tokyo have expressed "a willingness to cooperate" in fighting terrorism.

"And when they enumerate the things they're planning," he said, "then you have a lot better understanding of what they're trying to do and it's a good step forward."

Following is a transcript of the Speakes' interview:
(begin transcript)

QUESTION: Mr. Speakes, the word from the Reagan administration, as we have heard for the last week really, is concern about how little and how late we have gotten in terms of information from the Soviet Union about this nuclear accident. Is it a view within the administration that the Soviets are hiding something perhaps more gruesome than what we know or that they're just stuck with their natural secrecy?

ANSWER: Well, we really don't know. They have been so close-minded about this that it's difficult for us to make judgments. We do feel however, that there is an obligation on the part of the Soviet Union or any other country for that matter, when they have a problem that is going to cause serious consequences for their nations on their border or anywhere in the world that they have an obligation to make available that information immediately and in its totality so that people can make judgments about what they need to do for their own health and safety. It should be a basic moral principle for any country to do this.

Q: We have heard from Secretary of State George Shultz on a couple of occasions the insistence that we actually, the United States actually, knows more from its own intelligence than the Soviet Union has told the U.S. or the rest of the world. What is there that the U.S. cannot find out that it feels that it must know?

A: Well, we cannot find out, for instance, the specific extent of the explosion when it occurred, what happened at the plant, how many people are killed. It's very difficult for us to make judgments as to how much radiation there is in the atmosphere, how long the fire is continuing to burn and continuing to spew radiation into the atmosphere. All of those things we need and even more so, the European neighbors of the Soviet Union -- the Scandinavian countries, the Eastern European countries, are in a tremendous bind because their lives, their safety, the welfare of their people on a long-term basis is threatened by this and they need answers and they need them now.

Q: Let me come back to the original question then. Do we have any fear that there is something more gruesome here that the Soviets are hiding or that it is just their inherent reticence that they just don't like to tell people?

A: Well, a little of both. We can only speculate that they may be hiding more than we really know for one reason or another. We simply feel like there stands every reason to be more deaths than the two that they have reported. There could be more injuries because it was a major accident, an accident of tremendous proportions, probably as large an accident as ever happened in the history of nuclear energy. So it's difficult for us to make determinations as to what they're doing and why they're doing it.

Q: We don't suspect that there is something about this nuclear plant that is secretive that perhaps our intelligence has not told us, that they want to hide?

A: We don't have any indication of that. We would assume it is a power-generating, nuclear plant for peaceful purposes. That's one thing that really opens up a whole area about, what can we do about this and there is a need for expanded international cooperation. The nations of the Western world do have a spirit of cooperation on this, but the Soviet Union has not entered into these agreements, either formally or informally, that they would share this type of information.

Q: How strongly are we pushing the Soviets? There have been meetings in Moscow and in Washington with Soviet officials. What kind of demands are we making?

A: Well, we've just made our views known that there is an obligation to let the public of the world know what is happening so that they can make their own judgments, we can make our own judgments about the precautions that we should take to protect the health and safety of our own people.

Q: A general request for information rather than a specific, "Tell us this, that and the other thing?"

A: It's been rather general, but a general request certainly implies that we need to know the extent of the explosion, the extent of the efforts to extinguish the fire that continues to burn, the amount of radiation that was expelled. All of those things would certainly be inherent with any request to simply go to the Soviets, and say, "Tell us what happened, what's going on."

Q: When we were in Bali, the president said he could understand the difficulty of the Soviet position, that he would not want to set a timetable demanding to want to know such and such by such and such time, but it would seem that the heat has, in effect, been turned up since we've arrived here in Tokyo. The president's radio address, a very strong demand, almost that the Soviets tell more. Is the heat turned up? If so, why?

A: Well, basically, yes, our first reaction was certainly an expression of sympathy for the Soviet people who had experienced a major disaster. We knew in all probability for the first of several hours -- days perhaps -- they had their hands absolutely full trying to make assessments themselves and trying to contain this explosion. But a lot of time has passed, a lot of countries are affected. There is a lot of radiation that we are trying to measure and a lot of answers that we don't have. So that's the reason we have increased our demands on the Soviet Union publicly.

Q: Has it produced anything to this point?

A: It has not. The Soviets have basically told us what they have told the public and that's very little. The Soviets seem somewhat incensed that we're insistent to find out additional information, but it's just important that we know it.

Q: What exactly do you and the Reagan administration think can be produced? Here at the summit we have heard virtually every leader say that the question of the Soviet reactor accident must be discussed. What do you want from your allies?

A: Well, I think this is really an ideal time for seven world leaders to be together, seven leaders of the major countries of the world, because we do have two major topics on hand, and that is, terrorism, and, as you mentioned, the Soviet nuclear reactor accident. I think what we would like to do with our allies is simply have a forthright discussion, listen to what they have to say, look at some ways perhaps that we can prevent this type of thing from happening in the future, from the safety standpoint, from the inspection standpoint, and if we do have an accident, quicker ways, instant ways to communicate worldwide.

Q: But that's not a problem with the allies, that's an East-West problem as you start to deal with the Soviets. You wouldn't anticipate any problem if this happened at a British reactor or a French reactor.

A: No, we wouldn't. But I think it's important if the allies present a united front, as we almost certainly will do here on this subject, that it sure could have a bearing on world opinion and it could have a bearing on the Soviet behavior in the future in regard to these type of incidents.

Q: The Soviets have, in effect, charged that the U.S. is exaggerating the situation. How do you respond to that?

A: Well, it's difficult to exaggerate what we don't know. There's a lot of speculation in a lot of countries worldwide because a lot of things are happening, people are seeing things happen in these Scandinavian countries, in these East European countries and so it's speculation on our part. Some of it is based on intelligence, some of it is simply a lack of knowledge. So we're not intentionally exaggerating, but we certainly would like the Soviet Union to be more forthcoming.

Q: Is this, in any way, a case of Soviet bashing to drum up more solidarity, unanimity among the allies?

A: No, not really. I don't think there's really any need for a drumbeat to get the allies in sync on this because certainly they are. The European nations are those most

seriously affected by this accident. So certainly they stand shoulder to shoulder together with the United States and with Japan on this subject. So we have nothing but sympathy for the Soviet Union on this. We understand that they have a major problem. If we can be helpful, we would like to be.

Q: What does this do in terms of trust vis-a-vis the Soviets when you think, "Gee if they're not going to tell us about something here that affects basically a humanitarian question of people living in those neighboring countries, what are you going to do in terms of trust when you start talking about arms control?"

A: Well, that's been one of the hallmarks of our policy on arms control and that is that we seek true methods of verification. We have approached the Soviets from the outset of the Reagan administration from a point of realism. We understand what their past record is. We hope that in the future it will be different. So that's why we insist that any arms control agreement must have a verifiable clause to it so that we can verify what's happening in the case of arms control.

Q: But does this reduce your view that you can achieve that, because they're not forthcoming?

A: Not necessarily. We can be hopeful and we can negotiate seriously and we can ask the Soviet Union to negotiate seriously, but they understand and we understand it's in everyone's interest to have a verification procedure that everybody can put their trust in.

Q: What about a summit?

A: The summit is basically where it's been for the last several weeks. We had hoped when we met with General Secretary Gorbachev in Geneva as he promised that he would come to the United States in 1986 and we would go there to Moscow in 1987. We still hope that's going to come true. It probably will. But the Soviets have not been agreeable to our June timetable and then they have stepped back from talking about a summit at all. That's not to say that they're not many other areas of cooperation in the cultural area, in verification area, in the early warning area that are ongoing. Those haven't stopped. But it's a question of getting back to the roll up our sleeves and go to work on getting ready for a summit.

Q: So you're saying, in effect, that this incident is tragic, it's regrettable that the Soviets aren't more forthcoming, it does not, however, affect other areas of the East-West, U.S.-Soviet dialogue?

A: That's true. Nor does the lack of progress in setting a summit date either.

Q: Mr. Speakes, you leave Washington, you come to one of these summits with a game plan, with something that's on your mind, something that you want to stress with the allies, but at the same time, present to the world as what the allies are doing on economic issues. And yet it seems every year, something extraneous crops up. Does the diversion hurt? Does it keep you from getting your message across?

A: I don't think it does. Our main message is that we've got seven world leaders of the major countries sitting down to talk over world problems, whether they be economic or whether they be political. We've got a solid agenda of economic discussions, monetary policy, the question of world economies and the improvement of world economies and on and on. At the same time, I think it's really fortunate that we're gathering at this time in Tokyo, and find ourselves with two very important political items on the agenda, that is the Soviet accident and then now terrorism. So it's important that these -- and the face-to-face meetings between these leaders and the give and take and the understanding that results from conversations is very, very valuable as we work ahead in the months to come to combat these type of problems that confront nations.

Q: Regardless of what the headlines may show.

A: That's true. And, you know, we're certainly here to discuss world economies and we have a very good mechanism for discussing here and following on. But there's no substitute for the head of a nation sitting down with the head of another nation and seeing how they tick, what makes them up, what makes them think, how do they react to certain things. And you get a real personal rapport that pays off in a crisis situation. The example of terrorism, for instance. We learn exactly what other countries are thinking about combatting terrorism. We learn what they would do if they had another terrorist attack in their country.

Q: I don't think you had any doubts about what the other people were thinking about terrorism. You certainly got a good indication when the raids on Libya were staged. You are meeting with the six key Western allies of which the British supported you on the Libyan raid, the Canadians essentially supported you, the French certainly did not -- they made it difficult -- the Japanese, the hosts here, have been the most quiet of them all. Do you think you're going to come closer with these six people when you leave Tokyo in terms of dealing with terrorism?

A: Well, that's the importance of sitting down and talking privately with the leaders face to face, because you learn exactly how they will react. They may not want to talk about it just yet, but they will sit and tell the president of the United States if we have another incident in our country, here's what we plan to do. As far as economic and political sanctions, here is what we're doing. It gives us a good feel -- outside of the headlines, outside of the press releases -- but in personal contact and we know then what will happen.

Q: Have we not seen, at the previous summits -- Bonn, last year, and going back year after year before that -- you getting up at a podium when the summit is over and saying that we've agreed to work much more closely to cooperate and exchange information with regard to terrorism, and yet, as one looks through the succeeding year, the problem does not seem to have been any better dealt with?

A: No, that's an incorrect assumption. Yes, we did, three years ago in London, set up a terrorism task force and then, in Bonn the following year, they reported. And it has resulted in increased intelligence sharing which has been extremely valuable in thwarting a number of incidents worldwide. You know, you talk about French cooperation or lack thereof, but we were very successful in averting a major terrorist incident at the U.S. embassy where terrorists had arrived in Paris and their idea was to fire on citizens who were there getting visas for the United States. These would have not been United States citizens, they would've been citizens of European countries -- of France, of Italy, of Great Britain, of Germany -- attempting to get visas to come to the United States. So through cooperation with French intelligence, we were able to get that information, the French were able to move in and ship these fellows out before they did their damage. So it's a splendid example of cooperation between two countries which, if you looked at the headlines, might show that we weren't cooperating, but it's just not so when the facts are brought out.

Q: But at the summits, we hear this statement saying, well, we're going to do more, we're going to work on this. Does it ever lay in the back of your mind while you're up at that podium that it's not going to happen?

A: No, I don't think so. When you're in the meetings and when you sit there and hear two world leaders talk -- sitting as close as you and I sit together here -- you know that it's going to happen, and it's going to happen the way they tell each other it's going to happen. So you get, of

course, a better feel for it when you're on the inside watching how they discuss and how they interact, but then you have confidence that they will do what they say they will do.

Q: When this summit ends next week, what would you like to be able to take away in regard to terrorism?

A: Well, I think that we're not thinking that a piece of paper or a declaration is what we really need, you know -- that would be fine. But what we really need is a thorough discussion of what each country can do individually and collectively in order to combat the problem of terrorism. And I think we will have that kind of hashing out. The president has already had some very productive bilateral meetings -- one-on-one meetings with the leaders of the various countries. He will have more as the week goes by. In those meetings, terrorism was certainly a major topic and one that the leaders expressed to the president a willingness to cooperate. And when they enumerate the things they're planning, then you have a lot better understanding of what they're trying to do and it's a good step forward.

Q: Such as -- what are they planning?

A: Well, I think that would be better for them to say, but a number of them are moving as rapidly as possible, when they have their own political framework, their own laws, in order to isolate Libya politically, to isolate them economically, to make them pay the price for terrorism.

Q: Do you sense that they will join you -- go farther in terms of an economic boycott than they have in the past?

A: I would think they're all moving in steps. An interesting thing was brought out, just as an example, between Prime Minister Craxi and President Reagan. He pointed out that a year ago, there were 18,000 Italian citizens in Libya doing business -- mostly in the oil industry or related areas. Today, there are 3,000 and it will be rapidly reduced from there. That's a little-known fact that indicates that a number -- that the Italians are rapidly reducing their business influence in assisting the Libyans in earning dollars and cents which -- a lot of it is used for terrorism.

Q: We've got just a minute left. We've seen intense security precautions here in Tokyo -- checkpoint after checkpoint, thousands of police in the streets. You sometimes ride in what is known as the decoy limousine -- the one that's got the president's flag on the fender, but has the president in the back seat of another car. Do you worry about terrorism when you're in there?

A: Not really. We have a great deal of faith in what our security people can do and will do -- but no, you really don't worry about it. You can't afford to. You do your job and have faith in your security arrangements.

(end transcript)

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May 23, 1986

Dear Larry:

Thank you for your letter informing me of the unofficial pre-Economic Summit video-conference sponsored by the Foundation for the International Exchange of Scientific and Cultural Information by Telecommunications.

Your proposal is certainly an interesting one. I have sent a copy of your letter and attachments to Jim Baker at Treasury for his information.

Again, thank you.

With best wishes,

Sincerely,

Donald T. Regan
Chief of Staff to the
President of the United States

Professor Lawrence R. Klein
University of Pennsylvania
Philadelphia, PA 19104

DTR/lm/ahd (5DTR)

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Sincerely,

Donald T. Regan
Chief of Staff to the
President of the United States

President Emeritus Martin Meyerson
University of Pennsylvania
Philadelphia, PA 19104

DTR/lm/ahd (5DTR)

THE WHITE HOUSE
WASHINGTON

5-13-86

TO:

FROM: DONALD T. REGAN
CHIEF OF STAFF

send to Jim Baker
for handling —
ackn to sender from
me

UNIVERSITY of PENNSYLVANIA

PHILADELPHIA 19104

May 12, 1986

The Honorable Donald T. Regan
Chief of Staff
The White House
Washington, D.C. 20500

Dear Don:

We have a modest proposal which we believe would help implement the recommendations from the Tokyo Economic Summit meeting. The clear recognition in Tokyo that the economies of the seven industrial countries are inevitably intertwined and require harmony among the policies of our nations is itself an important achievement.

As you know better than we, cementing that recognition into action on international trade, on investing, on fairness in commercial transactions, on monetary parities and on related issues will need ongoing deliberations at the highest levels of leadership and among their staffs. That will be difficult for busy people.

However, a week ago Saturday through the Foundation for the International Exchange of Scientific and Cultural Information by Telecommunications (Martin heads it) we ran a demonstration (Larry moderated it) which merits serious attention. We held an unofficial pre-Economic Summit video-conference with simultaneous computer linkage connecting economists in Japan, Western Europe and North America. Three short documents related to the video-conference are attached. Service was contributed by KDD in Japan, A T & T here, COMSAT, INTELSAT and the PTT in Switzerland. In less than four hours, because careful preparation was made, we accomplished a great deal.

We are not suggesting that the Foundation be the carrier. The Summit countries have easy access to the same resources we do. Rather we are urging this new technology--and it is largely a technology of the Summit countries--be explored as a way to supplement on a regular and frequent basis the face-to-face negotiations which will have to take place.

Your associates may wish to review our experiences and we would be glad to share them. We are also having the tapes edited into a one hour set of highlights of what we were able to do by video, audio and computer. Given Allen Wallis' involvement in these matters we are sending him a copy of this letter as well.

Sincerely,

Lawrence R. Klein

Martin Meyerson

Foundation for the International Exchange of Scientific and Cultural Information by Telecommunications

Stiftung für den internationalen Austausch wissenschaftlicher und kultureller Informationen durch Fernmeldemittel

Fondation pour L'échange international des informations scientifiques et culturelles par les moyens de la télécommunication

May 12, 1986

Martin Meyerson, President of the Foundation for the International Exchange of Scientific and Cultural Information by Telecommunications (FISCIT), based in Zurich and Philadelphia, announced the successful completion of its pre-Economic Summit video/computer conference held on May 3 at Tokyo (KDD), the United States (A T & T, New Jersey) and Zurich (PTT and the Federal Institute of Technology). INTELSAT and COMSAT also donated their services.

Timed to review issues and provide advice on the eve of the Economic Summit, this unique telecommunications seminar allowed leading analysts from each of the Summit countries to examine in real time the world economy and policies for bringing the economies of the industrialized nations into better balance. Almost as important as the substance the seminar offered, was its demonstration of the practicality of linking scholars and policy officials on several continents through sophisticated telecommunications technology. A facsimile of the findings was transmitted at once to Tokyo and a summary tape of this video/computer interchange is being prepared.

Professor Lawrence Klein of the University of Pennsylvania, Nobel Laureate, and head of Project LINK summarized the video seminar as follows:
"Twenty-four economists from the Summit countries but with no official role at the Summit, assembled on May 3 in Japan, the United States (those from Canada and the United States), and Europe (those from the United Kingdom, France, Italy, the Federal Republic of Germany, and also Switzerland) and conducted a trans-Pacific/trans-Atlantic audio-video seminar

with simultaneous computer linkages. Its focus was on economic policies which were expected to be discussed at the formal Summit on May 4,5 and 6. All the assembled economists received just prior to the video conference a projection of the world economy using the statistical model of Project LINK, an international cooperative research venture. The model covers not only the seven industrial nations of the Summit but 72 others for which reasonable data are available. It was updated to April 30 for this event.

"To analyzee policy coordination among the leading industrial countries of the world, a trial scenario of coordinated economic policies was provided to the participants. This scenario assumed easier monetary policies targeted at lowering interest rates by one percentage point in all countries except Japan and Germany, where the corresponding target was set at one half a percentage point. In addition, Germany and Japan were assumed to stimulate their domestic economies with approximately a 10 percent cut in rates of taxation (personal and business).

"The video-seminar of almost four hours established the point that Germany was already recovering well (it had also implemented a tax cut this year). The West German economists recommended that an additional stimulus be delayed until 1988. The Japanese participants, on the other hand, suggested an additional fiscal spending stimulus of 1.3 trillion yen in 1986 followed by similar stimuli (five percent higher each year) in 1987 and 1988.

"Such coordinated policies improved expected growth in the world economy but left the United States with a large current account deficit that erased some of the gains anticipated in that account as a result of the recent fall of the dollar. In addition, some of the university and private sector economists from the United States maintained that growth rates reviewed for the United States of 3.2 percent in 1986 and 4.9 percent in 1987 were optimistic and too high for stability. Accordingly, a consensus was reached that recommended fiscal restraint in the United States to try to slow economic growth to the three percent range in both 1986 and 1987. This would have the effect of continuing the recovery, but at a more modest pace, reducing the budget deficit and maintaining the expected improvement in the external deficit on current account. A spending cut, in the spirit of Gramm-Rudman-Hollings, was suggested as a means of restraining U. S. economic growth and achieving better balance. This, it was felt, would prolong the

recovery and aid all seven Summit countries as well as the rest of the world."

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FISCIT

Foundation for the International Exchange of Scientific and Cultural Information by Telecommunications

Stiftung für den internationalen Austausch wissenschaftlicher und kultureller Informationen durch Fernmeldemittel

Fondation pour L'échange international des informations scientifiques et culturelles par les moyens de la télécommunication

FISCIT Pre-Economic Summit Videoconference

May 3, 1986

Bedminster - Tokyo - Zurich

Participants At:

AT&T facility, Bedminster, N.J.

Professor Lawrence R. Klein, University of Pennsylvania; Nobel Laureate; Project LINK: Moderator
University of Pennsylvania President Emeritus Martin Meyerson; President, FISCIT

* * *

Edgar R. Fiedler, Vice President and Economic Counselor, The Conference Board; former Assistant Secretary of the Treasury
Professor Jeffery Green, Indiana University
Gilbert A. Heebner, Executive Vice President, Chief Economist, Core States Financial Corporation
Professor Peter B. Kenen, Princeton University; former Provost, Columbia University
Charles Lieberman, Senior Vice President, Manufacturers Hanover Trust Co.
Franklin A. Lindsay, Chairman, Vectron, Inc.; Vice Chairman, Committee for Economic Development
Professor Charles Pearson, School of Advanced International Studies, The Johns Hopkins University
André Plourde, Institute for Policy Analysis, University of Toronto
Professor Robert Williams, University of California, Los Angeles

PTT facility, Eidgenössische Technische Hochschule (ETH), Zurich

President Heinrich Ursprung, ETH, Zurich
Professor Peter H. Pauly, University of Pennsylvania (and Hamburg)

* * *

Dr. François Meunier, Economist, INSEE, Paris
Dr. William Robinson, London Business School, University of London
Kurt Schiltknecht, Vice President, Nord-Finanz Bank
Professor Anna Stagni, University of Bologna
Professor Uwe Westphal, University of Hamburg

KDD facility, Tokyo

Professor Shuntaro Shishido, Tsukuba University (former Vice President); former Special Advisor to Planning Minister of Japan
Professor Chikashi Moriguchi, Kyoto/Osaka Universities

* * *

C. Chandler, Economist, Japan Times
M. Hayabusa, Editorial Board, Asahi Shimbun
S. Miyaji, Editorial Board, Nikkei
I. Miyazagi, President, Daiwa Securities Economic Research Institute
K. Moritsuzu, Economist, Japan Times

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Fondation pour L'échange international des informations scientifiques et culturelles par les moyens de la télécommunication

The Foundation for the International Exchange of Scientific and Cultural Information by Telecommunications (FISCIT) was conceived by a small group of university presidents from Europe and the United States, meeting at the start of the decade at an international educational conference. FISCIT was then chartered in Switzerland in 1982 and incorporated in the United States as well in late 1985. Its founding governors were: President Heinrich Ursprung (Federal Institute of Technology - Zurich), Chairman; President Steven Muller (Johns Hopkins University), Vice Chairman; President Emeritus Martin Meyerson (University of Pennsylvania), Chairman Executive Committee; President Guy Denielou (Technical University of Compiegne); President Peter Fischer-Appelt (University of Hamburg); Rector Lord Brian Flowers (Imperial College of Science and Technology and representing the University of London); President John Ryan (Indiana University); Chancellor Charles E. Young (University of California, Los Angeles and representing the University of California system). Subsequently, President Denielou had to leave the board and Dr. Alan Betts replaced Lord Flowers.

The aim of FISCIT is to supplement international scholarly and educational exchanges among universities and research centers through the use of new technologies. During the last decade the overall costs of international travel have risen, while universities and scholarly groups almost everywhere on the globe, given their tight budgets, have fewer discretionary funds to support trips by faculty and advanced students or even to provide hospitality for those from abroad. Yet never has it been more vital to have direct exchanges by scientists, professionals and humanists in all endeavors and to have students learn from them across national boundaries.

Fortunately, satellite and fiber optic communication links enable slow-scan video, voice, audio-graphics, and computer data interaction to be increasingly available and cost-effective. Time-delayed video-tapes and disks for many purposes are invaluable when connected with audio and sometimes with computers. Meanwhile, full-motion video has come close to being a realistic option.

In its first few years, FISCIT tried out various demonstrations between the U.S. and Europe testing technologies and formats. Experiments were made with full-motion and slow-scan video, electronic blackboards, data and graphics on a variety of subjects. Prime Minister James Callaghan of Great Britain, in a different kind of demonstration, reviewed by video-tape with students on both sides of the Atlantic the opportunities and limitations of governmental leadership and took part in a two-way audio seminar connecting several member universities.

Then, in early 1986, FISCIT, through its board, decided it was prepared to expand its membership and to extend across the Pacific to Japan. Martin Meyerson, a founding governor of FISCIT and President Emeritus of Pennsylvania was elected the Foundation's first president. The operating offices were located in Philadelphia.

The first FISCIT teleconference to include Japan is scheduled for May 3, just before the annual economic summit meeting of the heads of the governments of the United States, Japan, Canada, the U.K., France, Germany and Italy. Leading economists from the seven summit countries and Switzerland and from the European Economic Community ill meet by video, audio and high speed computer links to review realistic policy choices and their economic consequences for the industrial world in particular, but also for the developing world. Lawrence Klein, Nobel Laureate in economics, Benjamin Franklin professor at Pennsylvania and founder of both Wharton Econometric Forecasting and Project LINK will moderate. Project LINK is a unique data base covering not only the seven summit countries but 72 others as well. Never before has such an advanced video, audio, interactive computing event taken place, although FISCIT had organized an earlier pre-summit demonstration but just across the Atlantic.

For further information on FISCIT, contact its offices at the University of Pennsylvania, 225 Van Pelt Library/CH, Philadelphia, PA 19104, U.S.A. (215)-898-5577.

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