EIR National

What Shultz has up his Williamsburg sleeve

by Richard Cohen in Washington, D.C.

In a statement which Capitol Hill sources reported sent shock waves through Congress, Secretary of State George Shultz told the Senate Budget Committee on Feb. 22 that an imminent collapse of world oil prices was "the biggest story of the year."

Shultz's Feb. 22 performance was followed by a well-orchestrated congressional and media blitz spearheaded by International Monetary Fund (IMF) and Bank for International Settlements (BIS) operatives including Treasury Secretary Donald Regan, Council of Economic Advisers Chairman Martin Feldstein, and Federal Reserve Chairman Paul Adolph Volcker. Their message to the Congress, to the American people, and to other world capitals: the projected drop in world oil prices could well sustain a U.S. economic recovery stronger than the one previously projected by administration officials on the basis of January's minuscule growth in auto, home building, and home appliance sales. Indeed, BIS-connected administration and Federal Reserve spokesmen were busy passing out the word that the strength of the projected recovery would lean more toward Shultz's earlier extraordinary claim that U.S. GNP growth in 1983 would reach an astounding 4 percent.

Shultz fueled the recovery fantasy in his Feb. 23 testimony, arguing that if oil prices were to fall to $20 a barrel, the net effect would be "a stimulation of expansion," boosting the real growth rate of the industrialized countries, cutting their oil import bill by $90 billion, and turning the current account balance of the OECD countries from an $18 billion deficit to a $17 billion surplus over the next two years. On Feb. 24, Donald Regan, speaking before the U.S. Chamber of Commerce, added to the list of benefits of an oil price collapse, asserting that it would improve the overall quality of banks' international loan portfolios due to the improved position of oil-importing LDCs.

By Feb. 25, Feldstein and Volcker chimed in, testifying before the Senate Budget Committee, both arguing that the projected oil price drop should accelerate the drop in interest rates. Then on Sunday, Feb. 27, Volcker, Regan, and Feldstein dominated national television, trumpeting the advent of a U.S. recovery. Spellbound by his advisers, the President was prompted to assert that the imminent drop in world oil prices could trigger a robust U.S. recovery, freeing up billions of dollars currently spent on oil imports.

A Williamsburg package

According to reliable Washington sources, the Shultz-triggered brainwashing blitz was concocted in coordination with the inner circle of the IMF and BIS, and was timed to sedate the sense of urgency at three upcoming international meetings: the early March Non-Aligned meeting in New Delhi, the late March meeting of the Group of 77 in Buenos Aires, and the late May Williamsburg economic summit. These sources emphasize that Shultz et al. are already asking a disastrous price from President Reagan and other world leaders in order to secure the fabled recovery. This demand, various sources report, comprises Shultz's main agenda item for the economic summit. It has five elements, all of which represent serious infringements against national sovereignty:

1) Establishing the principle of linking IMF debt programs to Third World population control.

2) Escalating the pressure on President Reagan to hand over the U.S. Treasury lock, stock, and barrel to the IMF to fund bank bailout operations.

3) Forcing Japan, France, and others to dismantle government subsidy programs essential to those economies.

4) Continued intensified budget austerity worldwide, but particularly focusing on the United States.

5) And finally, the dismantling of Reagan's program to strengthen U.S. defense.

White House sources have cautioned me that the late-May Williamsburg summit is now considered by the White House the most crucial gathering of 1983, a gathering at which hard decisions will be made, particularly on monetary reform. On Feb. 23, President Reagan told reporters at a White House breakfast that participants at the summit could decide to convene a new international monetary conference to deal with exchange rates. While my White House sources say that relationships between the Shultz State Department and the White House are at an all-time low, and Shultz's personal credibility is for the first time beginning to be questioned within the President's inner circle, Shultz is reportedly consolidating his position not only as the control point over the Williamsburg summit, but also as the leading voice on monetary and economic matters within the administration. Shultz's position on these matters is reported to have been recently strengthened by the private endorsement of his old friend and collaborator Defense Secretary Caspar Weinberger.

Under advice from Morgan Guaranty Bank, of which he is a former director, Shultz intends to propose at Williamsburg the following strengthening of the IMF to "get the IMF much more involved in managing and directing the world economy," according to Washington sources.

- A new exchange-rate regime for both the Third World and the OECD. Shultz wants to extend Article IV of the IMF Jamaica Agreement, and "get IMF surveillance of currency rates really moving." That would be enforced by the IMF giving and publicizing advice on currency parities.

"First is the question of the Third World currencies. There are already currency crises all over the Third World. Mexico, Brazil, now Venezuela, Chile, soon Indonesia, and the Philippines will have crises. These countries are already imposing unilateral exchange controls, like Venezuela. This cannot go on. If they must have exchange controls, Shultz believes, then the IMF must run these regimes," said a source.

- Shultz believes that for the OECD countries, currency zones are needed. "Right now there is tremendous pressure within Europe to get the pound into the EMS (European Monetary System) and to then connect the dollar with the EMS," this source said. "The first step is sterling. Helmut Schmidt is pushing this, because people in Europe are rapidly getting furious at sterling being outside the EMS snake. U.S. Ambassador to Germany Arthur Burns and Shultz are open to this."

- Shultz will propose an expansion of the IMF's "Supplementary Finance Facility,"—which subsidizes countries who lose revenue because their commodity prices collapse—to help the poorer oil producing nations and divide the Third

LaRouche: 'Shultz is on an insane ego trip'

According to internationally known economist Lyndon H. LaRouche, U.S. Secretary of State George Shultz is "on an ego-trip" to prove he was right in his restructuring of the world monetary system after the United States took the dollar off gold on Aug. 15, 1971. "Shultz is doing what he's doing," LaRouche says, "because, as he [Shultz] documents in his 1977 book, *Economic Policy Behind the Headlines*, Shultz and Henry Kissinger were responsible for taking the dollar off the gold standard, and the subsequent reorganization of the Bretton Woods monetary system."

"Now that the whole structure is falling down like a house of cards, Shultz is out to prove to the world he was right," LaRouche said. Shultz is being backed up in his activities by AFL-CIO president Lane Kirkland, "a puppet of the British Fabian Society, and by Henry Kissinger, who has bragged of his service to the British over the entire postwar era," LaRouche charged.

"Any ambassadors throughout Ibero-America who are operating under the delusions of Shultz's ego-trip are also lunatics," LaRouche said. "Vernon Walters," the U.S. State Department's special ambassador for Latin America, "is another madman who should be kept out of Ibero-America," LaRouche said. "Walters is linked to the controllers of death squads and to the controllers of the psychopathic mass murderer Rios Montt. This is through his relationship to the Buckleyite Christendom College in Virginia, home of the Tradition, Family, and Property cultists who have targeted Pope John Paul II for assassination."

"The whole cabal of State Department anglophiles is acting in direct violation of U.S. law," LaRouche said. "The so-called Ditchley group of bankers has formed a creditors' cartel, in violation of U.S. Anti-Trust law, and the State Department, instead of seeking prosecution, is acting as Ditchley's collection agency in Ibero-America and the developing sector generally. They have ripped up the Monroe Doctrine and are collaborating with the British and Swiss banking interests in trampling on the sovereign republics of Ibero-America," LaRouche concluded.

World. Shultz intends to propose that Mexico, Indonesia, etc. will be put in the "fourth world," classed as hopeless regarding commercial bank loans, forced into bankruptcy and their debt reorganized, then given the IMF's new Supplementary Facility dribble of loans. Brazil and other non-oil producers are in the third, more favored, category.

- Last, Shultz proposes to make stepped-up IMF surveillance in the Third World into a main agenda topic at Williamsburg. "The IMF should not wait until a country is already bankrupt, but should go in before hand and exercise surveillance," the source said. This idea of "preventive surveillance" was discussed as part of the secret agenda at the IMF Interim Meeting recently.

On Feb. 17, Shultz requested that the White House invite him to give an advance briefing on the Williamsburg summit, and the White House agreed. Sources report that the motivation behind this maneuver by Shultz was to make it clear to the media and to others within the administration that he was in solid control of the Williamsburg process. Then, on Feb. 23, Shultz moved to bolster control over monetary policy and the upcoming summit by giving his mentor, Undersecretary of State for Economic Affairs W. Allen Wallis, direct control over the summit planning process and creating a new adjunct institution for him. Shultz announced the formation of a new "Policy Planning Council." According to its new chairman, Stephen Bosworth, a State Department official who had served under Henry Kissinger as deputy assistant secretary for resources and food policy, the council will concentrate "on the concern about the problems that many countries have been encountering in paying their international debt—economic issues with political implications."

Other members of the council include Paul Boeker, whom Shultz described as "a career minister in the Foreign Service," and who was Kissinger's assistant secretary for economics and business affairs in the Ford administration; Robert Osgood, a former dean at Johns Hopkins University's School for Advanced International Studies and a former National Security Council (NSC) staffer under Kissinger in the Nixon administration; Peter Rodman, most recently a fellow at Georgetown University's Center for Strategic and International Studies and an NSC staff member under Kissinger in 1969-77. Shultz described Rodman to the press as "a close associate of Henry Kissinger"; Rodman is rumored to have ghostwritten Kissinger's autobiography.

While Shultz has moved aggressively to guarantee top-down control over Williamsburg, his scheme largely remains shrouded in tight State Department secrecy. Yet, over the course of the past weeks, State and Treasury sources euphorically hinted at a list of high-priced items Shultz and his cohorts will be demanding of President Reagan, the Japanese, the French, and others at Williamsburg in exchange for the appearance of a recovery.

Depopulation policy

For the first time since taking office some eight months ago, in a speech delivered on Feb. 24 to the Southern Center for International Studies in Atlanta, Shultz specifically cited population reduction, particularly in the "overpopulated" urban centers of the Third World, as vital to a recovery. Shultz, who was about to join the board of the Club of Rome-sponsored "Global Tomorrow" (an elitist group advocating genocidal levels of population cutbacks in the developing sector) immediately before becoming secretary of state, identified as a model situation in this regard Mexico, whose 62 million people would be well advised, according to the secretary, to lower their birth rate to two children per family. Shultz reemphasized the alleged relationship between Third World population control and economic recovery in testimony on Capitol Hill on Feb. 28.

Shultz may surface a model plan at the Williamsburg meeting which would make population control a condition of IMF-approved loans. Speculation was fueled on this matter when Donald Regan, appearing on national television on Feb. 27, reported that both Mexico and Venezuela would be two of the immediate "big losers" when oil prices drop. Regan projected that the tenuous IMF-engineered Mexico debt package may soon have to be renegotiated. The population question could come up within the context. Nevertheless, at Williamsburg, the deteriorating situations of Mexico, Venezuela, and other weaker oil producers will be on the agenda, and if Regan's early signals hold true, the attendees will be discussing more than the publicly acknowledged agenda item of increasing the IMF quota despite parliamentary or congressional resistance. This effort would require larger direct U.S. Treasury and Fed emergency funding operations, and Shultz would be dragging a resistant President one step further into handing over a U.S. Treasury blank check for a futile bailout of the major international banks. They also suggest that Shultz, walking into the Williamsburg conference from a "position of strength" if signs of recovery continue and interest rates drop, will demand "free trade" policies, particularly in the case of government-subsidized European and Japanese farm products.

Feldstein and Volcker, along with the Democratic leadership on Capitol Hill, meanwhile insist that interest rates will only continue to go down if budget deficits are reduced. Shultz will bring that message to the Williamsburg table. Some in Washington are now suggesting that a sizable proportion of alleged oil price savings will go toward reducing budget deficits, that is, austerity.

Shultz and the rest of the bankers' crowd in the administration are taking specific aim at the U.S. defense budget. As initially demanded by the Bank for International Settlements a year and a half ago, and again by the IMF Interim Committee meeting in Washington in early February, the administration's program for rebuilding the nation's strategic defenses must be abandoned for "budgetary" reasons, according to the policy privately supported by a majority of the Reagan administration grouped around Shultz, Regan, and White House Chief of Staff James Baker.