

Kissinger crowd meets in Vail, Colorado to gouge President Reagan's defense budget

by Kathleen Klenetsky

The posh ski resort of Vail, Colorado, played host to a high-level meeting of former world leaders, chief executive officers from fifty major international corporations, U.S. government representatives, and various self-proclaimed policy experts in late August at which a major new onslaught against the Reagan administration was launched. Particularly targeted was the administration's commitment to rebuilding U.S. military strength, including the development of a beam-weapon defense capability.

Sponsored by the American Enterprise Institute for Public Policy, a prominent Washington-based think tank which cultivates a pro-Reagan image, the three-day meeting indulged in an orgy of Reagan-bashing, with one speaker after another castigating the President for a host of alleged failures, especially in the areas of economic policy and U.S.-Soviet relations.

Titled "The Gerald Ford Second Annual World Forum," the conference drew such celebrities as the former President and ex-heads of state Valéry Giscard d'Estaing of France, Helmut Schmidt of West Germany, James Callaghan of Britain, and Malcolm Fraser of Australia for a discussion of "the world in transition."

But it was keynote speaker Henry Kissinger who overshadowed all the other attendees—and who, when not presiding over press briefings, spent his time quietly planting the rumor that President Reagan "will get the Giscard treatment in 1984," i.e., will be turned out of office by high unemployment.

An orgy of Reagan-bashing

Though the meeting—which cost business-sector participants \$4,000 each to attend—had been billed as being principally concerned with the Pacific Basin economy, two subjects actually dominated the proceedings: 1) How to use the U.S. budget deficit to wreck what remains of U.S. defense capability—especially the beam-program—and impose greater domestic austerity; and 2) How to head off the threat of a Third World debtors' cartel. Conference organizers said that a key purpose of the meeting was to forge a coalition of leading businessmen to intervene in the budget fight when Congress returned from the summer recess.

The conference's anti-Reagan tenor was apparent from

the opening forum, a \$50-a-plate affair held at a plush new "town hall" in the area's most expensive district, Beaver Creek. Providing the entertainment were Giscard, Schmidt, Fraser, Callaghan and poor Jerry Ford—who still can't walk and chew gum at the same time, but nevertheless managed to echo the attacks on Reagan.

While all the speakers criticized Reagan, Schmidt was the most offensive. Nattily dressed, sporting a silk paisley ascot around his neck, and frequently turning for succor to his blue enamel snuffbox, Schmidt lambasted Reagan for failing to sell out U.S. national security for the sake of a new arms control deal with the Soviet Union.

Current world leaders have "established the wrong priorities," Schmidt piously declared. "For example, Nicaragua is not nearly as important as the INF and START negotiations in Geneva." There has to be a "balance of forces between the U.S. and the Soviet Union," he said, but "this can't be achieved by the arms race." Schmidt blasted the U.S. administration for "not providing leadership in the arms control arena," and praised the "policies of the Nixon-Ford-Kissinger period" as "the right policies" which "should be continued." During the Kissinger era, Schmidt elaborated, "We had the ABM treaty and SALT I. Even Carter managed to conclude SALT II. It's about time the present administration came to some agreement on arms control." When this reporter asked Schmidt what he thought of Reagan's beam defense plan, Schmidt sneered, "I believe in cooperation between allies, not in unilateral pronouncements."

Schmidt heaped praise on the U.S. Bishops' Pastoral Letter endorsing the nuclear freeze, and, in a statement rivaling the pre-World War II appeasement mentality, averred that "It's wrong to think that the West can militarily outproduce the Soviet Union" because "the Russian people have shown themselves to be capable of infinite sacrifice." Therefore, we have no choice but to seek an arms control deal with the Soviet Union.

More austerity—and less defense

The other speakers were no less critical of the United States. But Malcolm Fraser took the prize for most tortured logic when he blamed the U.S. budget deficit for the severity

of the Third World debt crisis. While correctly pointing out that high U.S. interest rates have contributed to the intolerable increase in developing-sector indebtedness, Fraser falsely claimed that high interest rates are a direct result of budget deficits. In what became one of the key themes of the conference, Fraser stated that unless the Reagan administration acts to reduce the deficit by drastically cutting government spending, interest rates will remain high, and a Third World debt collapse might be unavoidable. "It all goes back to the U.S. budget deficit," intoned the former Australian prime minister.

Fraser's equating of the debt crisis with the American budget underscores what bizarre arguments the pro-IMF and BIS circles are prepared to use in their battle to convince the President that he must adopt a radical austerity program, including cutbacks in defense spending. The budget deficit question overshadowed other issues at the meeting's first press conference, where Gerry Ford called on Congress to cut the budget deficit by adopting a policy of reduced federal spending, emphatically including the delay of some military projects, and new taxes—for example, a surcharge on imported oil. "Everybody is going to have to give a little," Ford said.

Ford's remarks were echoed by numerous other speakers. Economist Paul McCracken, a member of the president's economic advisory board, and his colleague, Morgan Guaranty board member Alan Greenspan, told another press briefing that the budget deficit must be cut by at least \$140 billion. To do that, they said, a combination of new taxes and further cutbacks in both military and domestic spending programs must be enacted. "Like any household that has inadvertently overcommitted itself, the country faces some very hard choices," said Greenspan. "Although it's difficult to explain to people why taking something they already have away from them is for their own good," he continued, politicians will have to make this their major political message.

Both McCracken and Greenspan were far more vehement in private discussions about the need to slash the defense budget. The two put out the word that Defense Secretary Caspar Weinberger and National Security adviser William Clark are "the two biggest obstacles" to securing administration agreement for major military budget cuts.

The two economists were joined by Rep. Barber Conable (R-N. Y.), the ranking member of the House Ways and Means Committee, who complained that "there's a general mood of economic optimism, so it's difficult to get people to accept the need for austerity." Nevertheless, said Conable, "somebody has to deal with the question. Austerity is necessary. Medicare must be dealt with. Nobody will enjoy this process."

The pain and agony school of economics found other proponents, including Bill Brock, the Reagan administration's special trade representative, and Herb Stein, a former Council of Economic Advisers chair and now a fellow at American Enterprise Institute. Brock told reporters on the closing day of the conference that "the most dominant issue

discussed in the last 24 hours was the deficit," and that "We are going to talk a lot longer about the price of the failure of the Congress and administration to resolve this problem." Brock specifically cited the defense budget as an area to be cut, telling reporters that military spending "is not sacrosanct" and will have to "shoulder its part of the burden" of budget-cutting.

Third World debt—'sacrifice is required'

According to several participants, including Alan Greenspan, the other principal agenda item was the looming Third World debt crisis—and especially the potential for a debtors' cartel. "We're extremely concerned about the debt situation, especially how Mexico and Brazil are dealing with it," said one attendee. "There's been a lot of discussion about how close the Third World is to declaring a debt moratorium." Another source reported that "the sense of the meeting is that the Third World has said 'screw you' to the international banks on the debt problem." Schmidt, Callaghan, Fraser, and Giscard all noted the severity of the problem in their remarks.

After opening his press briefing with a slap at President Reagan—declaring himself in agreement with Helmut Schmidt's earlier comment that both the arms talks and the question of Brazil and Mexico "are far more important than Nicaragua"—Henry Kissinger launched into a discussion of the debt problem, declaring that the bankers' strategy isn't to encourage economic development, but to create among debtor countries, "the *perception* we care more about their economic growth than about debt repayment."

Asked by *EIR* how he thought the United States should respond if the Third World declared a debt moratorium, Kissinger replied: "I hope it will not occur, because it will lead to confrontation between us and the debtor nations." In a barely-concealed threat, Kissinger pointedly noted that it will also "inhibit the extension of new loans which these countries need for their economic growth." Kissinger then stated that "We need to talk to these countries, especially Mexico and Brazil, about the kinds of sacrifices they should make to put their houses in order." Asked what specific sacrifices he had in mind, Kissinger mumbled, "They need to reduce the excesses that have led to excessive borrowing."

Though Kissinger was less than specific, one of his closest cronies, Alan Greenspan, disclosed to a reporter that the international banking community plans to demand a direct interest in Third World equity as a condition for new loans—even though this would violate the national sovereignty of the countries in question (see *EIR*, Sept. 13, 1983).

Kissinger made it plain at his press conference that he intends to use his position as chairman of the administration's Latin American Commission to further the banking community's strategy for dealing with the debt problem, announcing that the group will examine a broad range of economic issues in the course of its work.