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TO IMMEDIATE F C O

TELEGRAM NO 2258 OF 25 JUNE

INFO IMMEDIATE UKMIS NEW YORK, PARIS, BONN, MOSCOW, UKDEL NATO,

UKREP BRUSSELS

INFO SAVING CG'S IN USA

MIPT: HAIG'S RESIGNATION: SHULTZ'S APPOINTMENT

1. GEORGE SHULTZ, AS YOU KNOW, IS FIRST CLASS, A MAN STEADY IN DECISION AND MEASURED IN LANGUAGE. HE WANTED THE JOB ORIGINALLY BUT IT WAS NOT THOUGHT POSSIBLE FOR THE TWO TOP MEMBERS OF BECHTEL (WEINBERGER IS THE OTHER) TO LEAVE THE CORPORATION AND JOIN THE GOVERNMENT AT THE SAME TIME. WEINBERGER BECAME SECRETARY OF DEFENSE BECAUSE HAIG, A MILITARY MAN, COULD NOT TAKE ON THAT POST. ALTHOUGH SHULTZ WAS LEFT OUT HE HAS REMAINED CLOSE TO REAGAN. HE WILL BE IN A VERY STRONG POSITION.

2. IT IS WORTH BEARING IN MIND AT THE OUTSET THAT SHULTZ DOES NOT HAVE A PRO-ZIONIST REPUTATION; ON THE CONTRARY, IT WAS SUGGESTED AT THE TIME OF THE FORMATION OF REAGAN'S GOVERNMENT THAT ONE OF THE REASONS WHY HE DID NOT HAVE A PLACE WAS BECAUSE HE WAS NOT THOUGHT TO BE SUFFICIENTLY SYMPATHETIC TO ISRAEL. BECHTEL HAVE MAJOR INTERESTS IN THE ARAB WORLD, PARTICULARLY SAUDI ARABIA.

3. IT IS NOT CLEAR WHEN SHULTZ WILL TAKE OVER. HAIG INDICATED TODAY THAT HE WILL STAY ON AS LONG AS NECESSARY FOR A HAND-OVER PERIOD AND SHULTZ WILL HAVE TO BE CONFIRMED BY THE SENATE BEFORE HE CAN BE SWORN IN. HE SHOULD BE ABLE TO CARRY OUT MANY OF HIS DUTIES MEANWHILE, THOUGH THE SENATE WILL TAKE UMBRAGE IF HE ACTS AS THOUGH HE WERE TAKING THEIR APPROVAL FOR GRANTED.

4. UNLESS YOU HAVE MADE CONTACT WITH SHULTZ IN LONDON (HE IS AT THE STAFFORD HOTEL), YOU WILL PROBABLY WISH TO SEND HIM A MESSAGE. THE FOLLOWING IS A BRIEF BIOGRAPHY:

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5. BORN IN NEW YORK CITY IN 1920. EDUCATED AT PRINCETON UNIVERSITY (BA ECONOMICS 1942) AND MASSACHUSETTS INSTITUTE OF TECHNOLOGY (PHD INDUSTRIAL ECONOMICS 1949). HE SERVED IN THE US MARINE CORPS DURING THE WAR. FROM 1948-57 HE WAS ON THE FACULTY OF THE MASSACHUSETTS INSTITUTE OF TECHNOLOGY, DURING WHICH HE TOOK A YEAR'S LEAVE TO WORK AS SENIOR STAFF ECONOMIST FOR THE PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS. FROM 1957-68 SHULTZ WAS FIRST PROFESSOR OF INDUSTRIAL RELATIONS AND THEN DEAN OF THE UNIVERSITY OF CHICAGO BUSINESS SCHOOL. IN 1969, PRESIDENT NIXON APPOINTED HIM SECRETARY OF LABOUR; IN 1970, DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET; IN 1972, SECRETARY OF THE TREASURY. IN DECEMBER 1972 HIS POSITION AS OVERALL SUPREMO ON ECONOMIC POLICY WAS FORMALLY RECOGNISED BY HIS ADDITIONAL APPOINTMENT AS PRESIDENTIAL ASSISTANT AND CHAIRMAN OF THE NEWLY-CREATED COUNCIL ON ECONOMIC POLICY TO COORDINATE ALL DOMESTIC AND INTERNATIONAL ECONOMIC POLICIES. WITH PRESIDENT NIXON'S RESIGNATION IN 1973, SHULTZ LEFT GOVERNMENT TO BECOME EXECUTIVE VICE-PRESIDENT AND SUBSEQUENTLY PRESIDENT OF THE BECHTEL GROUP.

6. SHULTZ WAS PRESIDENT REAGAN'S FIRST CHOICE FOR SECRETARY OF STATE IN 1980. HE WAS PASSED OVER FOR THE JOB FOR THE REASONS GIVEN ABOVE BUT REMAINED CLOSE TO REAGAN WHO APPOINTED HIM CHAIRMAN OF THE ECONOMIC ADVISORY BOARD, A COMMITTEE OF PROMINENT REPUBLICANS THAT ADVISES THE PRESIDENT ON ECONOMIC ISSUES. SHULTZ SHOWED HIMSELF TO BE SYMPATHETIC BOTH TO SUPPLY-SIDE AND MONETARIST POLICIES AND URGED THE PRESIDENT TO STICK TO HIS PROGRAMME AND TO AVOID SHORT-TERM PUMP PRIMING DESIGNED TO OVERCOME THE ADVERSE EFFECTS OF THE RECESSION.

7. SHULTZ IS MARRIED WITH FIVE CHILDREN.

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