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DELIVER TO BREMER/RODMAN FOR THE SECRETARY.

MAY 9, 1974

TO: SECRETARY KISSINGER
FROM: BRENT SCOWCROFT

SUBJECT: PROPOSED PRESIDENTIAL LETTER TO CASEY ON USSR FERTILIZER
DEAL

MORI/CDF
C03344759

1. WE HAVE BEEN ASKED TO CONCUR IN CIEP PROPOSAL TO PRESIDENT
THAT HE SEND A LETTER TO EXIM BANK PRESIDENT CASEY EXPRESSING HIS
SUPPORT FOR EXIM FINANCING OF USSR FERTILIZER DEAL. TEXT OF PROPOSED
LETTER IS AS FOLLOWS:

QUOTE DEAR MR. CASEY:

State Dept. review completed

PETER FLANIGAN BROUGHT TO MY ATTENTION THAT PORTION
OF YOUR TESTIMONY BEFORE THE SUBCOMMITTEE ON INTERNATIONAL
TRADE OF THE HOUSE BANKING AND CURRENCY COMMITTEE WHICH
DEALS WITH THE EXPORT-IMPORT BANK'S COMMITMENT TO FINANCE
THE SALE OF AMERICAN PRODUCTS WHICH WOULD BE INCORPORATED
INTO A LARGE FERTILIZER COMPLEX IN THE SOVIET UNION.

YOUR TESTIMONY INDICATES THAT A \$180 MILLION LOAN FROM
THE BANK WILL RESULT IN THE SALE OF \$400 MILLION WORTH OF AMERICAN
EXPORTS FOR THIS COMPLEX, AND WILL TRIGGER THE INVESTMENT OF
SUBSTANTIAL FUNDS AND THE CREATION OF JOBS IN SHIPBUILDING AND
PHOSPHATE DEVELOPMENT IN FLORIDA.

ON-FILE NSC RELEASE
INSTRUCTIONS APPLY

YOU ALSO INDICATE THAT AS A RESULT OF THIS TRANSACTION TWO
NITROGEN FERTILIZERS (AMMONIA AND UREA) WHICH ARE SCARCE IN OUR
COUNTRY WILL BE ACQUIRED WITHOUT A CASH DRAIN ON OUR BALANCE
OF PAYMENTS, IN EXCHANGE FOR SUPERPHOSPHORIC ACID, A FERTILIZER

*****WHSR COMMENT*****

MC FARLANE, SECFILE

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WHICH WE HAVE IN ABUNDANCE AND WHICH WOULD BE PRODUCED IN FLORIDA AND SHIPPED TO THE SOVIET UNION. THE NITROGEN FERTILIZERS COMING TO THIS COUNTRY WOULD BE MADE WITH SOVIET NATURAL GAS, THUS REDUCING THE DRAIN ON OUR OWN NATURAL GAS RESERVES.

I BELIEVE THAT THIS TRANSACTION, RESULTING NOT ONLY IN TRADE AND BALANCE OF PAYMENTS BENEFITS FOR US BUT ALSO CONTRIBUTING TO OUR OWN FERTILIZER AND ENERGY NEEDS AS WELL AS TO WORLD FOOD NEEDS, MAKES EXACTLY THE KIND OF CONTRIBUTION TO THE NATIONAL INTEREST WHICH I ENVISIONED WHEN I MADE THE DETERMINATION, ON OCTOBER 18, 1972, THAT IT IS IN THE NATIONAL INTEREST FOR EXIMBANK TO FINANCE U.S. EXPORTS TO THE SOVIET UNION.

SINCERELY,
RICHARD NIXON

UNQUOTE

2. AS YOU WILL RECALL, SOME WEEKS AGO EXIM WAS HESITANT TO MOVE AHEAD WITH THE FERTILIZER DEAL IN LIGHT OF CONGRESSIONAL OPPOSITION TO CREDITS FOR THE USSR FOR FEAR THAT THIS TRANSACTION MIGHT JEOPARDIZE CONGRESSIONAL ACTION ON THE EXIM AUTHORIZATION BILL. HOWEVER, CASEY HAS RECENTLY CHANGED HIS POSITION AND NOW FAVORS MOVING AHEAD WITH THE TRANSACTION IN THE BELIEF THAT IT IS ECONOMICALLY SOUND AND WOULD NOT JEOPARDIZE THE EXIM LEGISLATION.

3. SENATOR STEVENSON HAS SUGGESTED THAT A PRESIDENTIAL LETTER TO CASEY SUPPORTING THE FERTILIZER PROJECT AND EMPHASIZING ITS ECONOMIC BENEFITS FOR THE UNITED STATES MIGHT CREATE A BETTER UNDERSTANDING IN THE CONGRESS.

4. I BELIEVE THE FOLLOWING CONSIDERATIONS ARE RELEVANT:

PRO

--THE PRESIDENTIAL LETTER WOULD BE IN KEEPING WITH ADMINISTRATION SUPPORT FOR INCREASING, MUTUALLY BENEFICIAL US-USSR TRADE.

--THE FERTILIZER DEAL, WHICH INVOLVES A \$180 MILLION CREDIT WOULD BE THE FIRST MAJOR DEAL (EXCEPTING KAMA RIVER) WITH THE USSR SINCE THE 1972 TRADE AGREEMENT. PRESIDENTIAL SUPPORT FOR THE TRANSACTION WILL PUT HIM ON SOLID GROUND IN HIS ECONOMIC TALKS AT THE MOSCOW SUMMIT EVEN IF THE MFN ISSUE REMAINS UNRESOLVED.

--IT IS DESIRABLE FOR THE ADMINISTRATION TO TAKE ACTION PRIOR TO THE LATE MAY MEETING OF THE US-USSR JOINT COMMERCIAL COMMISSION SO THAT SUCH ACTION WILL NOT APPEAR TO RESULT FROM SOVIET PRESSURE DURING THE COMMISSION MEETING.

--THERE IS EVERY INDICATION THAT THE FERTILIZER DEAL IS IN THE UNITED STATES' ECONOMIC INTERESTS.

CON

--CONSIDERING THE USSR CREDIT CLIMATE IN THE CONGRESS IT IS QUESTIONABLE WHETHER THE PRESIDENT SHOULD INVOLVE HIMSELF PERSONALLY

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IN THE TACTICAL MANEUVERING ON THE FERTILIZER DEAL, PARTICULARLY IF THE BENEFITS FOR THE UNITED STATES SHOULD TURN OUT TO BE LESS THAN EXPECTED.

--THE ECONOMIC ISSUES ASIDE, THE PRESIDENT MAY BE OPENED TO FRESH CHARGES FROM THE ANTI-DETENTERS AND THOSE WHO ARE URGING POSTPONEMENT OF THE MOSCOW SUMMIT THAT HE IS PUSHING AHEAD WITH MOVES WITH THE SUMMIT IN MIND MERELY TO PLEASE THE SOVIETS, MOVES THAT MAY NOT BE IN THE U.S. BEST INTERESTS.

5. IN VIEW OF THE CHANGED ASSESSMENT OF THE IMPACT ON THE EXIM BILL, I RECOMMEND GOING AHEAD WITH THE PRESIDENTIAL LETTER TO CASEY. THE TIME FACTOR IS VERY TIGHT; EXIM'S PRELIMINARY CREDIT WILL EXPIRE ON MAY 14. IF YOU AGREE, I WILL ADVISE THE PRESIDENT THAT YOU APPROVE GOING AHEAD WITH THE LETTER TO CASEY.

APPROVE-----

DISAPPROVE-----

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