

THE WHITE HOUSE
WASHINGTON

HK
See # Major

~~CONFIDENTIAL~~

August 5, 1971

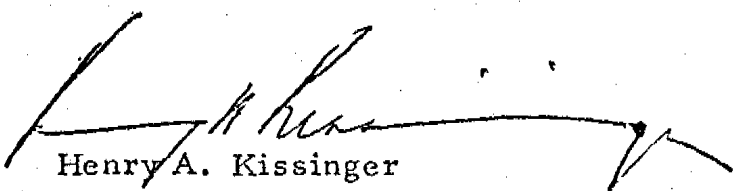
MEMORANDUM FOR

THE SECRETARY OF COMMERCE

The President has decided that you should grant the three pending applications by U.S. firms for participation in the construction of the Kama River truck foundry: Swindell-Dressler for \$13.5 million; C.E. Cast for \$37 million; and Jervis B. Webb for \$125 million. Announcement of the approvals should be made in the usual routine fashion without special fanfare.

Questions may be asked on why we have not approved the Mack Truck application, or whether approval of these three foundry licenses signifies blanket government approval of U.S. participation in all aspects of the Kama River project. Government spokesmen should respond that today's decision does not signify blanket approval of U.S. participation. The decision was made after considering the national security and commercial aspects of each detailed application. Future applications will be considered on the same detailed basis. We have not yet reached a decision on the Mack Truck application, which involves a broader participation in the Kama River project than the three foundry applications approved today.

Future U.S. applications for participation in the Kama River project, including the foundry plant, should be referred to the White House.


Henry A. Kissinger

cc: The Secretary of State
The Secretary of Defense

~~CONFIDENTIAL~~

ON-FILE
Commerce
RELEASE
INSTRUCTIONS
APPLY

DOS, NSS Reviews
Completed.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

30829

ACTION

August 2, 1971

CONFIDENTIAL

MEMORANDUM FOR:

THE PRESIDENT HAS SEEN...
THE PRESIDENT

FROM:

HENRY A. KISSINGER *HK*

SUBJECT:

Kama River Project -- Applications to Participate in the Foundry

Secretary Stans has proposed that you authorize him to approve now three pending applications for U. S. participation in the foundry plant of the Soviet Kama River truck factory (Tab A).

The Kama River factory is expected to produce 150,000 three-axel diesel trucks annually by the late 1970s. CIA states that three-axel trucks are not tactical military vehicles, though some could end up in military motor pools. CIA estimates that the Russian expenditures on the entire Kama River project will approximate \$3 billion, much of which however will be used to erect factory buildings, workers' housing, etc. CIA estimates that perhaps \$1 billion of the total will be used to procure foreign machinery and technology, of which \$200 million might be spent in the United States if we granted blanket permission for U.S. participation. The CIA analysis is at Tab B.

The Kama complex will consist of six discreet elements:

1. Foundry plant
2. Forging plant
3. Stamping and pressing plant
4. Engine, gear and transmission plant
5. Assembly plant
6. Tooling and repairing plant

Commerce now holds four formal U.S. export applications. The application by Mack Trucks, Inc., of Allentown, Pennsylvania, for \$750 million of technical services and equipment is not active, since Mack is re-negotiating its arrangement with Russia. In any case, Secretary Stans doubts that the Mack Truck application is a realistic estimate of what the Soviets would procure from that company.

The other three applications are for technology and equipment for only the foundry, one of the first phases of the Kama complex. Stans estimates that the total Russian expenditure on the foundry will be \$450 million, only a fraction of which would come from the U.S. The three applications are by:

CONFIDENTIAL

CONFIDENTIAL

- 2 -

-- The Swindell/Dressler Company for \$13.5 million of technical services. The company claims it has a firm offer from the Soviets, and it expects a follow-on order for \$20 million of equipment. Swindell/Dressler is at Pittsburgh.

-- The C. E. Cast Division of Combustion Engineering, Inc. for \$37 million of automatic molding equipment and core making machines. The Cast Division is at Pittsburgh but Combustion Engineering has plants in Mass., N. J., Texas, Conn., N. Y., Ohio, Kansas, Illinois, Florida, R. I. and Oklahoma.

-- The Jervis B. Webb Company for \$125 million of conveyors and other foundry equipment. Webb is at Detroit, but it also has plants at Avon Lake, Ohio, Cohasset, Mass., and Boyne City, Michigan.


These applications are all partially competitive with each other, and consequently if approved would result in exports of less than their total combined value.

The applications have been pending for some time. Secretary Stans argues that even if we are not ready to approve U. S. participation in all aspects of the Kama River Project, we should go ahead with these now before the Soviets go elsewhere.

I agree with Secretary Stans. The companies have already been unable to meet two deadlines given by the Russians. Though any approval of U. S. participation will be seen as a major signal by the Russians, we can reduce the effect of this if we indicate that we are only approving three specific licenses at this time but are not now giving approval for U. S. participation in all aspects of the project. To keep this matter firmly under the control of the White House, I plan to ask Secretary Stans to submit all future Kama applications for your consideration.

RECOMMENDATION:

That you approve Secretary Stans' request to authorize issuance of the three pending licenses: Swindell/Dressler for \$13.5 million, C. E. Cast for \$37 million and Jervis B. Webb for \$125 million.

Approve 

Disapprove _____

CONFIDENTIAL

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

THRU
HAIG 30829
ACTION
July 28, 1971

CONFIDENTIAL

MEMORANDUM FOR: GENERAL HAIG
FROM: ERNEST JOHNSTON *E.J.*
SUBJECT: Kama River Foundry

Attached at Tab I, as Dr. Kissinger requested, is a formal memorandum to the President on the Kama foundry. (His and your instructions are at Tab III). The President's memorandum includes the location of the companies and their plants. (There are some in Michigan, but not in Gerry Ford's district. Hugh Scott seems to have a near-monopoly on this project.) The directive and decision memorandum refer to the specific companies and amounts. The decision memorandum directs that future applications, including those for the foundry, be submitted to the President.

By asking that the President approve each application, we are not just adopting a piecemeal approach but an individual company approach. As soon as our general relations with the USSR allow us to adopt some more abstract definition of our participation, i.e. the foundry, we should do so to reduce the awkwardness of having the President decide on specific firms in particular locations.

Please have your secretary inform me when the decision memorandum has been signed.

RECOMMENDATION:

1. That Dr. Kissinger send to the President the memorandum at Tab I.
2. That after the President's decision Dr. Kissinger inform Secretary Stans by the memorandum at Tab II.

*Remind me to
call Geryford
Directive to Stans should
be by A 17 - Call Peterson*

cc: H Sonnenfeldt

CONFIDENTIAL