

EF

THE WHITE HOUSE
WASHINGTON

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FO004-02

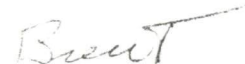
May 4, 1992

Dear Senator Brown:

Thank you for your letter in which you urge development of a loan guarantee program for defense exports. As you are well aware, the declining levels of funding for national security leave little room for funding of such a program in the national defense budget. In addition, the lack of flexibility in the FMS account and the fact that such funding remains subject to a Continuing Resolution make reprogramming FMS funds for a guarantee program virtually impossible.

While I agree with the need for such a program, there does not appear to be any prospect for such a program in the near-term given the above constraints.

Sincerely,


Brent Scowcroft

The Honorable Hank Brown
United States Senate
Washington, D.C. 20510

United States Senate

WASHINGTON, DC 20510-0604

January 13, 1992

0293

The Honorable Brent Scowcroft
National Security Advisor
The White House
Washington, D.C. 20500

Dear General Scowcroft:

Competition for international business is fierce. As the President's budget for fiscal year 1993 is developed, including a balanced loan guarantee provision for the sale of American defense products to our allies will maintain our defense industrial base and keep our defense industry competitive.

We urge you to include a loan guarantee provision for defense exports in the President's budget with the following parameters:

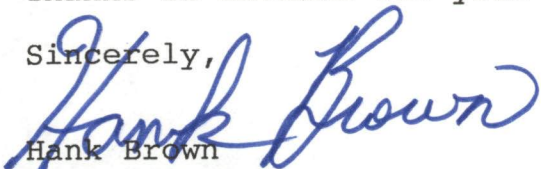
- a. The loan guarantee program should pay for itself through fees charged to those using the program.
- b. The program must be balanced. Defense companies making government-to-government sales as well as those making commercial sales must be eligible.
- c. The loan guarantees should be used to level the international playing field. They should only be available in instances where other nations whose defense companies are competing for the same contracts have indicated their governments will extend credit guarantees.

World events have made the sale of defense products and services more competitive than ever. Including a balanced provision for defense credit guarantees of this nature would be a step forward as we attempt to give American industry the edge. Existing Export-Import Bank guarantees are designed to assist other commercial interests, but nothing similar exists for the defense industry.

A balanced proposal for defense credit guarantees should be given top priority as the President's budget is formulated. Please give this matter your personal attention.

Thanks in advance for your assistance.

Sincerely,


Hank Brown
United States Senator

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

April 29, 1992

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

SIGNED

THROUGH: JOHN GORDON

FROM: DON PILLING

SUBJECT: Letter from Senator Brown Regarding Balanced Loan
Guarantee Provision for Sale of American Defense
Products

At Tab II is a letter to you from Senator Brown in which he urges your personal attention to development of a loan guarantee program for defense exports. The letter was written in January 1992, after the Fiscal Year 1993 budget had been locked in OMB. We have delayed in proposing a response because we have been trying to develop such a program with State but have finally come to the conclusion that no such program is achievable in the near-term.

Our proposal (which you endorsed) was to investigate reprogramming FMS money for a defense export guaranteed-loan program administered by Exim Bank. This has proven to be much more difficult than originally anticipated. FMS funds are contained in a Continuing Resolution which makes reprogramming infeasible, the FMS funds are earmarked to the extent that identifying approximately \$65 million needed for a one billion dollar guarantee program is not possible, and Congressman Obey is reportedly adamant that Exim Bank should not be used for defense exports. At Tab I is a proposed response to Senator Brown which informs him of the inability to structure such a program.

Concurrences by: Virginia Dampley, Tim Deal and Chris Needels

RECOMMENDATION

That you sign the letter at Tab I.

Attachments

Tab I Letter for Signature

Tab II Letter from Senator Brown

UNCLASSIFIED
ACTION DATA SUMMARY REPORT

RECORD ID: 9200293

DOC ACTION OFFICER

CAO ASSIGNED ACTION REQUIRED

001 PILLING
002 SCOWCROFT
003

Z 92011419 PREPARE MEMO FOR SCOWCROFT
Z 92050117 FOR SIGNATURE
X 92050418 SCOWCROFT SGD LTR

Info from Ken Brown
**National Security Council
The White House**

PROOFED BY: *HA*

LOG # 0293

URGENT NOT PROOFED: _____

SYSTEM PRS NSC INT

BYPASSED WW DESK: _____

DOCLOG *WNY* NO

	SEQUENCE TO	HAS SEEN	DISPOSITION
<i>we</i> <i>O'Leary</i> Ken Hill	<u>1</u>	<u><i>Neil</i></u>	<u>A</u>
Bill Sittmann	_____	_____	_____
Jon Howe	<u>2</u>	<u><i>HA</i></u>	_____
Brent Scowcroft	_____	_____	_____
Bill Sittmann	<u>APNSA</u>	<u>Has Seen</u>	_____
Situation Room	_____	_____	_____
West Wing Desk	<u>4</u>	<u><i>WFS/4</i></u>	<u><i>D</i></u>
NSC Secretariat	<u>5</u>	<u><i>gaa 5/4</i></u>	<u><i>D</i></u>
_____	_____	_____	_____
_____	_____	_____	_____

A = Action **I = Information** **D = Dispatch** **R = Retain** **W = No further Action**

cc:

VP

Skinner

Other _____

Should be seen by: _____

(Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9200293
RECEIVED: 14 JAN 92 19

TO: BROWN, HANK

FROM: SCOWCROFT

DOC DATE: 04 MAY 92
SOURCE REF:

KEYWORDS: DEFENSE BUDGET

NCO

PERSONS: BROWN, HANK

SUBJECT: REPLY TO SEN BROWN RE BALANCE LOAN GUARANTEE PROVISION FOR SALE OF
AMER DEFENSE PRODUCTS

ACTION: SCOWCROFT SGD LTR

DUE DATE: 17 JAN 92

STATUS: C

STAFF OFFICER: PILLING

LOGREF:

FILES: WH

NSCP:

CODES:

DOCUMENT DISTRIBUTION

FOR ACTION

FOR CONCURRENCE

FOR INFO

GORDON
NSC CHRON
PILLING

COMMENTS: _____

DISPATCHED BY JDG DATE 5/4 BY HAND W/ATTCH

OPENED BY: NSWEA

CLOSED BY: NSJDA

DOC 3 OF 3

UNCLASSIFIED