

# Inside Report . . . *By Rowland Evans and Robert Novak*

## The Arms Trade Backfires

THE SUDDEN discovery that the Export-Import Bank is deeply entangled in the Pentagon's sale of U.S. arms abroad will result in a congressional veto of arms sales financed by the Bank—and much more.

The Ex-Im Bank probably will suffer in ways not related to arms trafficking. Its request for new lending authority of \$13.5 billion over the next five years likely will be reduced by at least \$2 billion for a period of only three years. Its reputation won't recover from the arms expose for a long time. Considering the fact that the Ex-Im Bank's worldwide lending operations is Washington's most effective foreign aid operation, this is considerable loss indeed.

All this results from the super-secrecy that has cloaked the use of the Bank by Pentagon arms brokers.

Members of the Senate and House Banking Committees, which had tentatively approved the \$13.5 billion extension before we reported the Bank's arms dealings last week, now compare the arms expose to the bitter political reaction following revelation of the CIA's financing of private organizations.

"The Bank's latest annual report was calculated to conceal the full extent of its financing of arms sales



Novak

Evans

abroad," one House Democrat told us. It is axiomatic that no Congressman likes to be bamboozled.

BEYOND THIS, members of the House Committee, in an unusual, nonpartisan consensus, were far from pleased with the explanations given at a closed hearing last Tuesday by top Administration officials called on the carpet. Instead of playing on obvious national security implications of selling arms abroad, the emphasis in the secret session was on the value to the American economy.

Deputy Secretary of Defense Paul Nitze, for example, listed several reasons why the arms sales were beneficial, including the fact that they helped U.S. business, U.S. labor, and the U.S. balance of payments. Nitze did not exclude the security factor, but his emphasis on economic reasons nettled Congressmen who felt they were being had.

"Nitze may have been tell-

ing the truth," one Republican told us, "but it's a truth that plays right into the hands of the Russians who have always claimed that our economy would collapse without our armaments industry."

Moreover, Nitze and Under Secretary of State Eugene Rostow were less than effective in trying to explain arms sales to Latin America to the congressional interrogators.

THEY TESTIFIED U.S. arms are essential for Brazil and other Latin countries to offset Castro's growing power and Castro's expanding operations in Latin America.

That brought an immediate congressional question at the hearing: If that's what Cuba is doing, the U.S. response should be far more direct than peddling a few millions in arms. But that fundamental question went unanswered.

Still another fundamental question raised on Tuesday but not answered concerned U.S. arms sales to Jordan. To keep this Arab state friendly to the West and to make it independent of Soviet arms, the Committee was told, it was necessary to supply it with U.S. arms, including tanks and other heavy equipment. But when the chips were down in the Arab-Israeli war last month, the Congressmen pointed out, Jordan joined Egypt's President Gamal Abdel Nasser and used American tanks against identical tanks supplied Israel by the United States.

Quite apart from the basic question of foreign policy involved in the storm over using the Ex-Im Bank as an arms conduit, the Administration's handling of the affair is the subject of congressional criticism. Periodic, off-the-record briefings should have been given the top Democrats and Republicans in both Senate and House, keeping them informed on the full extent to which the Bank was being used.

The policy of concealment, once exposed, was bound to backfire. Quite beyond cutting off the Ex-Im Bank as an open tap to finance arms sales, it is now bound to lead to a full-scale congressional probe of the Johnson Administration's arms policy. What will come out of that, no one now can predict.

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