

Private Dealer Does a Brisk Business Rumania Curl

Following is the last of a series of articles on the international arms trade.

By NEIL SHEEHAN
Special to The New York Times

WASHINGTON, July 20 — "While Mr. Nasser's tanks were still burning," said Samuel Cummings, the world's leading private arms merchant, "we were already negotiating with Israelis for the light weapons." These "light weapons" were about 70,000 Soviet-made rifles and several thousand pistols. They were abandoned along with large stocks of ammunition by the fleeing troops of President Gamal Abdel Nasser of the United Arab Republic during the Arab-Israeli war last month.

Mr. Cummings, president of the International Armaments Corporation, intends to purchase the bulk of the captured weapons and ammunition from the Israeli Government for sale to sportsmen and collectors in the United States and other non-Communist countries.

War With Imported Weapons

The Arab-Israeli war, fought entirely with imported weapons was but one manifestation of a growing international problem — the rapid build-up of conventional arms in the developing countries.

In the five-year period ended June 30, 1966, the United States, through the Defense Department's arms salesman, Henry J. Kuss Jr. a much bigger arms merchant than Mr. Cummings, \$11.1-billion worth of weapons, 89 per cent of which went to the North Atlantic Treaty Organization allies and to Australia and Japan.

No percentage breakdown is available for the \$1.5-billion worth sold in the fiscal year ended June 30. Mr. Kuss intends to maintain sales of about \$2-billion a year until 1975. Sales combined with grants totaled about \$3-billion a year in arms exports.

The Administration defends the sales as necessary to strengthen allies, to promote political objectives and to ease the United States balance of payments.

Mr. Kuss professes puzzlement at the increasing concern in Congress and elsewhere over his operations, a concern which has been deepened by the Arab-Israeli war — the third since 1948.

A 'Natural Outgrowth'

"It was such a natural outgrowth of what the United States had been doing all along," he said, referring to the vast grant aid program of the nineteen-fifties, when the United States distributed \$17-billion in arms free of charge. "Congress complained for years" about giving away arms, he said. "Why the complaining now that we're selling them?" he asked.

One of the complaints was by the Senate Foreign Relations Committee. A staff study in January said:

"In Europe, American arms salesmanship has often been zealous to the point of irritation and overpowering to the point of encouraging the Europeans to compete more aggressively for the arms markets in the underdeveloped regions of the world."

The usual Defense Department reply to this criticism is that only 11 per cent of the arms have gone to the underdeveloped countries. All sales in this category, they maintain, are carefully coordinated with the State Department and the other responsible Government agencies.

But 11 per cent of the \$11.1-billion in sales as of June 30, 1966, means that arms worth \$1.22-billion were sold to the sensitive underdeveloped regions in the five-year period. About \$998-million of this \$1.22-billion has gone to the most explosive areas — the Middle East, India and Pakistan.

Secondary Sales Problem

There is also growing evidence that the sales to European allies are worsening the serious surplus problem there, with the result that the Europeans sell their secondhand weapons to the developing countries in order to recover some of the foreign exchange they have handed to Mr. Kuss for new American arms.

The United States has already been pushed into one arms sale in Latin America, 25 A-4 Skyhawk jet attack bombers to Argentina in 1965 to prevent the Argentines from diverting foreign exchange for British planes.

Secretary of Defense Robert S. McNamara acknowledged during Congressional testimony in April, 1966, that the sale had been made for economic

what relationship did the sales have to the maintenance of internal security in Argentina?, Mr. McNamara was asked. "The answer is nothing," he replied, "absolutely nothing."

He explained that the alternative would have been to see Argentina purchase planes from "another nation at a much higher price, which would involve a much greater diversion from her economic resources."

A Chain Reaction

The sale to Argentina prompted Chile, which has always considered Argentina a potential threat, to ask for Skyhawks too. Since the planes could not be supplied because of the Vietnam war, Chile paid Britain, the "other nation" that had made the original sales of fer to Argentina, about \$20-

million for 21 Hawker-Hunter jets.

The Chilean purchase then led Peru to seek jets as well. The United States offered the Peruvians 15 old-model F-86 jet fighter-bombers. The Peruvians turned down the offer. They wanted more modern planes and they are reported to be preparing to purchase supersonic Mirage fighter-bombers from France.

The acquisition of Mirages by Peru could heighten the arms competition, since the Latin countries now possess only subsonic jets.

Mr. Kuss inadvertently provided some testimony last year on why the Europeans are seeking to recover foreign exchange spent on American weapons.

He told the Los Angeles World Affairs Council "that while military exports constitute less than 5 per cent of the total defense business in the United States, they constitute a much more significant proportion of the balance of the free world's defense business, running 15 to 20 per cent average and sometimes 50 to 75 per cent of individual or country defense expenditures."

European nations are also selling their own newly manufactured and second hand arms to the developing regions because Mr. Kuss's aggressive salesmanship and the superior quality of American weapons have hurt sales by the Europeans to each other.

what Britain lost out to Mr. Kuss on a \$37-million tank sale to Italy in the spring of 1965, Prime Minister Wilson decided to intensify Britain's arms export business.

France is exporting about 40 per cent of her aerospace production, much of it to the developing countries. Paris has ignored the United Nations arms embargo against South Africa and since 1963 has sold that country about \$300-million in jet fighters, tanks and

helicopters and is expected to sell submarines there soon.

Israel's 250 fighters and 50 bombers were all French-made — Mirage, Mystère, Ouragan and Vautour models.

A study of the international arms traffic published in October by the Institute of Strategic Studies in London estimated that as of 1965 about \$1.2-billion worth of arms was flowing annually into the underdeveloped regions.

This total included about \$450-million from the United States, both sales and grants, \$400-million from the Soviet Union, \$200-million from France and \$150-million from Britain. The flow from the Soviet Union has grown since 1965.

In sales alone, Defense Department statistics show that American arms purchased by and actually delivered to the developing countries have increased 13 times over five years from \$34-million in the 1962 fiscal year to \$444-million in the 1966 fiscal year.

Italy, West Germany, Canada, Sweden, Switzerland and Belgium are providing additional weapons in smaller but still significant quantities.

The problem of controlling the flow of arms to the underdeveloped regions has been complicated by the burgeoning demand since World War II.

The number of independent states has risen from 50 to 120. Each new nation seeks arms, for everything from an independence day parade to crushing an internal rebellion or pursuing a territorial dispute with a neighbor.

Supply and Demand Rise

The supply of weapons and the number of suppliers have swollen along with the demand. Until 1955, the United States and Britain exercised a virtual over arms traffic to the so-called third world, and

an informal but reasonably effective control was enforced.

Over the last decade this gentleman's agreement has collapsed as the Soviet Union, France and the other European countries have become active suppliers.

Australia and Japan can be expected to join the ranks and China will probably become a significant supplier soon.

Although profit has been the primary motive for the European nations' sales, Moscow and Washington export arms to the underdeveloped world for primarily political purposes.

In the Middle East and North Africa, the United States shipped tanks, anti-aircraft missiles, armored personnel carriers and other military equipment to Israel and to the conservative Arab states, Jordan and Saudi Arabia. Washington has also been arming Morocco and has supplied the great bulk of the equipment for Iran's armed forces.

The Soviet Union has concentrated on arming what are called the radical Arab states—Egypt, Syria, Iraq and Algeria.

Egypt and Saudi Arabia are supporting opposing factions in a civil war in Yemen.

Washington has agreed to sell the Iranians \$135-million worth of F-4 Phantom jets, the most advanced of operational American fighter-bombers, to Iraq. Iraq has received from the Soviet Union.

Algeria and Morocco last fought a border war in 1963 and they appear to be preparing for a second round. The United States has now promised to sell Morocco F-5 jet fighters while the Soviet Union steadily pumps more tanks and MIG-21's into Algeria.

Arms have sometimes gained the major powers considerable influence with the recipient nation. This has been the case for the Soviet Union in Egypt and Syria and for the United States in Jordan, Saudi Arabia and Ethiopia.

But in other instances, the arms shipments have brought negligible influence.

At least \$1.5-billion worth of American arms, almost all of it free, did not prevent Pakistan from drifting toward China in 1965. The \$1.2-billion in Soviet arms to Indonesia did not inhibit President Sukarno from adopting a pro-Chinese foreign policy in 1964 and 1965 to the dismay of Moscow.

Used Weapons on Reds

Ironically, the Indonesian Army then used Russian weapons both to massacre the Indonesian Communist party, Moscow's long-range hope there, and to depose President Sukarno after an abortive Communist coup d'état in September of 1965.

Perhaps no instance illustrates the manifold pitfalls of arms diplomacy so well as the Soviet experience last month in the Middle East.

The \$1-billion in weapons to Egypt and the \$800-million to Syria, Iraq and Algeria since 1955, much of it virtually given away, did buy the Soviet Union influence with President Nasser and the Syrian leaders. But the arms did not bring Moscow control, and Soviet prestige with the Arabs suffered when Moscow did not intervene militarily to save them from defeat.

With at least half of its investment destroyed or captured by the Israelis, the Soviet Union now faces the prospect of having to invest another billion to rearm Egypt and Syria to retain its influence with their leaders or perhaps even to prevent these leaders from being overthrown from within.

Produce Internal Problems

Then there are internal problems that arise in the recipient countries.

Social and economic progress are often hampered by the diversion of large amounts of foreign exchange for weapons. The entrenchment of military bureaucracies that resist social change and acquire vested political interests is also a frequent result.

Indonesia is an example of a country whose economy has been beggared by the impossible task of supporting large armed forces that cannot even maintain and use their MIG-21 jets, medium range bombers, tanks, submarines, destroyers and a cruiser.

A study by the United States Arms Control and Disarmament Agency estimated that the developing countries paid out about \$4-billion in foreign exchange for debt service in 1964, which was equal to about "one half of all the new economic aid extended to them that year." Much of this debt had been incurred for armaments.

India is attempting to reschedule her very large foreign debt payments, partly because of heavy arms purchases.

Yet very little has been done by the United States, the Soviet Union and the other industrialized nations to begin bringing the dangerous proliferation of conventional arms under control.

Latin American Effort

Only in Latin America has the Administration made a serious effort to impose control on conventional arms.

At the Punta del Este meeting in mid-April, the Administration attempted to persuade the Latin-American states to pledge not to purchase or manufacture supersonic aircraft, naval vessels heavier than destroyers, missiles or tanks over 30 tons.

The Latin-Americans balked and the conference finally set-

tled for a somewhat vague statement that the separate states would "avoid military expenditures that are not indispensable in order to carry out the specific missions of the armed forces."

The United States has behaved in the opposite fashion in the Middle East and North Africa, where its arms shipments have significantly increased over the last three years.

The latest Arab-Israeli war has now led the Administration to appeal to the Soviet Union to cooperate in imposing a limitation on arms traffic to the Middle East. President Johnson has also proposed that the United Nations ask all of its members to make public any future shipments to the area.

The Soviet Union has given no evidence of wishing to cooperate and has already begun rearming Egypt and Syria.

Secretary of State Dean Rusk has made clear that without Soviet cooperation, the Administration intends to continue its policy of arming both Israel and the conservative Arab states.

Similarly, the United States has evolved no long-range policy to deal with the growing problem of surplus arms. The State Department simply grapples with each case as it arises. The most recent prominent example occurred last year when West Germany sold 90 surplus F-86 jet fighter-bombers to Iran, and Iran in turn shipped them to Pakistan.

Although Washington eventually persuaded Pakistan to send the planes back to Iran, the incident indicated that American control over the ultimate use of weapons through agreements tends to weaken as the surpluses accumulate.

This issue is becoming steadily more complicated because of the practice of granting manufacturing licenses to foreign countries.

Canada originally produced the F-86's that West Germany sold to Iran. Canada is now manufacturing Northrop F-5 fighters under license and the Netherlands will begin producing them soon.

Japan, West Germany, Italy, The Netherlands and Belgium either have produced or are producing Lockheed F-104 Starfighters, and Italy is manufacturing M-113 armored personnel carriers and M-60 tanks. At least 1,400 Starfighters have been manufactured abroad.

About three months ago, Mr. Cummings, the private arms merchant, wrote a letter to the State Department. He asked to what developing countries he would be allowed to arrange sales of the 5,000 tanks and 1,000 jet fighter-bombers he estimates will enter the European surplus market by 1970.

A long-delayed reply finally informed him that the department could give him no advance permission. He was told that he would have to approach it on a case-by-case basis.

It was also made clear to him in conversations that the department would prefer him to make no transactions at all.

As an American dealer, Mr. Cummings makes no sales that are not approved by the Government.

"In other words," he said, "the State Department doesn't have a policy. They have their heads stuck in the sand. They are hoping that all those planes and tanks will just go away some night like a bad dream. Well, they won't. The Europeans aren't going to dump those arms in the sea. They're going to get their money back."

"If I don't get permission to arrange the sales," he said, "then my dastardly European competitors will sell them."