



## **Report reveals \$11.7 billion in arms deliveries in 2009, but sheds little light on individual exports**

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15 August 2010

Deliveries of arms through the Defense Department's Foreign Military Sales Program (FMS) increased by nearly \$700 million in fiscal year (FY) 2009, according to the most recent edition of the *Annual Military Assistance Report*. The report, which is often referred to as the "Section 655 Report," is compiled each year by the Defense Department and the State Department. The Defense Department's contributions to the annual report are acquired by the Federation of American Scientists (FAS) through annual requests under the Freedom of Information Act.<sup>1</sup> While the report is useful for tracking trends in the overall value of certain types of arms sales to specific countries,<sup>2</sup> it provides very little detailed information on individual exports, or exports arranged through non-traditional US military aid programs. Changing the way the data is aggregated and presented, and expanding the report to include data on all arms exports, would make the report more useful and improve congressional and public understanding of US arms exports.

### **Foreign Military Sales in FY2009: A Brief Overview**

Deliveries of arms through the FMS Program totaled \$11.69 billion in FY2009 - nearly \$700 million more than in FY2008.<sup>3</sup> This increase is much smaller than expected given the steady increase in FMS agreements in recent years, the annual value of which jumped from \$9.5 billion in FY2005 to \$30 billion in FY2008, according to the Defense Department.<sup>4</sup>

#### ***Top importers***

The top five importers of defense articles and services through the FMS program in FY2009 were (from largest to smallest in dollar value terms) Saudi Arabia, Greece, Israel, the United Kingdom, and Egypt. Saudi Arabia, Israel, and Egypt consistently rank among the top five importers of U.S.

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<sup>1</sup> The State Department posts its sections of the report on its [website](#). As of 13 August 2010, the State Department had not posted its section of the FY09 report.

<sup>2</sup> The report provides data on arms exported, or approved for export, and military training provided through the following programs and authorities: Foreign Military Sales Program (deliveries only), Direct Commercial Sales (licenses and shipments), Excess Defense Articles Program, and emergency drawdown assistance, and the International Military Education and Training Program.

<sup>3</sup> Note that these figures differ from those in other reports. The Defense Department's Historical Facts Book indicates that \$11.9 billion in FMS was delivered in FY2008 – nearly \$1 billion more than the global delivery total provided in the FY08 Section 665 report. This may be explained by the withholding of data on classified arms transfers in the Section 655 report, which disaggregates data in ways that could reveal details about the classified transfers.

<sup>4</sup> Data taken from the Defense Security Cooperation Agency's [Historical Facts Book](#), 30 September 2008.

weapons, while Greece and the United Kingdom are often among the top ten. Deliveries to these ten countries account for approximately 60% of the total dollar value of unclassified exports.

Table 1 lists the top ten importing states for FY2008 and FY2009:

<b>Table 1: Top ten arms importers through the FMS Program Fiscal Years 2008 &amp; 2009 (In thousands of USD)</b>			
<b>FY2008</b>		<b>FY2009</b>	
<b>Country</b>	<b>Total Value</b>	<b>Country</b>	<b>Total Value</b>
Israel	\$1,359,425	Saudi Arabia	\$1,674,091
Saudi Arabia	\$808,770	Greece	\$1,290,661
South Korea	\$798,523	Israel	\$771,137
Egypt	\$788,345	United Kingdom	\$671,080
Poland	\$732,833	Egypt	\$659,621
Canada	\$470,142	Canada	\$530,072
Iraq	\$342,196	South Korea	\$462,452
Turkey	\$336,925	Iraq	\$383,902
Jordan	\$306,930	Turkey	\$3xx,xxx*
Pakistan	\$270,789	Norway	\$296,333

\*The Total value figure for deliveries to Turkey is illegible in the copy of the report released to the Federation of American Scientists.

*Source: Annual Military Assistance Reports for Fiscal Years 2008 and 2009. Data compiled by the Federation of American Scientists.*

### ***Largest increases***

The countries experiencing the largest increases in FMS deliveries in FY09 were Greece (+\$1.1 billion), Saudi Arabia (+\$865 million), the United Kingdom (+\$423 million), Norway (+\$208 million), and Canada (+\$60 million). As is often the case, these spikes are mostly attributable to deliveries of aircraft and aircraft components. Deliveries of 24 F-16 C and D fighter aircraft and spare parts accounts for the entire \$1.1 billion increase in the value of exports to Greece. Similarly, deliveries of aircraft spare parts accounts for approximately 40% of the increase in exports to Saudi Arabia, and approximately 70% for Norway. Other commodities that account for a large percentage of the combined increase for these five countries include missiles, communications equipment, ‘armored cars’ (a broad category of military vehicles that ranges from armored police trucks to Bradley Fighting Vehicles), and items included in the ambiguously labeled category ‘other services.’ Interestingly, two of these countries – Saudi Arabia and the United Kingdom – were among the top five countries experiencing the largest *decreases* last year (FY2008). These dramatic

year-on-year fluctuations underscore the significant effect that sales of aircraft and other big-ticket items often have on dollar value totals.

Arms shipments to Iraq also grew last year, although not as dramatically as in FY2008. In recent years, Iraq has become one of the Defense Department’s biggest clients; more than \$900 million in defense articles and services have been delivered to Iraq through the FMS program since FY2005. That figure is likely to grow over the next several years as deliveries are made against several billion dollars in agreements negotiated recently. In December 2008 alone, the Defense Department notified Congress of more than \$6 billion in potential arms sales to Iraq, and Congress has been notified of an additional \$1.3 billion in potential sales since then.

***Largest decreases***

The countries experiencing the largest decreases in FY2009 were Israel, Poland, South Korea, Pakistan and the Jordan. A drop-off in deliveries of military aircraft account for nearly of the decrease in the value of exports to Poland,<sup>5</sup> and more than half of the decrease in value of exports to Israel. The sharp decline in the value of exports to Pakistan and South Korea – which were among the five countries experiencing the largest *increases* in FY2008 – are largely explained by fewer exports of communications equipment, “other services,” and “supply operations” in the case of Pakistan, and deliveries of two Aegis combat systems to South Korea in FY2008.

**Table 2: Ten countries with the largest absolute change in FMS deliveries, FY08 to FY09 (In thousands of USD)**

<b>Country</b>	<b>FY2008</b>	<b>FY2009</b>	<b>Difference</b>
Greece	\$196,210	\$1,290,661	\$1,094,451
Saudi Arabia	\$808,770	\$1,674,091	\$865,321
United Kingdom	\$248,178	\$671,080	\$422,902
Norway	\$88,454	\$296,333	\$207,879
Canada	\$470,142	\$530,072	\$59,930
Jordan	\$306,930	\$182,228	-\$124,702
Pakistan	\$270,789	\$119,332	-\$151,457
South Korea	\$798,523	\$462,452	-\$336,071
Poland	\$732,833	\$157,220	-\$575,613
Israel	\$1,359,425	\$771,137	-\$588,288

*Source: Annual Military Assistance Reports for FY08 and FY09. Data compiled by the Federation of American Scientists.*

<sup>5</sup> Poland received only one F-16 fighter plane in FY2009 as compared to 14 in FY2008.

Also notable is the entry for Venezuela, arms sales to which have been banned since 2006 when it was designated "...as a country not cooperating fully with anti-terrorism efforts". This year's Section 655 report lists deliveries of \$2000 in "other services" to Venezuela. When queried about the apparent discrepancy, a spokesperson for the Defense Department clarified that, consistent with US law, "[t]here were no deliveries to Venezuela in FY 09." The \$2000 entry probably reflects an accounting issue related to an older sale. "Any value reflected in the report would be a billing adjustment reported against previously reported delivery," explained the spokesperson. "Financial adjustments continue to be reported as cases are reconciled for closure."

### The Section 655 Report and Transparency in US Arms Transfers

Compared to other major arms exporting states, US reporting on arms exports is fairly robust. The US government publishes several annual reports on arms transfers and military aid, and additional data is available through other sources. Many of these data sources are significantly more detailed than those published by other exporting states, and several other states, including major exporters like China, publish no official data at all. Yet the US arms trade is far from transparent. Incomplete reporting and vague data hinder proper public oversight of much of the US arms trade. Below is a brief summary of the problems with US reporting on arms transfers, including the Section 655 report, and steps that the US government can take to improve the report and thereby make the US arms trade more transparent.

Many transfers of US weapons – and foreign weapons procured with US funding – are not included in the Section 655 report. A good example of US-funded arms transfers that are not included in the report are weapons procured for the Afghan military and police through the Afghan Security Forces Fund (ASFF). Defense Department budget documentation suggests that billions of dollars in weapons and military equipment are procured for Afghan police and troops through the ASFF each year, including lethal items that are vulnerable to theft, loss, and diversion, such as small arms and light weapons. In FY2009 alone, funding for more than 13,000 small arms and light weapons for the Afghan Army was appropriated through ASFF (see Table 4 below). None of the resulting arms transfers are reflected in the Section 655 report.

**Table 3: Fiscal Year 2010 Overseas Contingency Operations Request: Afghanistan Security Forces Fund**

Weapons	<i>FY 2009 Spend Plan</i>		<i>FY2009 Supplemental</i>	
	Quantity	Total Cost	Quantity	Total Cost
Squad Automatic Weapon M249	9	\$24,000	450	\$1,193,000
Pistol 9mm M9	14	\$8,000	564	\$338,000
Machine Gun M240B	18	\$108,000	225	\$1,350,000
Rifle Sniper M24	2	\$10,000	240	\$1,236,000

Launcher: Grenade M203A2	43	\$26,000	432	\$259,000
M252 81mm Mortar	2	\$280,000	98	\$13,707,000
60MM Mortar	1	\$58,000	15	\$877,000
Mossberg Shotgun	-	-	110	\$55,000
Rifle M16 5.56mm	266	\$186,000	5300	\$3,710,000
Grenade Launcher, RPG-7, 30mm	-	-	235	\$388,000
Machine Gun .50Cal	3	\$50,000	75	\$1,238,000
Recoilless Gun, 73mm, SPG-9	-	-	100	\$180,000
Rifle M4 5.56mm	-	-	5000	\$3,000,000
<b>TOTAL</b>	<b>358</b>	<b>\$750,000</b>	<b>12,844</b>	<b>\$27,531,000</b>

*Source: Justification for FY 2010: Afghanistan Security Forces Fund (ASFF), Office of the Secretary of Defense, May 2009.*

Over-aggregation and vague categorization also limits the value of the Section 655 report for Congress and the public. Commodity categories are often so broad and vague that is impossible to determine exactly what items were shipped or which services were provided. Of the first 100 records in the section on Foreign Military Sales deliveries in the FY2009 report, only three identify the specific weapon system. The rest of the data are aggregated into categories with item descriptions that range from vague but intelligible (e.g. “rifle”) to largely meaningless (e.g. “other services”).<sup>6</sup> Data on commercial exports are also overly aggregated. For example, all ammunition transfers – from cartridges for .22 caliber hunting rifles to 155 mm XM982 Excalibur Precision Guided Extended Range Artillery Projectiles – are combined in a single category. This level of aggregation renders data on ammunition transfers largely useless.

### Improving the Section 655 report

Below are three recommendations for improving the Section 655 report that, if fully implemented, would make the US arms trade significantly more transparent:

- **Expand the scope of the report to include all US and US-funded international arms transfers,<sup>7</sup> regardless of the avenue through which the transfers are authorized or arranged.**

<sup>6</sup> This problem is partially mitigated by the Defense Department’s willingness to provide, when queried, additional information on specific records. No agency has the capacity to clarify more than a small fraction of the records in each year’s report, and there is no guarantee that the Defense Department will continue to be as helpful in the future.

<sup>7</sup> With the exception of records that are properly classified.

- **Disaggregate the data used in the report and revise the commodity categories so that they are clear, narrow, and specific.**
- **Convert the Section 655 report into a cumulative, searchable online database that is updated annually and is available, free of charge, to the public.**

Additional suggestions for improving transparency in US arms transfers are available in the FAS Issue Brief titled [“Eight Recommendations for Improving Transparency in US Arms Transfers”](#), 8 January 2010.

For more data and reports on US arms sales, including previous editions of the Section 655 report, visit the Arms Sales Monitoring Project’s [“Government Data”](#) webpage.