
Conventional Arms Transfers to Developing Nations, 1996-2003

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[The following extract provides unclassified background data from U.S. government sources on transfers of conventional arms to developing nations by major suppliers for the period 1996 through 2003. It also includes some data on world-wide supplier transactions. It updates and revises the report entitled *Conventional Arms Transfers to Developing Nations, 1995-2002*, published by the Congressional Research Service (CRS) on September 22, 2003 (CRS Report RL32084). This extract does not necessarily include all the charts and graphs, however, those included will retain their original chart or graphic number so that the reader can cross reference to the complete document. A complete electronic copy is available at <http://www.fas.org/man/crs/RI32547.pdf>.]

Summary

This report is prepared annually to provide unclassified quantitative data on conventional arms transfers to developing nations by the United States and foreign countries for the preceding eight calendar years. Some general data are provided on worldwide conventional arms transfers, but the principal focus is the level of arms transfers by major weapons suppliers to nations in the developing world.

Developing nations continue to be the primary focus of foreign arms sales activity by weapons suppliers. During the years 1996-2003, the value of arms transfer agreements with developing nations comprised 63.9 percent of all such agreements worldwide. More recently, arms transfer agreements with developing nations constituted 60.4 percent of all such agreements globally from 2000-2003, and 53.6 percent of these agreements in 2003.

The value of all arms transfer agreements with developing nations in 2003 was over \$13.7 billion. This was a substantial decrease over 2002, and the lowest total, in real terms, for the entire period from 1996-2003. In 2003, the value of all arms deliveries to developing nations was nearly \$17 billion, the lowest total in deliveries values for the entire period from 1996-2003 (in constant 2003 dollars).

Recently, from 2000-2003, the United States and Russia have dominated the arms market in the developing world, with the United States ranking first and Russia second each of the last four years in the value of arms transfer agreements. From 2000-2003, the United States made \$35.8 billion in arms transfer agreements with developing nations, in constant 2003 dollars, 46.8 percent of all such agreements. Russia, the second leading supplier during this period, made over \$21 billion in arms transfer agreements, or 27.5 percent.

In 2003, the United States ranked first in arms transfer agreements with developing nations with over \$6.2 billion or 45.4 percent of these agreements. Russia was second with \$3.9 billion or 23.4 percent of such agreements. In 2003, the United States ranked first in the value of arms deliveries to developing nations at \$6.3 billion, or 37.1 percent of all such deliveries. The United Kingdom ranked second at \$4 billion or 23.5 percent of such deliveries. Russia ranked third at \$3.3 billion or 19.4 percent of such deliveries.

During the 2000-2003 period, China ranked first among developing nations purchasers in the value of arms transfer agreements, concluding \$9.3 billion in such agreements. The United Arab Emirates (U.A.E.) ranked second at \$8.1 billion. Egypt ranked third at \$6.8 billion. In 2003,

Egypt ranked first in the value of arms transfer agreements among all developing nations weapons purchasers, concluding \$1.8 billion in such agreements. China ranked second with \$1.6 billion in such agreements. Malaysia ranked third with \$1.5 billion.

Introduction

The data in the report illustrate how global patterns of conventional arms transfers have changed in the post-Cold War and post-Persian Gulf War years. Relationships between arms suppliers and recipients continue to evolve in response to changing political, military, and economic circumstances. Nonetheless, the developing world continues to be the primary focus of foreign arms sales activity by conventional weapons suppliers. During the period of this report, 1996-2003, conventional arms transfer agreements (which represent orders for future delivery) to developing nations have comprised 63.9 percent of the value of all international arms transfer agreements. The portion of agreements with developing countries constituted 60.4 percent of all agreements globally from 2000-2003. In 2003, arms transfer agreements with developing countries accounted for 53.6 percent of the value of all such agreements globally. Deliveries of conventional arms to developing nations, from 2000-2003, constituted 53.1 percent of all international arms deliveries. In 2003, arms deliveries to developing nations constituted 59.1 percent of the value of all such arms deliveries worldwide.

The data in this new report supersede all data published in previous editions. Since these new data for 1996-2003 reflect potentially significant updates to and revisions in the underlying databases utilized for this report, only the data in this most recent edition should be used. The data are expressed in U.S. dollars for the calendar years indicated, and adjusted for inflation. U.S. commercially licensed arms exports are incorporated in the main delivery data tables, and noted separately. Excluded are arms transfers by any supplier to subnational groups.

Calendar Year Data Used

All arms transfer and arms delivery data in this report are for the calendar year or calendar year period given. This applies to both U.S. and foreign data alike. U.S. government departments and agencies publish data on U.S. arms transfers and deliveries but generally use the United States fiscal year as the computational time period for these data. (A U.S. fiscal year covers the period from October 1 through September 30). As a consequence, there are likely to be distinct differences noted in those published totals using a fiscal year basis and those provided in this report which use a calendar year basis for its figures. Details on data used are outlined in footnotes at the bottom of Tables 1, 2, 8 and 9.

Constant 2003 Dollars

Throughout this report values of arms transfer agreements and values of arms deliveries for all suppliers are expressed in U.S. dollars. Values for any given year generally reflect the exchange rates that prevailed during that specific year. In many instances, the report converts these dollar amounts (current dollars) into constant 2003 dollars. Although this helps to eliminate the distorting effects of U.S. inflation to permit a more accurate comparison of various dollar levels over time, the effects of fluctuating exchange rates are not neutralized. The deflators used for the constant dollar calculations in this report are those provided by the U.S. Department of Defense and are set out at the bottom of Tables 1, 2, 8, and 9. Unless otherwise noted in the report, all dollar values are stated in constant terms. Because all regional data tables are composed of four-year aggregate dollar totals (1996-1999 and 2000-2003), they must be expressed in current dollar terms. Where tables rank leading arms suppliers to developing nations or leading developing nation recipients using four-year aggregate dollar totals, these values are expressed in current dollars.

Definition of Developing Nations and Regions

As used in this report, the developing nations category includes all countries except the United States, Russia, European nations, Canada, Japan, Australia, and New Zealand. A listing of countries located in the regions defined for the purpose of this analysis Asia, Near East, Latin America, and Africa is provided at the end of the report.

Arms Transfer Values

The values of arms transfer agreements or deliveries in this report refer to the total values of arms orders or deliveries as the case may be which include all categories of weapons and ammunition, military spare parts, military construction, military assistance and training programs, and all associated services.

Major Findings

General Trends in Arms Transfers Worldwide

The value of all arms transfer agreements worldwide to both developed and developing nations in 2003 was over \$25.6 billion. This is a significant decrease in arms agreements values over 2002, and is the third consecutive year that total arms agreements have declined, Chart 1.

In 2003, the United States led in arms transfer agreements worldwide, making agreements valued at over \$14.5 billion, 56.7 percent of all such agreements, up from \$13.6 billion in 2002. Russia ranked second with \$4.3 billion in agreements 16.8 percent of these agreements globally, down from nearly \$6 billion in 2002. Germany ranked third, its arms transfer agreements worldwide standing at \$1.4 billion in 2003. The United States and Russia collectively made agreements in 2003 valued at over \$18.8 billion, 73.5 percent of all international arms transfer agreements made by all suppliers, Figure 1.

For the period 2000 through 2003, the total value of all international arms transfer agreements about \$126.9 billion was lower than the worldwide value during 1996 through 1999 \$133.7 billion, a decrease of 5.1 percent. During the period 1996-1999, developing world nations accounted for 67.3 percent of the value of all arms transfer agreements made worldwide. During 2000-2003, developing world nations accounted for 60.4 percent of all arms transfer agreements made globally. In 2003, developing nations accounted for 53.6% of all arms transfer agreements made worldwide Figure 1.

In 2003, the United States ranked first in the value of all arms deliveries worldwide, making over \$13.6 billion in such deliveries or 47.5 percent. This is the eighth year in a row that the United States has led in global arms deliveries, reflecting, in particular, implementation of arms transfer agreements made during and in the years immediately following the Persian Gulf War of 1990 through 1991. The United Kingdom ranked second in worldwide arms deliveries in 2003, making \$4.7 billion in such deliveries. Russia ranked third in 2003, making \$3.4 billion in such deliveries. These top three suppliers of arms in 2003 collectively delivered over \$21.7 billion, 75.7 percent of all arms delivered worldwide by all suppliers in that year. Figure 2.

The value of all international arms deliveries in 2003 was \$28.7 billion. This is a significant decrease in the total value of arms deliveries from the previous year, a fall of over \$13.1 billion, and by far the lowest total for the eight years covered by this report. The total value of such arms deliveries worldwide in 2000-2003, \$148.2 billion was a substantial decrease in the value of arms deliveries by all suppliers worldwide from 1996 through 1999, \$196.3 billion, a fall of \$48.1 billion. Illustrated in Figure 2 and Charts 7 and 8.

Developing nations from 2000-2003 accounted for 53.1 percent of the value of all international arms deliveries. In the earlier period, 1996-1999, developing nations accounted for

66.9 percent of the value of all arms deliveries worldwide. In 2003, developing nations collectively accounted for 59.1 percent of the value of all international arms deliveries Figure 2.

The downturn in weapons orders worldwide since 2000 has been notable. Global arms agreement values have fallen from \$41 billion in 2000 to \$25.6 billion in 2003. Were it not for a few large military aircraft orders in 2003, the total for that year would have been substantially lower. It has been the practice of developed nations in recent years to seek to protect important elements of their national military industrial bases by limiting arms purchases from other developed nations. Instead they have placed greater emphasis on joint production of various weapons systems as a more effective way to preserve a domestic weapons production capability, while sharing costs of new weapons development. Some traditional weapons producers have been forced to consolidate sectors of their domestic defense industry in the face of intense foreign competition, while other supplying nations have chosen to manufacture items for niche arms markets where their specialized production capabilities provide them with important advantages in the evolving international arms marketplace.

The intensely competitive arms market of today has also led supplying states to emphasize sales efforts directed toward regions and nations where individual suppliers have had competitive advantages resulting from well established military support relationships with the prospective customers. In recent years, the potential has developed in Europe for arms sales to nations that have recently become members of North Atlantic Treaty Organization (NATO). Although there are inherent limitations on these potential sales due to the smaller defense budgets of several of these nations, creative seller financing options, as well as the use of co-assembly, co-production, and countertrade, to offset costs to purchasers, has resulted in some noteworthy contracts being signed. Most noteworthy in 2003 was a \$3.5 billion sales agreement between the United States and Poland for the purchase of 48 F-16 C/D Block 52M fighter aircraft. Elsewhere within NATO, Germany in 2003 concluded a \$1.7 billion agreement with Greece for 170 Leopard 2 Main Battle Tanks. It seems likely that competition will continue between the United States and other European countries or consortia over the prospective arms contracts within the European region in the years ahead. Such sales have the potential to compensate for lost contracts due to reduced demand for weapons from traditional clients in the developing world.

In recent years, numerous developing nations have reduced their weapons purchases primarily due to their lack of sufficient funds to pay for such weaponry. Even those prospective arms purchasers in the developing world with significant financial assets have exercised restraint and caution before embarking upon new and costly weapons procurement endeavors. The unsettled state of the global economy has influenced a number of developing nations to emphasize the upgrading of existing weapons systems in their inventories, rather than the purchase of newer ones. Given the substantial arms purchases made in the mid-1990s by a number of nations in the developing world, there has been a notable reduction in new arms agreements by these countries, since several of them are engaged in absorbing and integrating previously purchased weapons systems into their military force structures.

At present, there appears to be fewer large weapons purchases being made by developing nations in the Near East, while a relatively larger increase in purchases are being made by developing nations in Asia. Nonetheless, these apparent trends are subject to abrupt change based on the strength of either the international or regional economies. The health of the domestic economies in various nations in the developing world continue to be a very significant factor in their arms purchasing decisions.

Although some nations in Latin America, and, to a much lesser extent, in Africa, have shown interest in updating important sectors of their military force structures, many states in these regions also continue to be constrained by their limited financial resources. Limited seller-

supplied credit and financing seems likely to continue to be a factor that inhibits the conclusion of major weapons deals in these regions of the developing world.

General Trends in Arms Transfers to Developing Nations

The value of all arms transfer agreements with developing nations in 2003 was \$13.7 billion, a notable decrease over the \$17.4 billion total in 2002. This was the lowest annual total, in real terms, during the eight-year period from 1996-2003. Chart 1, Figure 1. In 2003, the value of all arms deliveries to developing nations \$17 billion was a clear decrease from the value of 2002 deliveries nearly \$18.7 billion, and the lowest total of the last eight years, Charts 7 and 8, Figure 2.

Recently, from 2000-2003, the United States and Russia have dominated the arms market in the developing world, with the United States ranking first each of the last four years in the value of arms transfer agreements. From 2000-2003, the United States made over \$35.8 billion in arms transfer agreements with developing nations, 46.8 percent of all such agreements. Russia, the second leading supplier during this period, made nearly \$21.1 billion in arms transfer agreements or 27.5 percent. France, the third leading supplier, from 2000-2003 made \$3.8 billion or 5 percent of all such agreements with developing nations during these years. In the earlier period from 1996 through 1999, the United States ranked first with \$27.5 billion in arms transfer agreements with developing nations or 30.6 percent; Russia made \$15.6 billion in arms transfer agreements during this period or 17.3 percent. France made \$10.7 billion in agreements or 11.9 percent.

During the period from 1996-1999, most arms transfers to developing nations were made by two to three major suppliers in any given year. The United States has ranked first among these suppliers every year from 1998 through 2003. Russia has been a strong competitor for the lead in arms transfer agreements with developing nations, ranking second every year from 1999 through 2003. Despite the larger traditional client base for armaments held by other Major West European suppliers, Russia's recent successes in securing new arms orders suggests that despite the traditional marketing advantage held by Major West European competitors. Russia is likely to continue to rank higher in the value of new arms agreements than other key European arms suppliers, for the near term. Since Russia's largest value arms transfer agreements in recent years have been with two countries, China and India, continued Russian success in the arms trade with developed nations will depend on its ability to expand its client base. In this regard, Russia has made some strides in Southeast Asia. The Russian government has also stated that it has adopted more flexible payment arrangements for its prospective customers in the developing world, and is attempting to enhance the quality of its follow-on support services to make Russian products more attractive and competitive.

Traditional arms suppliers such as France, the United Kingdom and Germany occasionally conclude large orders with developing countries, based on either long-term supply relationships or their having specialized weapons systems they can readily provide. Nevertheless, the United States continues to appear best equipped to secure new arms agreements with developing nations that are able to afford major new arms purchases. The purchase of new and highly expensive weapons by many developing countries, however, seems likely to be limited in the near term, given the tenuous state of the international economy, and the lack of sufficient funding for such undertakings. The overall level of the arms trade with developing nations, which has been generally declining in the years since 2001, is likely either to remain static or continue to decline in the near term, even though a few wealthier developing nations have been able to make some significant purchases more recently.

Other suppliers in the tier below the United States and Russia, such as China, other European, and non-European suppliers, have participated in the arms trade with developing nations at a

much lower level. Yet these suppliers are capable of making an occasional arms deal of significance. Most of their annual arms transfer agreements values totals during 1996 through 2003 have been relatively low, and are based upon generally smaller transactions of less sophisticated military equipment. It is unlikely that many of these countries will be capable of rising to the status of a major supplier of advanced weaponry on a consistent basis.

United States

In 2003, the total value in real terms of United States arms transfer agreements with developing nations fell notably to \$6.2 billion from nearly \$8.9 billion in 2002. The U.S. share of the value of all such agreements was 45.4 percent in 2003, down from a 51 percent share in 2002. Charts 1, 3 and 4, Figure 1.

In 2003, the value of U.S. arms transfer agreements with developing nations was primarily attributable to purchases by key U.S. clients in the Near East and in Asia. These arms agreement totals also reflect a continuation of well established defense support arrangements with these and other purchasers worldwide. U.S. agreements with its clients in 2003 include not only some sales of major weapons systems, but also a continuation of the upgrading of some previously provided. The U.S. totals also reflect agreements for a wide variety of spare parts, ammunition, ordnance, training, and support services. Among major weapons systems agreements the United States concluded in 2003 were with the following:

- Egypt for a co-production program involving 125 M1A1 Abrams Main Battle Tank kits for \$790 million;
- Saudi Arabia for a number of light infantry vehicles (LAWS) for \$316 million;
- South Korea for 3 MK41 Vertical Launch Systems for \$191 million;
- Taiwan for a number of Assault Amphibious Vehicles (AAVs) for \$150 million;
- Israel for 1 AH-64D Apache Longbow helicopter;
- Oman for 2 Reconnaissance Systems; and
- Pakistan for 6 C-130E aircraft.

The United States also concluded agreements for the sale of various missile systems to nations in both the Near East and in Asia. Among these agreements concluded were with the following:

- Egypt for 414 AIM-9M Sidewinder missiles as well as Harpoon Block II missiles;
- Israel for AGM-114 Hellfire missiles; and
- Taiwan for 144 Standard SM2 III missiles.

Apart from weapons themselves, it must be emphasized that, the sale of munitions, upgrades to existing systems, spare parts, training and support services to developing nations worldwide account for a very substantial portion of the total value of U.S. arms transfer agreements. This fact reflects the large number of countries in the developing, and developed, world that have acquired and continue to utilize a wide range of American weapons systems, and have a continuing requirement to support, to modify, as well as to replace, these systems.

Russia

The total value of Russia's arms transfer agreements with developing nations in 2003 was \$3.9 billion, a notable decline from \$5.3 billion in 2002, but it still placed a strong second in such agreements with the developing world. Russia's share of all developing world arms transfer agreements decreased, falling from 30.7 percent in 2002 to 23.4 percent in 2003. Charts 1, 3 and 4, Figure 1, and Table 1G.

Russian arms transfer agreements totals with developing nations have been notable during the last four years. During the 2000-2003 period, Russia ranked second among all suppliers to developing countries, making \$21 billion in agreements. Russia's status as the second leading supplier of arms to developing nations stems from an increasingly successful effort to overcome the significant economic and political problems associated with the dissolution of the former Soviet Union. The traditional arms clients of the former Soviet Union were generally less wealthy developing countries prized as much for their political support in the Cold War, as for their desire for Soviet weaponry. Many of these traditional Soviet client states received substantial military aid grants and significant discounts on their arms purchases. After the breakup of the Soviet Union in December 1991 these practices were greatly curtailed. The Russia that emerged in 1991 consistently placed a premium on obtaining hard currency for the weapons it sold. Faced with stiff competition from Western arms suppliers in the 1990s, Russian gradually adapted its selling practices in an effort to regain and sustain an important share of the developing world arms market.

In recent years, Russian leaders have made efforts to provide more flexible and creative financing and payment options for prospective arms clients. It has also agreed to engage in counter-trade, offsets, debt-swapping, and, in key cases, to make significant licensed production agreements in order to sell its weapons. The willingness to license production has been a central element in several cases involving Russia's principal arms clients, China and India. Russia's efforts to expand its arms customer base have been met with mixed results. In the early 1990s, Russia developed a supply relationship with Iran, providing that country with Mig-29 fighter aircraft, Su-24 fighter-bombers, T-72 Main Battle Tanks, and Kilo-class attack submarines. Although new Russian sales to Iran were suspended for a period from 1995-2000 in accordance with an agreement with the United States, Russia now asserts its option to sell arms to Iran should it choose to do so. Although discussions have been held between Russia and Iran on prospective future arms purchases, there have not been, as of this date, major new Iranian procurements of advanced weapons systems, comparable to the types and quantities obtained in the early 1990s. Russia's arms sales efforts, apart from those with China and India seem focused on Southeast Asia, where it has had some success in securing arms agreements with Malaysia, Vietnam and Indonesia. Similarly, Russian combat fighter aircraft sales have been made in recent years to Algeria and Yemen. Elsewhere in the developing world Russian military equipment still holds attractions because it ranges from the most basic to the highly advanced, and can be less expensive than similar arms available from other major suppliers.

Yet Russia continues to confront a significant obstacle in breaking into arms markets traditionally dominated by Western suppliers, namely, its perceived inability to provide consistent high-quality follow-on support, spare parts, and training for the weapons systems it sells. There is an almost ingrained reluctance on the part of many developing nations to purchase advanced armaments from a supplier like Russia that is still engaged in reorganization and rationalization of its defense production base, when more stable, well-known, and established sources of such weapons exist. And though Russia may now be embarked on some programs of advanced military research and development, the other major arms suppliers in the West are currently in the process of producing weaponry much more advanced than those programs that may, at some future point, be available from Russia.

Despite these difficulties, Russia continues to have major on-going arms transfer programs involving China and India, which should provide it with sustained business through this decade. Since the mid-1990s, Russia has sold major combat fighter aircraft, and main battle tanks to India, and has provided other major weapons systems though lease or licensed production. China, however, remains a linch pin of Russia's arms export program, particularly in aircraft and naval

systems. Since 1996, Russia has sold China Su-27 fighter aircraft and agreed to licensed production of them. It has also sold the Chinese quantities of Su-30 multi-role fighter aircraft, Sovremenny-class destroyers equipped with Sunburn anti-ship missiles, and Kiloclass Project 636 submarines. Russia has also sold the Chinese a variety of other weapons systems and missiles. Most recently, in 2003, Russia sold China an additional twenty-four Su-30 MKK multi-role fighter aircraft for \$1 billion.

Other notable arms sales by Russia in 2003 include: a sale of 18 Su30 MKM multi-role fighter aircraft to Malaysia for \$900 million; a sale of 10 Mi-171Sh utility helicopters to Malaysia for \$71 million; a sale of 4 Su-30 MK fighter aircraft to Vietnam for \$110 million; a sale of 10 Project 12418 Molniya-class missile attack boats to Vietnam for \$120 million; a sale of two batteries of S-300 PMU air defense systems to Vietnam for \$250 million; and a sale of two Su-30 multi-role fighter aircraft, two Su-27 fighter aircraft, and two Mil Mi-35 attack helicopters to Indonesia for about \$192 million.

China

China was an important arms supplier to certain developing nations in the 1980s, primarily through arms agreements with both combatants in the Iran-Iraq war. From 2000-2003, the value of China's arms transfer agreements with developing nations has averaged about \$580 million annually. During the period of this report, the value of China's arms transfer agreements with developing nations peaked in 1999 at \$2.6 billion. Its sales figures that year resulted generally from several smaller valued weapons deals in Asia, Africa, and the Near East, rather than one or two especially large sales of major weapons systems. Similar arms deals with small scale purchasers in these regions continue. In 2003, China's arms transfer agreements total was \$300 million, its lowest agreements total for the entire 1996-2003 period. For most of the mid-1990s on, China's principal focus has not been on selling arms but on advancing a significant military procurement program, aimed at modernizing its military forces, with Russia serving as its principal supplier of advanced combat aircraft, surface combatants, air defense systems, and submarines. Table 1G and Chart 3.

In recent years, few clients for weapons with financial resources have sought to purchase Chinese military equipment, much of which is less advanced and sophisticated than weaponry available from Western suppliers or Russia. China does not appear likely to be a major supplier of conventional weapons in the international arms market in the foreseeable future. Its likely clients are states in Asia and Africa seeking quantities of small arms and light weapons, rather than major combat systems. At the same time, China is an important source of missiles in the developing world arms market. China supplied Silkworm anti-ship missiles to Iran. Credible reports persist in various publications that China has sold surface-to-surface missiles to Pakistan, a long-standing client. Iran and North Korea have also reportedly received Chinese missile technology. Credible reports of this nature raise important questions about China's stated commitment to the restrictions on missile transfers set out in the Missile Technology Control Regime (MTCR), including its pledge not to assist others in building missiles that could deliver nuclear weapons. Given its continuing need for hard currency, and the fact that it has some military products, especially missiles that some developing countries would like to acquire, China can present an important obstacle to efforts to stem proliferation of advanced missile systems to some areas of the developing world where political and military tensions are significant, and where some nations are seeking to develop asymmetric military capabilities.

Major West European Suppliers

The four major West European suppliers France, United Kingdom, Germany, and Italy, as a group, registered a decline in their collective share of all arms transfer agreements with

developing nations between 2002 and 2003. This group's share fell from 6.5 percent in 2002 to 5.8 percent in 2003. The collective value of this group's arms transfer agreements with developing nations in 2003 was \$800 million compared with a total of \$1.1 billion in 2002. Of these four nations, France was the leading supplier with \$500 million in agreements in 2003, an increase from \$411 million in 2002. A notable portion of the French total in 2003 was attributable to a production arrangement with the United Arab Emirates (U.A.E.) for light corvette vessels. Italy increased its arms transfer agreements with the developing world from essentially nil in 2002 to \$300 million in 2003. Germany and the United Kingdom registered effectively no new developing world arm orders in 2003. Charts 3 and 4.

Collectively, the four major West European suppliers held a 17.7 percent share of all arms transfer agreements with developing nations during the period from 1996-2003. Soon after the Persian Gulf war, the major West European suppliers generally maintained a notable share of arms transfer agreements. More recently this share has declined. For the 2000-2003 period, they collectively held 8.4 percent of all arms transfer agreements with developing nations \$6.5 billion. Individual suppliers within the major West European group have had notable years for arms agreements, especially France in 1997 and 1998 \$5.3 billion and \$2.7 billion respectively. The United Kingdom also had a large agreement year in 1996 \$3.2 billion, and at least \$1 billion in 1997, 1998, and 1999. Germany concluded arms agreements totaling \$1.7 billion in 1998, with its highest total at \$2.2 billion in 1999. For each of these three nations, large agreement totals in one year have usually reflected the conclusion of very large arms contracts with one or more major purchasers in that particular year.

The Major West European suppliers have traditionally had their competitive position in weapons exports strengthened through strong government marketing support for their foreign arms sales. Since they can produce both advanced and basic air, ground, and naval weapons systems, the four major West European suppliers have competed successfully for arms sales contracts with developing nations against both the United States, which has tended to sell to several of the same clients, and with Russia, which has sold to nations not traditional customers of either the West Europeans or the U.S. The demand for U.S. weapons in the global arms marketplace, from a large established client base, has created a more difficult environment for individual West European suppliers to secure large new contracts with developing nations on a sustained basis. Furthermore, with the decline in demand by key Near East countries for major weapons purchases, the levels of new arms agreements by major West European suppliers have fallen off notably.

Consequently, some of these suppliers have begun to phase out production of certain types of weapons systems, and have increasingly sought to join joint production ventures with other key European weapons suppliers or even client countries in an effort to sustain major sectors of their individual defense industrial bases. The Eurofighter project is one key example. Other European suppliers have also adopted the strategy of cooperating in defense production ventures with the United States such as the Joint Strike fighter, to both meet their own requirements for advanced combat aircraft, and to share in profits resulting from future sales of this aircraft.

Regional Arms Transfer Agreements

A major stimulus to reaching arms transfer agreements with Near East nations was the Persian Gulf crisis of August 1990-February 1991. This crisis, culminating in a war to expel Iraq from Kuwait, created new demands by key purchasers such as Saudi Arabia, Kuwait, the United Arab Emirates, and other members of the Gulf Cooperation Council (GCC), for a variety of advanced weapons systems. Egypt and Israel continued their modernization and increased their weapons purchases from the United States. The Gulf states' arms purchase demands were not only a response to Iraq's aggression against Kuwait, but a reflection of concerns regarding perceived

threats from a potentially hostile Iran. It remains to be determined whether Gulf states' assessments of the future threat environment, in the post-Saddam Hussein era in Iraq, will lead to declines in their arms purchases. However, in recent years, the position of Saudi Arabia as principal arms purchaser in the Persian Gulf has notably receded. In the period from 1996-1999, Saudi Arabia's total arms agreements were valued at \$6 billion. For the period from 2000-2003, Saudi Arabia's total arms agreements had declined to \$3.4 billion, a decline of over 43 percent. In Asia, efforts in several developing nations have been focused on upgrading and modernizing defense forces, and this has led to important new conventional weapons sales in that region. Since the mid-1990s, Russia has become the principal supplier of advanced conventional weaponry to China, while maintaining its position as principal arms supplier to India. Russia has also made some progress in expanding its client base in Asia with aircraft orders from Malaysia, Vietnam, and Indonesia. The data on regional arms transfer agreements from 1996-2003 continue to reflect that Near East and Asian nations are the primary sources of orders for conventional weaponry in the developing world.

Near East

The Near East has generally been the largest arms market in the developing world. In 1996-1999, it accounted for nearly 44 percent of the total value of all developing nations arms transfer agreements \$34.1 billion in current dollars, ranking it first ahead of Asia which ranked second with 36.8 percent of these agreements. However, during 2000-2003, the Near East region accounted for 37 percent of all such agreements \$24.6 billion in current dollars, placing it second to Asia in arms agreements with the developing world. Table 1D.

The United States dominated arms transfer agreements with the Near East during the 1996-2003 period with 59.5 percent of their total value \$34.9 billion in current dollars. France was second during these years with 12.6 percent \$7.4 billion in current dollars. Recently, from 2000 through 2003, the United States accounted for 75.6 percent of arms agreements with this region \$18.6 billion in current dollars, while Russia accounted for 8.1 percent of the region's agreements \$2 billion in current dollars. Chart 5.

Asia

Asia has generally been the second largest developing world arms market. Yet in 2000-2003, Asia ranked first, accounting for 50.8 percent of the total value of all arms transfer agreements with developing nations \$33.8 billion in current dollars. In the earlier period, 1996-1999, the region accounted for 36.8 percent of all such agreements \$28.6 billion in current dollars, ranking second. Table 1D.

In the earlier period (1996-1999), Russia ranked first in the value of arms transfer agreements with Asia with 35.4 percent \$10.1 billion in current dollars. The United States ranked second with 21.6 percent \$6.2 billion in current dollars. The major West European suppliers, as a group, made 23.5 percent of this region's agreements in 1996 through 1999. In the later period from 2000 through 2003, Russia ranked first in Asian agreements with 48.8 percent \$16.5 billion in current dollars, primarily due to major combat aircraft sales to India and China. The United States ranked second with 20.6 percent \$7.1 billion in current dollars. The major West European suppliers, as a group, made 13 percent of this region's agreements in 2000 through 2003. Chart 6.

Leading Developing Nations Arms Purchasers

The U.A.E. was the leading developing world arms purchaser from 1996-2003, making arms transfer agreements totaling \$15.7 billion during these years in current dollars. In the 1996-1999 period, the U.A.E. ranked first in arms transfer agreements at \$7.6 billion in current dollars. In 2000-2003, however, China ranked first in arms transfer agreements, with a dramatic increase to \$9.3 billion from \$4.4 billion in the earlier period (in current dollars). This increase reflects the

military modernization effort by China in the 1990s, based primarily on major arms agreements with Russia. The total value of all arms transfer agreements with developing nations from 1996-2003 was \$150.6 billion in current dollars. Thus the United Arab Emirates alone was responsible for 10.4 percent of all developing world arms transfer agreements during these eight years. In the most recent period, 2000-2003, China made \$9.3 billion in arms transfer agreements (in current dollars). This total constituted 12.8 percent of all arm transfer agreements with developing nations during these years, which totaled \$72.9 billion during these years. The U.A.E. ranked second in arms transfer agreements during 2000-2003 with \$8.1 billion (in current dollars), or 11.8 percent of the value of all developing world arms transfer agreements.

The values of the arms transfer agreements of the top ten developing world recipient nations in both the 1996-1999 and 2000-2003 periods accounted for the largest portion of the total developing nations arms market. During 1996-1999, the top ten recipients collectively accounted for 62.6 percent of all developing world arms transfer agreements. During 2000-2003, the top ten recipients collectively accounted for 71.7 percent of all such agreements. Arms transfer agreements with the top ten developing world recipients, as a group, totaled \$9 billion in 2003 or 65.5 percent of all arms transfer agreements with developing nations in that year. This reflects the continued concentration of major arms purchases by developing nations within a few countries.

Egypt ranked first among all developing world recipients in the value of arms transfer agreements in 2003, concluding \$1.8 billion in such agreements. China ranked second in agreements in 2003 at \$1.6 billion. Malaysia ranked third with \$1.5 billion in agreements. Six of these top ten recipients were in the Asian region, four were in the Near East.

Saudi Arabia was the leading recipient of arms deliveries among developing world recipients in 2003, receiving \$5.8 billion in such deliveries. Saudi Arabia alone received 34.1 percent of the total value of all arms deliveries to developing nations in 2003. Egypt ranked second in arms deliveries in 2003 with \$2.1 billion. India ranked third with \$2 billion. Arms deliveries to the top ten developing nation recipients, as a group, were valued at nearly \$17 billion, or 89.4 percent of all arms deliveries to developing nations in 2003. Six of these top ten recipients were in Asia; four were in the Near East.

Weapons Types Recently Delivered to Near East Nations

Regional weapons delivery data reflect the diverse sources of supply of conventional weaponry available to developing nations. Even though the United States, Russia, and the four major West European suppliers dominate in the delivery of the fourteen classes of weapons examined, it is also evident that the other European suppliers and some non-European suppliers, including China, are capable of being leading suppliers of selected types of conventional armaments to developing nations. Tables 3 and 4.

Weapons deliveries to the Near East, historically the largest purchasing region in the developing world, reflect the substantial quantities and types delivered by both major and lesser suppliers. An illustrative summary of weapons deliveries to this region for the period 2000-2003 can be found in Table 5.

Large numbers of major combat systems were delivered to the Near East region from 2000 through 2003, specifically, tanks and self-propelled guns, armored vehicles, major and minor surface combatants, supersonic combat aircraft, helicopters, air defense and anti-ship missiles. The United States and Russia made significant deliveries of supersonic combat aircraft and anti-ship missiles to the region. Russia, the United States, and European suppliers in general were principal suppliers of tanks and self propelled guns, APCs and armored cars, surface-to-air missiles, as well as helicopters. Three of these weapons categories supersonic combat aircraft, helicopters, and tanks and self-propelled guns are especially costly and are an important portion

of the dollar values of arms deliveries by the United States, Russia, and European suppliers to the Near East region during the 2000-2003 period.

United States

- 276 tanks and self-propelled guns
- 46 APCs and armored cars
- 2 major surface combatants
- 2 minor surface combatants
- 26 supersonic combat aircraft
- 14 helicopters
- 374 surface-to-air missiles
- 63 anti-ship missiles

Russia

- 70 tanks and self-propelled guns
- 150 APCs and armored cars
- 30 supersonic combat aircraft
- 50 helicopters
- 880 surface-to-air missiles
- 30 anti-ship missiles

China

- 50 Artillery pieces
- 40 APCs and armored cars
- 1 guided missile boat
- 20 anti-ship missiles

Major West European Suppliers

- 290 tanks and self-propelled guns
- 20 APCs and armored cars
- 4 major surface combatants
- 27 minor surface combatant
- 4 guided missile boats
- 1 submarine
- 30 helicopters
- 90 anti-ship missiles

All Other European Suppliers

- 420 tanks and self-propelled guns
- 220 APCs and armored cars
- 1 major surface combatant
- 9 minor surface combatants
- 20 supersonic combat aircraft
- 380 surface-to-air missiles

All Other Suppliers

- 10 tanks and self-propelled guns
- 120 APCs and armored cars
- 48 minor surface combatants
- 20 helicopters
- 20 surface-to-surface missiles
- 20 anti-ship missiles

The cost of naval combatants is also generally high, and suppliers of such systems during this period had their delivery value totals notably increased due to these transfers. Some of the less expensive weapons systems delivered to the Near East are deadly and can create important security threats within the region. In particular, from 2000-2003, China delivered to the Near East region twenty anti-ship missiles, the major West European suppliers delivered ninety, while the United States delivered sixty-three, and Russia thirty. China also delivered one guided missile boat to the Near East, while the major West European suppliers collectively delivered four guided missile boats, and twenty-seven minor surface combatants. Other non-European suppliers delivered forty-eight minor surface combatants, as well as twenty surface-to-surface missiles, a weapons category not delivered by any of the other major weapons suppliers during this period.

United States Commercial Arms Exports

The United States commercial deliveries data set out below in this report are included in the main data tables for deliveries worldwide and for deliveries to developing nations collectively. They are presented separately here to provide an indicator of their overall magnitude in the U.S. aggregate deliveries totals to the world and to all developing nations. The United States is the only major arms supplier that has two distinct systems for the export of weapons: the government-to-government FMS system, and the licensed commercial export system. It should be noted that data maintained on U.S. commercial sales agreements and deliveries are incomplete, and are not collected or revised on an on-going basis, making them significantly less precise than those for the U.S. FMS program which accounts for the overwhelming portion of U.S. conventional arms transfer agreements and deliveries involving weapons systems. There are no official compilations of commercial agreement data comparable to that for the FMS program maintained on an annual basis. Once an exporter receives from the Department of State a commercial license authorization to sell valid for four years, there is no current requirement that the exporter provide to the Department of State, on a systematic and on-going basis, comprehensive details regarding any sales contract that results from the license approval, including if any such contract is reduced in scope or cancelled. Nor is the exporter required to report that no contract with the prospective buyer resulted. Annual commercial deliveries data are obtained from shipper's export documents and completed licenses returned from ports of exit by the U.S. Customs Service to the Office of Defense Trade Controls (PM/DTC) of the Department of State, which makes the final compilation of such data. This process for obtaining commercial deliveries data is much less systematic and much less timely than that taken by the Department of Defense for government-to-government FMS transactions. Recently, efforts have been initiated by the U.S. government to improve the timeliness and quality of U.S. commercial deliveries data. The values of U.S. commercial arms deliveries to all nations and deliveries to developing nations for fiscal years 1996 through 2003, in current dollars, according to the U.S. Department of State, were as follows:

<u>Fiscal Year</u>	<u>Commercial Deliveries (Worldwide)</u>	<u>Commercial Deliveries (to Developing Nations)</u>
1996	\$1,563,000,000	\$696,000,000
1997	\$1,818,000,000	\$1,141,000,000
1998	\$2,045,000,000	\$798,000,000
1999	\$654,000,000	\$323,000,000
2000	\$478,000,000	\$233,000,000
2001	\$821,000,000	\$588,000,000
2002	\$341,000,000	\$213,000,000
2003	\$2,727,000,000	\$342,000,000

Summary of Data Trends, 1996-2003

Tables 1 through 1J present data on arms transfer agreements with developing nations by major suppliers from 1996-2003. These data show the most recent trends in arms contract activity by major suppliers. Delivery data, which reflect implementation of sales decisions taken earlier, are shown in Tables 2 through 2J. Tables 8, 8A, 8B, 8C and 8D provide data on worldwide arms transfer agreements from 1996-2003, while tables 9, 9A, 9B, 9C and 9D provide data on worldwide arms deliveries during this period. To use these data regarding agreements for purposes other than assessing general trends in seller and buyer activity is to risk drawing conclusions that can be readily invalidated by future events precise values and comparisons, for example, may change due to cancellations or modifications of major arms transfer agreements. These data sets reflect the comparative order of magnitude of arms transactions by arms suppliers with recipient nations expressed in constant dollar terms, unless otherwise noted.

What follows is a detailed summary of data trends from the tables in the report. The summary statements also reference tables and/or charts pertinent to the point(s) noted. Where graphic representations of some major points are made in individual charts, their underlying data is taken from the pertinent tables of this report.

Total Developing Nations Arms Transfer Agreement Values

Table 1 shows the annual current dollar values of arms transfer agreements with developing nations. Since these figures do not allow for the effects of inflation, they are, by themselves, of somewhat limited use. They provide, however, the data from which Table 1A (constant dollars) and Table 1B (supplier percentages) are derived. Some of the more noteworthy facts reflected by these data are summarized below.

- The value of all arms transfer agreements with developing nations in 2003 was \$13.7 billion. This was a substantial decrease over 2002, but still the lowest total, in real terms, for arms transfer agreements with developing nations for the eight year period from 1996 through 2003. Chart 1.

- The total value of United States agreements with developing nations fell notably from \$8.9 billion in 2002 to \$6.2 billion in 2003. The United States' share of all developing world arms transfer agreements fell from 51 percent in 2002 to 45.4 percent in 2003. Chart 3.

- In 2003, the total value, in real terms, of Russian arms transfer agreements with developing nations declined notably from the previous year, falling from \$5.3 billion in 2002 to \$3.9 billion in 2003. The Russian share of all such agreements declined from 30.7 percent in 2002 to 23.4 percent in 2003. Charts 3 and 4.

- The four major West European suppliers, as a group (France, United Kingdom, Germany, Italy), registered a decline in their collective share of all arms transfer agreements with developing nations between 2002 and 2003. This group's share fell from 6.5 percent in 2002 to 5.8 percent in 2003. The collective value of this group's arms transfer agreements with developing nations in 2003 was \$800 million compared with a total of \$1.1 billion in 2002. Charts 3 and 4.

- France registered a slight increase in its share of all arms transfer agreements with developing nations, rising from 2.4 percent in 2002 to 3.6 percent in 2003. The value of its agreements with developing nations rose from \$411 million in 2002 to \$500 million in 2003.

- In 2003, the United States ranked first in arms transfer agreements with developing nations at \$6.2 billion. Russia ranked second at \$3.9 billion. Charts 3 and 4 and Table 1G.

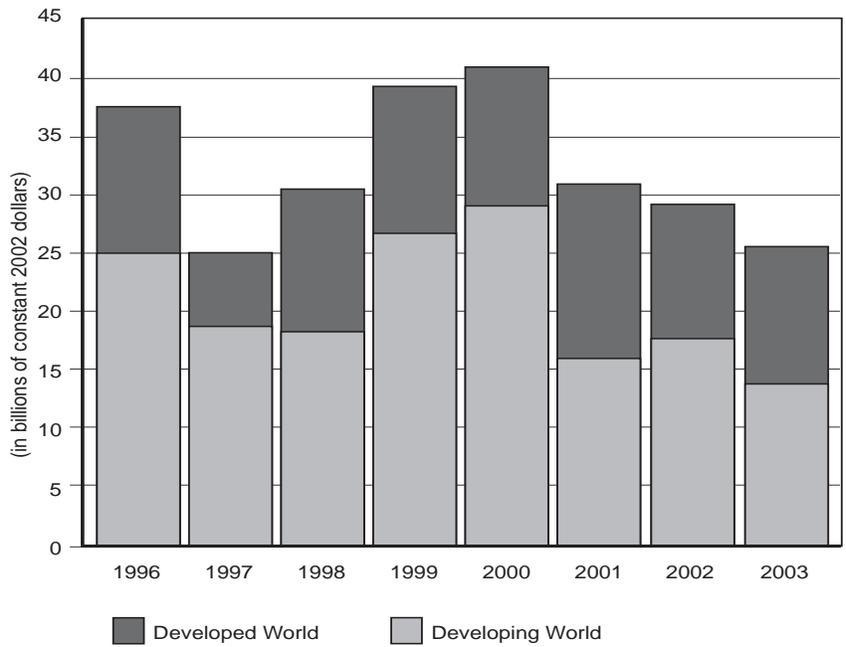


Chart 1. Arms Transfer Agreements Worldwide, 1996-2003 Developed and Developing Worlds Compared

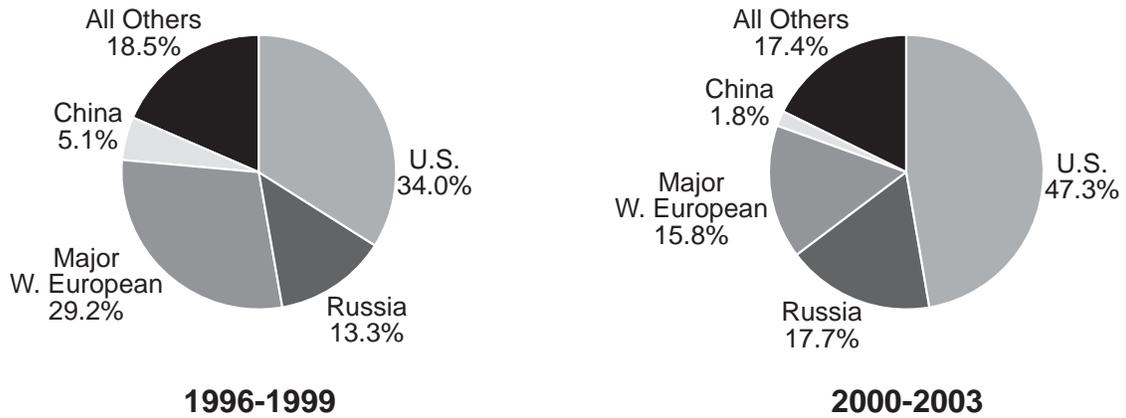
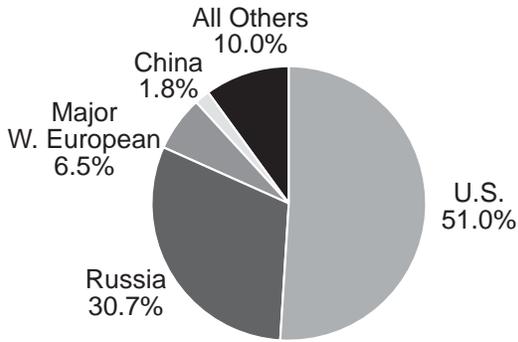
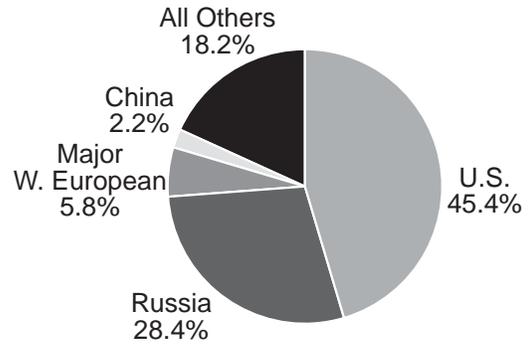


Chart 2. Arms Transfer Agreements Worldwide (supplier percentage of value).



2002



2003

Chart 3. Arms Transfer Agreements With Developing Nations (supplier percentage of value).

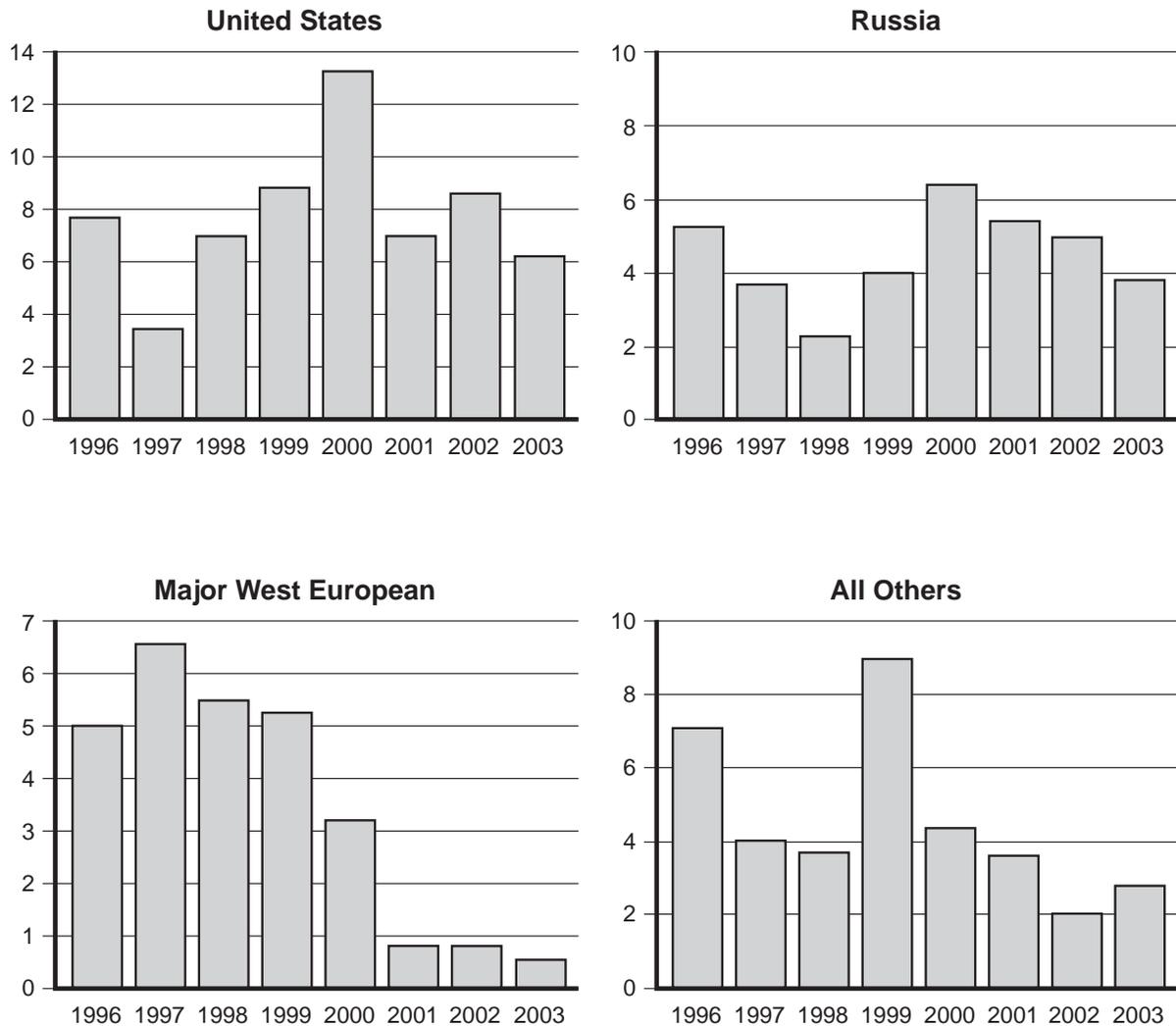


Chart 4. Arms Transfer Agreements With Developing Nations by Major Supplier, 1996-2003 (billions of constant 2003 dollars)

**Figure 1. Worldwide Arms Transfer Agreements,
1996 - 2003 and Suppliers' Share with Developing World
(in millions of constant 2003 U.S. dollars)**

Supplier	Worldwide Agreements Value 1996-1999	Percentage of Total with Developing World
United States	45,405	60.60
Russia	17,766	87.70
France	14,207	75.30
United Kingdom	10,909	62.20
China	6,790	86.50
Germany	11,583	36.20
Italy	2,301	55.30
All Other European	15,577	73.40
All Others	<u>9,190</u>	<u>71.80</u>
Total	133,728	67.30

Supplier	Worldwide Agreements Value 2000-2003	Percentage of Total with Developing World
United States	59,995	59.70
Russia	22,504	93.60
France	10,213	37.50
United Kingdom	2,104	39.30
China	2,318	100.00
Germany	5,105	23.30
Italy	2,586	24.00
All Other European	15,116	39.40
All Others	<u>6,933</u>	<u>71.50</u>
Total	126,874	60.40

Supplier	Worldwide Agreements Value 2003	Percentage of Total with Developing World
United States	14,543	42.90
Russia	4,300	90.70
France	1,000	50.00
United Kingdom	100	0.00
China	300	100.00
Germany	1,400	0.00
Italy	600	50.00
All Other European	2,300	73.90
All Others	<u>1,100</u>	<u>72.70</u>
Total	25,643	53.60

Regional Arms Transfer Agreements, 1996-2003

Table 1C gives the values of arms transfer agreements between suppliers and individual regions of the developing world for the periods 1996-1999 and 2000-2003. These values are expressed in current U.S. dollars.¹ Table 1D, derived from Table 1C, gives the percentage distribution of each supplier's agreement values within the regions for the two time periods. Table 1E, also derived from table 1C, illustrates what percentage share of each developing world

1. Because these regional data are composed of four-year aggregate dollar totals, they must be expressed in current dollar terms.

region's total arms transfer agreements was held by specific suppliers during the years 1996 through 1999 through 2000 and 2003.

Near East

- The Near East has generally been the largest arms market in the developing world. In 1996-1999, it accounted for nearly 44 percent of the total value of all developing nations arms transfer agreements \$34.1 billion in current dollars, ranking it first ahead of Asia which ranked second with 36.8 percent of these agreements. However, during 2000 through 2003, the Near East region accounted for nearly 37 percent of all such agreements \$24.6 billion in current dollars, placing it second to Asia in arms agreements with the developing world. Tables 1D.

- The United States has dominated arms transfer agreements with the Near East during the 1996-2003 period with 59.5 percent of their total value (\$34.9 billion in current dollar). France was second during these years with 12.6 percent (\$7.4 billion in current dollar). Recently, from 2000 through 2003, the United States accounted for 75.6 percent of arms agreements with this region \$18.6 billion in current dollars, while Russia accounted for 8.1 percent of the region's agreements \$2 billion in current dollars. Chart 5.

- For the period 1996-1999, the United States concluded 68.5 percent of its developing world arms transfer agreements with the Near East. In 2000-2003, the U.S. concluded 67.2 percent of its agreements with this region Table 1D.

- For the period 1996-1999, the four major West European suppliers collectively made 44.4 percent of their developing world arms transfer agreements with the Near East. In 2000 through 2003, the major West Europeans made 18 percent of their arms agreements with the Near East. Table 1D.

- For the period 1996-1999, France concluded 73.1 percent of its developing world arms transfer agreements with the Near East. In 2000-2003, France made 16.7 percent of its agreements with the Near East. Table 1D.

- For the period 1996-1999, the United Kingdom concluded 24.6 percent of its developing world arms transfer agreements with the Near East. In 2000-2003, the United Kingdom made 50 percent of its agreements with the Near East. Table 1D.

- For the period 1996-1999, China concluded 34 percent of its developing world arms transfer agreements with the Near East. In 2000-2003, China made 23.8 percent of its agreements with the Near East. Table 1D.

- For the period 1996-1999, Russia concluded 15.7 percent of its developing world arms transfer agreements with the Near East. In 2000-2003, Russia made 9.9 percent of its agreements with the Near East. Table 1D.

- In the earlier period (1996-1999), the United States ranked first in arms transfer agreements with the Near East with 47.9 percent. France ranked second with 19.9 percent. Russia ranked third with 6.2 percent. The major West European suppliers, as a group, made 25.5 percent of this region's agreements in 1996-1999. In the later period 2000 through 2003, the United States ranked first in Near East agreements with 75.6 percent. Russia ranked second with 8.1 percent. The major West European suppliers, as a group, made 4.5 percent of this region's agreements in 2000-2003. Chart 5.

Asia

- Asia has generally been the second largest arms market in the developing world. Yet in 2000-2003, Asia ranked first, accounting for 50.8 percent of the total value of all arms transfer agreements with developing nations (\$33.8 billion in current dollars). In the earlier period, 1996-

Table 1D. Percentage of Each Supplier's Agreements Value by Region

	Asia		Near East		Latin America		Africa		Total	
	1996-1999	2000-2003	1996-1999	2000-2003	1996-1999	2000-2003	1996-1999	2000-2003	1996-1999	2000-2003
United States	25.87%	25.60%	68.53%	67.15%	5.19%	6.76%	0.41%	0.50%	100.00%	100.00%
Russia	73.37%	81.68%	15.67%	9.90%	2.24%	1.98%	6.72%	6.44%	100.00%	100.00%
France	12.90%	80.56%	73.12%	16.67%	7.53%	0.00%	6.45%	2.78%	100.00%	100.00%
United Kingdom	59.65%	50.00%	24.56%	50.00%	0.00%	0.00%	15.79%	0.00%	100.00%	100.00%
China	46.00%	52.38%	34.00%	23.81%	2.00%	0.00%	18.00%	23.81%	100.00%	100.00%
Germany	45.71%	90.91%	11.43%	0.00%	0.00%	9.09%	42.86%	0.00%	100.00%	100.00%
Italy	45.45%	16.67%	9.09%	16.67%	9.09%	33.33%	36.36%	33.33%	100.00%	100.00%
All Other										
European	14.14%	40.74%	35.35%	24.07%	18.18%	12.96%	32.32%	22.22%	100.00%	100.00%
All Others	32.20%	50.00%	30.51%	22.00%	20.34%	14.00%	16.95%	14.00%	100.00%	100.00%
[Major West European*	34.18%	72.13%	44.39%	18.03%	4.08%	4.92%	17.35%	4.92%	100.00%	100.00%
Total	36.79%	50.82%	43.97%	36.98%	7.00%	5.97%	12.23%	6.22%	100.00%	100.00%

*Major West European category includes France, United Kingdom, Germany, Italy.

1999, the region accounted for 36.8 percent of all such agreements (\$28.6 billion in current dollars), ranking second. Tables 1C and 1D.

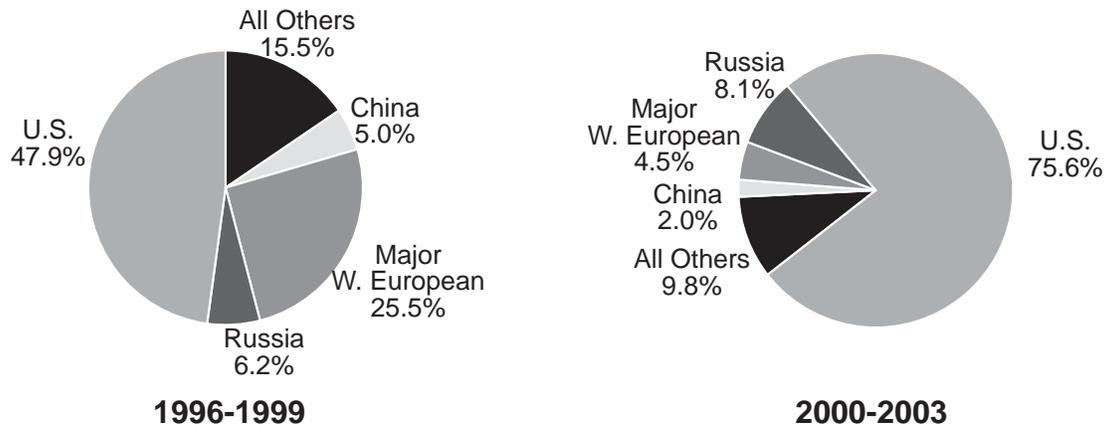


Chart 5. Arms Transfer Agreements With Near East (supplier percentage of value)

- In the earlier period (1996-1999), Russia ranked first in the value of arms transfer agreements with Asia with 35.4 percent \$10.1 billion in current dollars. The United States ranked second with 21.6 percent \$6.2 billion in current dollars. The major West European suppliers, as a group, made 23.5 percent of this region's agreements in 1996-1999. In the later period from 2000 through 2003, Russia ranked first in Asian agreements with 48.8 percent \$16.5 billion in current dollars, primarily due to major combat aircraft sales to India and China. The United States ranked second with 20.6 percent \$7.1 billion in current dollars. The major West European suppliers, as a group, made 13 percent of this region's agreements in 2000-2003. Chart 6.

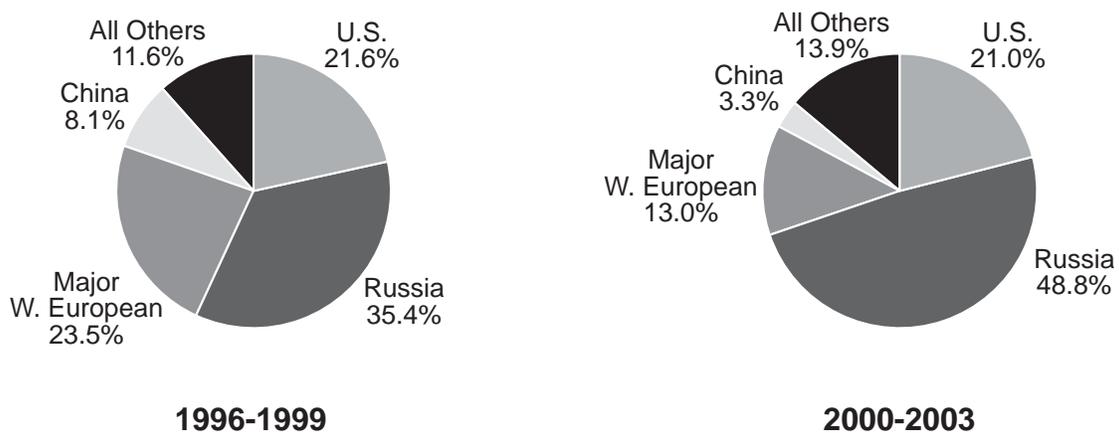


Chart 6. Arms Transfer Agreements With Asia (supplier percentage of value)

Latin America

- In the earlier period, 1996-1999, the United States ranked first in arms transfer agreements with Latin America with 22.3 percent. France ranked second with 12.9 percent. The major West European suppliers, as a group, made 14.7 percent of this region's agreements in 1996-1999. In the later period, 2000-2003, the United States ranked first with 47.1 percent. Russia ranked second with 10.1 percent. All other non-major European suppliers as a group, and

all other non-European suppliers collectively each made 17.6 percent of the region's agreements in 2000-2003. Latin America registered a significant decline in the total value of its arms transfer agreements from 1996-1999 to 2000-2003, falling from \$5.4 billion in the earlier period to \$4 billion in the latter.

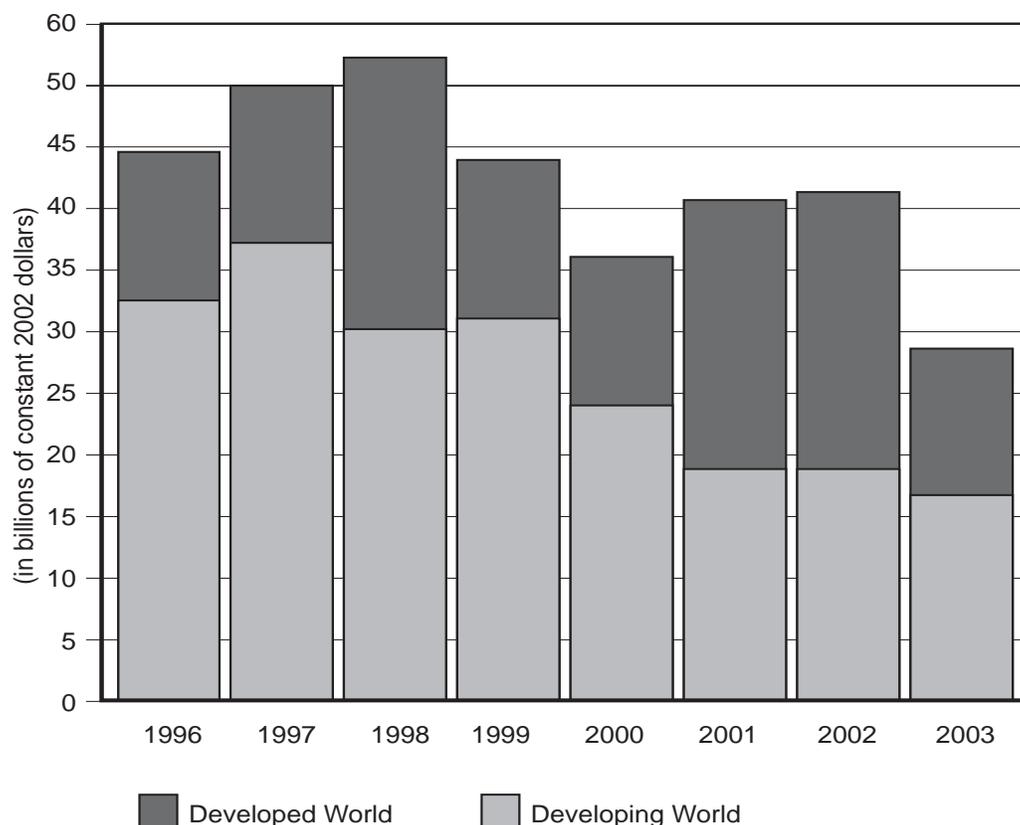


Chart 7. Arms Deliveries Worldwide 1996-2003 Developed and Developing Worlds Compared.

Africa

- In the earlier period, 1996-1999, Germany ranked first in agreements with Africa with 15.8 percent (\$1.5 billion in current dollars). Russia, China, and the United Kingdom tied for second with 9.5 percent. The major West European suppliers, as a group, made 35.8 percent of the region's agreements in 1996 through 1999. The United States made 1 percent. In the later period, 2000 through 2003, Russia ranked first in agreements with 31.4 percent \$1.3 billion. China ranked second with 12.1 percent \$500 million. The major West European suppliers, as a group, made 16.9 percent of this region's agreements in 2000-2003. All other European suppliers collectively made 29 percent \$1.2 billion. The United States made 3.3 percent. Africa registered a substantial decline in the total value of its arms transfer agreements from 1996 through 1999 to 2000 through 2003, falling from \$9.5 billion in the earlier period to \$4.1 billion in the latter in current dollars. The notable fall in the level of arms agreements reflected, to an important degree, that South Africa's substantial new defense procurement program orders were placed during the earlier time period.

Arms Transfer Agreements With Developing Nations, 1996-2003: Leading Suppliers Compared

Table 1F gives the values of arms transfer agreements with the developing nations from 1996 through 2003 by the top eleven suppliers. The table ranks these suppliers on the basis of the total current dollar values of their respective agreements with the developing world for each of three periods: 1996-1999, 2000-2003 and 1996-2003. The facts reflected in this table are the following:

- The United States ranked first among all suppliers to developing nations in the value of arms transfer agreements from 2000-2003 \$34.1 billion, and first for the entire period from 1996 through 2003, \$57.9 billion.
- Russia ranked second among all suppliers to developing nations in the value of arms transfer agreements from 2000 through 2003, \$20.1 billion, and second from 1996 through 2003 \$33.5 billion.
- France ranked third among all suppliers to developing nations in the value of arms transfer agreements from 2000-2003, \$3.6 billion, and third from 1996 through 2003, \$12.8 billion.
- China ranked fourth among all suppliers to developing nations in the value of arms transfer agreements from 2000 through 2003, \$2.2 billion, and fourth from 1996 through 2003, \$7.3 billion.
- The United Kingdom ranked ninth among all suppliers to developing nations in the value of arms transfer agreements from 2000 through 2003, \$800 million, and fifth from 1996 through 2003, \$6.6 billion.

Arms Transfer Agreements With Developing Nations in 2003: Leading Suppliers Compared

Table 1G ranks and gives for 2003 the values of arms transfer agreements with developing nations of the top eleven suppliers in current U.S. dollars. The facts reflected in this table are the following:

- The United States and Russia, the year's top two arms suppliers ranked by the value of their arms transfer agreements collectively made agreements in 2003 valued at \$10.1 billion, 73.8 percent of all arms transfer agreements made with developing nations by all suppliers, \$13.7 billion.
- In 2003, the United States ranked first in arms transfer agreements with developing nations, making \$6.2 billion in such agreements, or 45.4 percent of them.
- Russia ranked second and the Netherlands third in arms transfer agreements with developing nations in 2003, making \$3.9 billion and \$700 million in such agreements respectively.
- France ranked fourth in arms transfer agreements with developing nations in 2003, making \$500 million in such agreements, while Poland ranked fifth with \$400 million.

Arms Transfer Agreements With Near East 1996-2003: Suppliers And Recipients

Table 1H gives the values of arms transfer agreements with the Near East nations by suppliers or categories of suppliers for the periods 1996-1999 and 2000-2003. These values are expressed in current U.S. dollars. They are a subset of the data contained in Table 1 and Table 1C. Among the facts reflected by this table are the following:

- For the most recent period, 2000-2003, the principal purchasers of U.S. arms in the Near East region, based on the value of agreements were the
U.A.E. \$7.1 billion;

Egypt (\$6.2 billion),
Israel (\$5.1 billion), and
Saudi Arabia (\$2.7 billion).

The principal purchasers of Russian arms were:

- Algeria, U.A.E, and Yemen (\$400 million each),
- Egypt (\$300 million), and
- Iran and Syria (\$200 million each).

The principal purchasers of arms from China were

- Egypt and Kuwait (\$200 million each), and
- Iran and Yemen (\$100 million each).

The principal purchasers of arms from the four major West European suppliers, as a group, were:

- Saudi Arabia(\$500 million);
- Oman, and the U.A.E. (\$300 million each).

The principal purchasers of arms from all other European suppliers collectively were the

- U.A.E. (\$300 million);
- Saudi Arabia (\$200 million).

The principal purchasers of arms from all other suppliers combined were

- Libya (\$300 million), and
- Kuwait and Jordan (\$200 million each).
- For the period from 2000-2003, the U.A.E. made \$8.1 billion in arms transfer agreements. The United States (\$7.1 billion), and Russia (\$400 million) were its largest suppliers. Egypt made \$6.8 billion in arms transfer agreements. Its major supplier was the United States (\$6.2 billion). Israel made \$5.2 billion in arms transfer agreements. Its principal supplier was the United States (\$5.1 billion). Saudi Arabia made \$3.4 billion in arms transfer agreements. Its principal suppliers were: the United States (\$2.7 billion), and the four major West European suppliers collectively (\$500 million).

- The total value of arms transfer agreements by China with Iran fell from \$800 million to \$100 million during the periods from 1996-1999 to 2000-2003 respectively. The value of Russia's arms transfer agreements with Iran fell from \$400 million in the earlier period to \$200 million from 2000-2003.

- The value of arms transfer agreements by the United States with Saudi Arabia fell notably from the 1996-1999 period to the 2000 through 2003 period, declining from \$4.6 billion in the earlier period to \$2.7 billion in the later period. Saudi Arabia still made 79.4 percent of all its arms transfer agreements with the United States during 2000-2003. Meanwhile, arms transfer agreements with the U.A.E. by the major West European suppliers decreased significantly from 1996 through 1999 to 2000 through 2003, falling from \$6.1 billion to \$300 million.

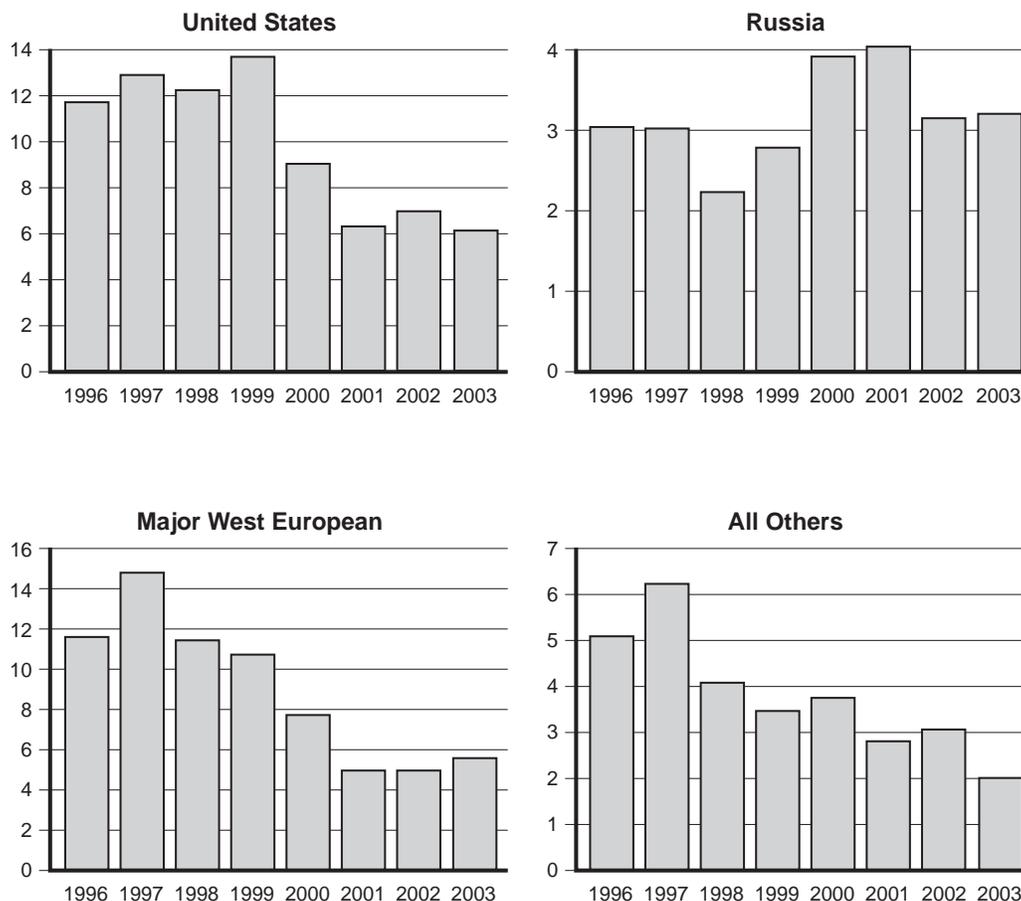
Arms Transfers to Developing Nations, 1996-2003: Agreements With Leading Recipients

Table II gives the values of arms transfer agreements made by the top ten recipients of arms in the developing world from 1996-2003 with all suppliers collectively. The table ranks recipients on the basis of the total current dollar values of their respective agreements with all suppliers for

each of three periods – 1996-1999, 2000-2003 and 1996-2003. Among the facts reflected in this table are the following:

- The U.A.E. was the leading developing world arms purchaser from 1996-2003, making arms transfer agreements totaling \$15.7 billion during these years, in current dollars. In the 1996-1999 period, the U.A.E. ranked first in arms transfer agreements at \$7.6 billion, in current dollars. In 2000-2003, however, China ranked first in arms transfer agreements, with a dramatic increase to \$9.3 billion from \$4.4 billion in the earlier period. in current dollars. This increase reflects the military modernization effort by China in the 1990s, based primarily on major arms agreements with Russia. The total value of all arms transfer agreements with developing nations from 1996 through 2003 was \$150.6 billion in current dollars. Thus the alone was responsible for 10.4 percent of all developing world arms transfer agreements during these eight years. In the most recent period, 2000-2003, China made \$9.3 billion in arms transfer agreements, in current dollars. This total constituted 12.8 percent of all arm transfer agreements with developing nations during these years, which totaled \$72.9 billion during these years. The U.A.E. ranked second in arms transfer agreements during 2000 through 2003 with \$8.1 billion, in current dollars, or 11.1 percent of the value of all developing world arms transfer agreements.

- During 1996-1999, the top ten recipients collectively accounted for 62.6 percent of all developing world arms transfer agreements. During 2000 through 2003, the top ten recipients collectively accounted for 71.7 percent of all such agreements.



**Chart 8 Arms Deliveries to Developing Countries by Major Supplier, 1996-2003
(in billions of constant 2003 dollars)**

Figure 2. Worldwide Arms Deliveries, 1996-2003 and Suppliers' Share with Developing World
(In Millions of Constant 2003 U.S. Dollars)

Supplier	Worldwide Deliveries Value 1996 - 1999	Percentage of Total to Developing World
United States	91,133	56.30
Russia	12,987	86.60
France	26,161	87.60
United Kingdom	26,543	85.10
China	3,381	93.30
Germany	7,865	29.50
Italy	1,601	86.10
All Other European	16,390	69.50
All Others	<u>10,203</u>	<u>49.10</u>
Total	196,264	66.90

Supplier	Worldwide Deliveries Value 1996 - 1999	Percentage of Total to Developing World
United States	76,083	38.00
Russia	15,693	91.90
France	7,984	65.90
United Kingdom	21,136	78.20
China	2,824	96.20
Germany	4,177	29.70
Italy	1,363	15.30
All Other European	9,934	50.90
All Others	<u>8,989</u>	<u>48.80</u>
Total	148,183	53.10

Supplier	Worldwide Deliveries Value 1996 - 1999	Percentage of Total to Developing World
United States	13,648	46.20
Russia	3,400	97.00
France	1,200	43.80
United Kingdom	4,700	85.10
China	500	100.00
Germany	1,200	58.30
Italy	100	0.00
All Other European	2,400	29.20
All Others	<u>1,600</u>	<u>43.80</u>
Total	28,748	59.10

Arms Transfers to Developing Nations in 2003: Agreements With Leading Recipients

Table 1J names the top ten developing world recipients of arms transfer agreements in 2003. The table ranks these recipients on the basis of the total current dollar values of their respective agreements with all suppliers in 2003. Among the facts reflected in this table are the following:

- Egypt ranked first among all developing nations recipients in the value of arms transfer agreements in 2003, concluding \$1.8 billion in such agreements. China ranked second with \$1.6 billion. Malaysia ranked third with \$1.5 billion.
- Six of the top ten developing world recipients of arms transfer agreements in 2003 were in Asia. Four were in the Near East .
- Arms transfer agreements with the top ten developing world recipients, as a group, in 2003 totaled \$13.7 billion or 65.5 percent of all such agreements with the developing world, reflecting a continuing concentration of developing world arms purchases among a few nations.

Developing Nations Arms Delivery Values

Table 2 shows the annual current dollar values of arms deliveries, items actually transferred to developing nations by major suppliers from 1996 through 2003. The utility of these particular data is that they reflect transfers that have occurred. They provide the data from which Table 2A, constant dollars and Table 2B, supplier percentages are derived. Some of the more notable facts illustrated by these data are summarized below.

- In 2003 the value of all arms deliveries to developing nations \$17 billion was a notable decrease in deliveries values from the previous year, \$18.7 billion in constant 2003 dollars. Charts 7 and 8.
- The U.S. share of all deliveries to developing nations in 2003 was 37.1 percent, slightly down from 37.8 percent in 2002. In 2003, the United States, for the eighth year in a row, ranked first in the value of arms deliveries to developing nations (\$6.3 billion) (in constant 2003 dollars), reflecting continuing implementation of post Persian Gulf War era arms transfer agreements. The second leading supplier in 2003 was the United Kingdom, at \$4 billion. The United Kingdom's share of all deliveries to developing nations in 2003 was 23.5 percent, up from 18.7 percent in 2002. Russia, the third leading supplier in 2003, made \$3.3 billion in deliveries. Russia's share of all arms deliveries to developing nations in 2003 was 19.4 percent, up from 17.1 percent in 2002. The share of major West European suppliers deliveries to developing nations in 2003 was 32.4 percent, up from 27 percent in 2002.
- The total value of all arms deliveries by all suppliers to developing nations from 2000 through 2003 (\$78.7 billion in constant 2003 dollars) was dramatically lower than the value of arms deliveries by all suppliers to developing nations from 1996-1999 (\$131.4 billion in constant 2003 dollars).
- During the years 1996-2003, arms deliveries to developing nations comprised 61 percent of all arms deliveries worldwide. In 2003, the percentage of arms deliveries to developing nations was 59.1 percent of all arms deliveries worldwide. Figure 2.

Regional Arms Delivery Values, 1996-2003

Table 2C gives the values of arms deliveries by suppliers to individual regions of the developing world for the periods 1996-1999 and 2000-2003. These values are expressed in current U.S. dollars.² Table 2D, derived from table 2C, gives the percentage distribution of each supplier's deliveries values within the regions for the two time periods. Table 2E, also derived from table 2C, illustrates what percentage share of each developing world region's total arms delivery values was held by specific suppliers during the years 1996-1999 and 2000-2003. Among the facts reflected in these tables are the following:

Near East

The Near East has generally led in the value of arms deliveries received by the developing world. In 1996-1999, it accounted for 57.2 percent of the total value of all developing nations deliveries (\$63.9 billion in current dollars). During 2000-2003 the region accounted for 50.7 percent of all such deliveries (\$41.4 billion in current dollars). Table 2D.

For the period 1996-1999, the United States made 63.6 percent of its developing world arms deliveries to the Near East region. In 2000-2003, the United States made 47.4 percent of its developing world arms deliveries to the Near East region. Table 2D.

For the period 1996-1999, the United Kingdom made 81 percent of its developing world arms deliveries to the Near East region. In 2000-2003, the United Kingdom made 91.3 percent of its developing world arms deliveries to the Near East region. Table 2D.

For the period 1996-1999, 46.2 percent of France's arms deliveries to the developing world were to the Near East region. In the more recent period, 2000-2003, 93.9 percent of France's developing world deliveries were to nations of the Near East region. Table 2D.

For the period 1996-1999, Russia made 29.4 percent of its developing world arms deliveries to the Near East region. In 2000-2003, Russia made 9.5 percent of such deliveries to the Near East. Table 2D

In the earlier period, 1996-1999, the United States ranked first in the value of arms deliveries to the Near East with 42.7 percent (\$27.3 billion in current dollars). The United Kingdom ranked second with 25.4 percent (\$16.2 billion in current dollars). France ranked third with 14.4 percent (\$9.2 billion in current dollars). The major West European suppliers, as a group, held 41 percent of this region's delivery values in 1996-1999. In the later period (2000-2003), the United States ranked first in Near East delivery values with 39.6 percent (\$16.4 billion in current dollars). The United Kingdom ranked second with 34.8 percent (\$14.4 billion in current dollars). France ranked third with 11.1 percent (\$4.6 billion in current dollars). The major West European suppliers, as a group, held 46.9 percent of this region's delivery values in 2000-2003.

Asia

The Asia region has generally ranked second in the value of arms deliveries from most suppliers in both time periods. In the earlier period, 1996-1999, 35.8 percent of all arms deliveries to developing nations were to those in Asia (\$39.9 billion in current dollars). In the later period, 2000-2003, Asia accounted for 42.6 percent of such arms deliveries (\$35.4 billion in current dollars). For the period 2000-2003, Russia made 84.7 percent of its developing world arms deliveries to Asia. Germany made 53.9 percent of its developing world deliveries to Asia. China made 52 percent of its developing world deliveries to Asia, while the United States made 47.3 percent.

² Because these regional data are composed of four-year aggregate dollar totals, they must be expressed in current dollar terms.

In the period from 1996-1999, the United States ranked first in the value of arms deliveries to Asia with 34.9 percent (\$13.9 billion in current dollars). France ranked second with 26 percent (\$10.4 billion in current dollars). Russia ranked third with 13.5 percent (\$5.4 billion in current dollars). The major West European suppliers, as a group, held 38.8 percent of this region's delivery values in 1996-1999 (\$15.5 billion). In the period from 2000-2003, the United States ranked first in Asian delivery values with 47.1 percent (\$16.4 billion in current dollars). Russia ranked second with 33.4 percent (\$11.6 billion in current dollars)..

Latin America

In the earlier period, 1996-1999, the value of all arms deliveries to Latin America was \$4.3 billion. The United States ranked first in the value of arms deliveries to Latin America with 36.9 percent (\$1.7 billion in current dollars). The United Kingdom and Russia tied for second with 7.2 percent (\$100 million each in current dollars). The major West European suppliers, as a group, held 18.7 percent of this region's delivery values in 1996-1999. In the later period, 2000-2003, the United States ranked first in Latin American delivery values with 65.8 percent (\$1.7 billion in current dollars). Russia and France tied for second with 3.8 percent each. The major West European suppliers, as a group, held 3.8 percent of this region's delivery values in 2000-2003. During 2000-2003, the value of all arms deliveries to Latin America was \$2.6 billion, a substantial decline from the \$4.3 billion deliveries total for 1996-1999.

Africa

In the earlier period, 1996-1999, the value of all arms deliveries to Africa was over \$3.5 billion. Russia ranked first in the value of arms deliveries to Africa with 22.7 percent (\$800 million in current dollars). China ranked second with 14.2 percent (\$500 million in current dollars). The major West European suppliers, as a group, held 11.3 percent of this region's delivery values in 1996-1999. The United States held 3.6 percent. In the later period, 2000-2003, Russia ranked first in African delivery values with 24.2 percent (\$700 million in current dollars). China ranked second with 13.8 percent (\$400 million in current dollars). The United States held 3.3 percent. The other non-major European suppliers collectively held 27.6 percent (\$800 million in current dollars). All other non-European suppliers collectively held 20.7 percent (\$600 million in current dollars). During this later period, the value of all arms deliveries to Africa decreased notably from \$3.5 billion in 1996-1999 to \$2.9 billion (in current dollars).

Arms Deliveries to Developing Nations, 1996-2003: Leading Suppliers Compared

Table 2F gives the values of arms deliveries to developing nations from 1996-2003 by the top eleven suppliers. The table ranks these suppliers on the basis of the total current dollar values of their respective deliveries to the developing world for each of three periods – 1996-1999, 2000-2003 and 1996-2003. Among the facts reflected in this table are the following:

The United States ranked first among all suppliers to developing nations in the value of arms deliveries from 2000-2003 (\$27.6 billion), and first for the entire period from 1996-2003 (\$72 billion).

The United Kingdom ranked second among all suppliers to developing nations in the value of arms deliveries from 2000-2003 (\$15.8 billion), and second for the entire period from 1996-2003 (\$35.8 billion).

Russia ranked third among all suppliers to developing nations in the value of arms deliveries from 2000-2003 (\$13.8 billion), and fourth for the entire period from 1996-2003 (\$23.1 billion).

**Table 1F Arms Transfer Agreements with Developing Nations, 1996-2003:
Leading Suppliers Compared
(In Millions of Current U.S. Dollars)**

<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 1996-1999</u>
1	United States	23,838
2	Russia	13,400
3	France	9,200
4	United Kingdom	5,800
5	China	5,100
6	Germany	3,700
7	Sweden	2,400
8	Israel	1,700
9	Ukraine	1,600
10	Belarus	1,600
11	Italy	1,100
<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 1996-1999</u>
1	United States*	34,107
2	Russia	20,100
3	France	3,600
4	China	2,200
5	Israel	1,500
6	Ukraine	1,500
7	Germany	1,100
8	Spain	800
9	United Kingdom	800
10	Netherlands	800
11	Italy	600
<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 1996-1999</u>
1	United States*	57,945
2	Russia	33,500
3	France	12,800
4	China	7,300
5	United Kingdom	6,600
6	Germany	4,800
7	Israel	3,200
8	Ukraine	3,100
9	Sweden	2,500
10	Belarus	1,900
11	Italy	1,700

Source: U.S. Government.

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the actual rank order is maintained.

* The United States total includes a \$6.432 billion licensed commercial agreement with the in 2000 for 80 F-16 aircraft.

Arms Deliveries With Developing Nations in 2003: Leading Suppliers Compared

Table 2G ranks and gives for 2003 the values of arms deliveries to developing nations of the top ten suppliers in current U.S. dollars. Among the facts reflected in this table are the following:

The United States, the United Kingdom and Russia – the year’s top three arms suppliers – ranked by the value of their arms deliveries collectively made deliveries in 2003 valued at \$13.6 billion, 80 percent of all arms deliveries made to developing nations by all suppliers. In 2003, the United States ranked first in the value of arms deliveries to developing nations, making \$6.3 billion in such agreements, or 37.1 percent of them.

The United Kingdom ranked second and Russia third in deliveries to developing nations in 2003, making \$4 billion and \$3.3 billion in such deliveries respectively.

France ranked fourth in arms deliveries to developing nations in 2003, making \$800 million in such deliveries, while Germany ranked fifth with \$700 million in deliveries.

Arms Deliveries to Near East, 1996-2003: Suppliers and Recipients

Table 2H gives the values of arms delivered to Near East nations by suppliers or categories of suppliers for the periods 1996-1999 and 2000-2003. These values are expressed in current U.S. dollars. They are a subset of the data contained in table 2 and table 2C. Among the facts reflected by this table are the following:

For the most recent period, 2000-2003, the principal arms recipients of the United States in the Near East region, based on the value of their arms deliveries were Saudi Arabia (\$6.3 billion), Egypt (\$4.8 billion), Israel (\$2.9 billion), and Kuwait (\$1.1 billion). The principal arms recipients of Russia were Algeria (\$300 million), Iran, Egypt and Yemen (\$200 million each). The principal arms recipients of China were Kuwait (\$400 million), Egypt (\$200 million), and Algeria, and Yemen (\$100 million each). The principal arms recipients of the four major West European suppliers, as a group, were Saudi Arabia (\$16.6 billion), the U.A.E. (\$1.9 billion), Israel and Kuwait (\$300 million each). The principal arms recipient of all other European suppliers collectively was Saudi Arabia (\$1 billion). The principal arms recipient of all other suppliers, as a group, was Iran (\$400 million).

For the period 2000-2003, Saudi Arabia received \$23.9 billion in arms deliveries. Its principal suppliers were the United States (\$6.3 billion), and the four major West Europeans, as a group (\$16.6 billion). Egypt received \$5.4 billion in arms deliveries. Its principal supplier was the United States (\$4.8 billion). Israel received \$3.2 billion in arms deliveries. Its principal supplier was the United States (\$2.9 billion). The U.A.E. received \$2.6 billion in arms deliveries. Its principal suppliers were the four major West Europeans, as a group (\$1.9 billion). Kuwait received \$2.1 billion in arms deliveries. Its principal suppliers were the United States (\$1.1 billion). Iran received \$600 million in arms deliveries. Its principal suppliers were Russia (\$200 million) and all other non-European suppliers (\$400 million).

The value of United States arms deliveries to Saudi Arabia declined dramatically from \$16.6 billion in 1996-1999 to \$6.3 billion in 2000-2003, as implementation of major orders placed during the Persian Gulf war era continued to be concluded.

The value of Russian arms deliveries to Iran declined dramatically from the 1996-1999 period to the 2000-2003 period. Russian arms deliveries fell from \$900 million to \$200 million.

Chinese arms deliveries to Iran dropped substantially from 1996-1999 to 2000-2003, falling from \$700 million in 1996-1999 to nil in 2000-2003.

Arms Deliveries to Developing Nations, 1996-2003: The Leading Recipients

Table 2I gives the values of arms deliveries made to the top ten recipients of arms in the developing world from 1996-2003 by all suppliers collectively. The table ranks recipients on the basis of the total current dollar values of their respective deliveries from all suppliers for each of three periods – 1996-1999, 2000-2003 and 1996-2003. Among the facts reflected in this table are the following:

Saudi Arabia and Taiwan were the top two developing world recipients of arms from 1996-2003, receiving deliveries valued at \$61.1 billion and \$19.4 billion, respectively, during these years. The total value of all arms deliveries to developing nations from 1996-2003 was \$188.7 billion in current dollars (see table 2). Thus, Saudi Arabia and Taiwan were responsible for 32.4 percent and 10.3 percent, respectively, of all developing world deliveries during these eight years – together 32.7 percent of the total. In the most recent period – 2000-2003 – Saudi Arabia and China ranked first and second in the value of arms received by developing nations (\$23.9 billion and \$6.9 billion, respectively, in current dollars). Together, Saudi Arabia and China accounted for 41 percent of all developing world arms deliveries (\$30.8 billion out of \$75.2 billion – the value of all deliveries to developing nations in 2000-2003 (in current dollars).

For the 2000-2003 period, Saudi Arabia alone received \$23.9 billion in arms deliveries (in current dollars), or 31.8 percent of all deliveries to developing nations during this period.

During 1996-1999, the top ten recipients collectively accounted for 74.5 percent of all developing world arms deliveries. During 2000-2003, the top ten recipients collectively accounted for 75.6 percent of all such deliveries.

**Table 1G. Arms Transfer Agreements with Developing Nations in 2003:
Leading Suppliers Compared
(in millions of current U.S. dollars)**

<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 2003</u>
1	United States	6,242
2	Russia	3,900
3	Netherlands	700
4	France	500
5	Poland	400
6	Israel	400
7	Ukraine	300
8	China	300
9	Italy	300
10	Czech Republic	100
11	Spain	100

Source: U.S. Government.

Note: All foreign data are rounded to the nearest \$100 million.

Where rounded data totals are the same, the actual rank order is maintained.

**Table 1J. Arms Transfer Agreements of Developing Nations in 2003:
Agreements by Leading Recipients
(In Millions of Current U.S. Dollars)**

<u>Rank</u>	<u>Recipient</u>	<u>Agreements Value</u>
1	Egypt	1,800
2	China	1,600
3	Malaysia	1,500
4	Indonesia	900
5	Saudi Arabia	700
6	Israel	700
7	South Korea	600
8	India	400
9	Jordan	400
10	Taiwan	400

Source: U.S. Government.

Note: All foreign data are rounded to the nearest \$100 million.

Where rounded data totals are the same, the actual rank order is maintained.

Table 2D Percentage of Supplier's Deliveries Value by Region, 1996-2003

	Asia		Near East		Latin America		Africa		Total	
	1996-1999	2000-2003	1996-1999	2000-2003	1996-1999	2000-2003	1996-1999	2000-2003	1996-1999	2000-2003
United States	32.46%	47.30%	63.56%	47.42%	3.68%	5.01%	0.29%	0.27%	100.00%	100.00%
Russia	58.70%	84.67%	29.35%	9.49%	3.26%	0.73%	8.70%	5.11%	100.00%	100.00%
France	52.26%	4.08%	46.23%	93.88%	1.01%	2.04%	0.50%	0.00%	100.00%	100.00%
United Kingdom	16.50%	7.69%	81.00%	92.31%	1.50%	0.00%	1.00%	0.00%	100.00%	100.00%
China	46.15%	52.00%	30.77%	32.00%	3.85%	0.00%	19.23%	16.00%	100.00%	100.00%
Germany	50.00%	53.85%	35.00%	30.77%	15.00%	0.00%	0.00%	15.38%	100.00%	100.00%
Italy	80.00%	50.00%	10.00%	0.00%	0.00%	0.00%	10.00%	50.00%	100.00%	100.00%
All Other										
European	20.00%	25.00%	58.95%	47.73%	10.53%	9.09%	10.53%	18.18%	100.00%	100.00%
All Others	44.44%	48.89%	28.89%	31.11%	11.11%	6.67%	15.56%	13.33%	100.00%	100.00%
[Major West European*	36.13%	10.00%	61.07%	88.18%	1.86%	0.45%	0.93%	1.36%	100.00%	100.00%
Total	35.77%	42.55%	57.23%	50.68%	3.84%	3.22%	3.16%	3.54%	100.00%	100.00%

*Major West European category includes France, United Kingdom, Germany, Italy.

**Table 2F Arms Transfer Agreements with Developing Nations, 1996-2003:
Leading Suppliers Compared
(In Millions of Current U.S. Dollars)**

<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 1996-1999</u>
1	United States	44,368
2	United Kingdom	20,000
3	France	19,800
4	Russia	9,300
5	China	2,700
6	Sweden	2,500
7	Germany	2,000
8	Ukraine	1,600
9	Israel	1,300
10	Belarus	1,200
11	Italy	1,200
<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 1996-1999</u>
1	United States*	27,646
2	United Kingdom	15,800
3	Russia	13,800
4	France	5,000
5	China	2,600
6	Israel	1,200
7	Ukraine	1,200
8	Germany	1,200
9	North Korea	600
10	Sweden	600
11	Belgium	500
<u>Rank</u>	<u>Supplier</u>	<u>Agreements Value 1996-1999</u>
1	United States*	72,014
2	United Kingdom	35,800
3	France	24,800
4	Russia	23,100
5	China	5,300
6	Germany	3,200
7	Sweden	3,100
8	Ukraine	2,800
9	Israel	2,500
10	Belarus	1,700
11	Italy	1,400

Source: U.S. Government.

Note: All foreign data are rounded to the nearest \$100 million. Where rounded data totals are the same, the actual rank order is maintained.

**Table 2G. Arms Deliveries to Developing Nations in 2003:
Leading Suppliers compared
(In Millions of Current U.S. Dollars)**

Rank	Supplier	Agreements Value 2003
1	United States	6,299
2	United Kingdom	4,000
3	Russia	3,300
4	France	800
5	Germany	700
6	China	500
7	Israel	400
8	Ukraine	300
9	Belgium	100
10	South Korea	100

Source: U.S. Government.

Note: All foreign data are rounded to the nearest \$100 million.

Where rounded data totals are the same, the actual rank order is maintained.

Selected Weapons Deliveries to Developing Nations, 1996 through 2003

Other useful data for assessing arms transfers are those that indicate who has actually delivered specific numbers of specific classes of military items to a region. These data are relatively hard in that they reflect actual transfers of military equipment. They have the limitation of not giving detailed information regarding either the sophistication or the specific name of the equipment delivered. However, these data show relative trends in the delivery of important classes of military equipment and indicate who the leading suppliers are from region to region over time. Data in the following tables set out actual deliveries of fourteen categories of weaponry to developing nations from 1996-2003 by the United States, Russia, China, the four major West European suppliers as a group, all other European suppliers as a group, and all other suppliers as a group. Tables 3 and 4.

Caution is warranted in using the quantitative data within these specific tables. Aggregate data on weapons categories delivered by suppliers do not provide precise indices of the quality and/or quantity of the weaponry delivered. The history of recent conventional conflicts suggests that quality and/or sophistication of weapons can offset quantitative advantage. Further, these data do not provide an indication of the relative capabilities of the recipient nations to use effectively the weapons delivered to them. Superior training coupled with good equipment, tactical and operational proficiency, and sound logistics may, in the last analysis, be a more important factor in a nation's ability to engage successfully in conventional warfare than the size of its weapons inventory.

Regional Weapons Deliveries Summary, 2000 through 2003

The regional weapons delivery data collectively show that the United States was a leading supplier of several major classes of conventional weaponry from 2000 through 2003. Russia transferred significant quantities of certain weapons classes, although generally fewer than the United States or other supplier groups in most regions, during these years.

The major West European suppliers were serious competitors in weapons deliveries from 2000 through 2003 making notable deliveries of certain categories of armaments to every region

of the developing world most particularly to the Near East, Asia, and to Latin America. In Africa, all European suppliers, China and all other non-European suppliers were major sources of weapons delivered.

Regional weapons delivery data reflect the diverse sources of supply of conventional weaponry available to developing nations. Even though the United States, Russia, and the four major West European suppliers tend to dominate the delivery of the fourteen classes of weapons examined, it is also evident that the other European suppliers, and non-European suppliers, including China, are fully capable of providing specific classes of conventional armaments, such as tanks, missiles, armored vehicles, aircraft, artillery pieces, and the various missile categories, surface-to-surface, surface-to-air, and anti-ship, to developing nations, should their systems prove attractive to prospective purchasers. Noteworthy deliveries of specific categories of weapons to regions of the developing world by specific suppliers from 2000 through 2003 included the following countries.

Asia

Russia delivered

- 310 tanks and self-propelled guns,
- 310 APCs and armored cars,
- 5 major surface combatants,
- 2 minor surface combatants,
- 1 submarine,
- 200 supersonic combat aircraft,
- 220 helicopters,
- 1,250 surface-to-air missiles, and
- 190 anti-ship missiles.

The United States delivered

- 88 tanks and self-propelled guns,
- 108 artillery pieces,
- 8 major surface combatants,
- 16 supersonic combat aircraft,
- 81 helicopters,
- 2,557 surface-to-air missiles, and
- 232 anti-ship missiles.

China delivered

- 40 tanks and self-propelled guns,
- 370 artillery pieces,
- 310 APCs and armored cars,
- 2 minor surface combatants,
- 60 supersonic combat aircraft, and
- 490 surface-to-air missiles.

The four major West European suppliers as a group delivered

- 2 major surface combatants,
- 4 minor surface combatants,

-
- 20 helicopters, and
 - 80 anti-ship missiles.

All other European suppliers collectively delivered

- 120 tanks and self-propelled guns,
- 120 APCs and armored cars,
- 1 major surface combatant,
- 22 minor surface combatants,
- 2 submarines,
- 10 supersonic combat aircraft,
- 10 helicopters, and
- 60 surface-to-surface missiles.

All other non-European suppliers collectively delivered

- 130 artillery pieces,
- 80 APCs and armored cars,
- 3 major surface combatants,
- 20 minor surface combatants, and
- 30 supersonic combat aircraft.

Near East

Russia delivered

- 70 tanks and self-propelled guns,
- 150 APCs and armored cars,
- 30 supersonic combat aircraft,
- 50 helicopters,
- 880 surface-to-air missiles, and
- 30 anti-ship missiles.

The United States delivered

- 276 tanks and self-propelled guns,
- 46 APCs and armored cars,
- 26 supersonic combat aircraft,
- 14 helicopters,
- 374 surface-to-air missiles, and
- 63 anti-ship missiles.

China delivered

- 40 APCs and armored cars,
- 1 guided missile boat, and
- 20 anti-ship missiles.

The four major West European suppliers collectively delivered

- 290 tanks and self-propelled guns,
- 4 major surface combatants,
- 27 minor surface combatants,

-
- 4 guided missile boats,
 - 1 submarines,
 - 30 helicopters, and
 - 90 anti-ship missiles.

All other European suppliers as a group delivered

- 420 tanks and self-propelled guns,
- 220 APCs and armored cars,
- 1 major surface combatant,
- 9 minor surface combatants,
- 20 supersonic combat aircraft, and
- 380 surface-to-air missiles.

All other suppliers collectively delivered

- 120 APCs and armored cars,
- 48 minor surface combatants,
- 20 helicopters,
- 20 surface-to-surface missiles, and
- 20 anti-ship missiles.

Latin America

Russia delivered

- 10 helicopters, and
- 60 surface-to-air missiles.

The United States delivered

- 24 artillery pieces,
- 2 major surface combatants,
- 4 supersonic combat aircraft,
- 25 helicopters, and
- 13 anti-ship missiles.

China delivered

- 10 minor surface combatants, and
- 50 surface-to-air missiles.

The four major West European suppliers collectively delivered

- 30 tanks and self-propelled guns,
- 2 major surface combatants,
- 1 minor surface combatants, and
- 50 surface-to-air missiles.

All other European suppliers collectively delivered

- 120 tanks and self-propelled guns,
- 30 helicopters, and
- 40 surface-to-air missiles.

All other non-European suppliers as a group delivered

-
- 20 artillery pieces,
 - 40 surface-to-air missiles, and
 - 30 anti-ship missiles.

Africa

Russia delivered

- 10 tanks and self-propelled guns,
- 20 artillery pieces,
- 9 minor surface combatants, and
- 10 helicopters.

The United States delivered

- 8 other aircraft.

China delivered

- 60 tanks and self-propelled guns,
- 10 APCs and armored cars,
- 9 minor surface combatants, and
- 10 helicopters.

The four major West European suppliers collectively delivered

- 1 major surface combatant,
- 6 minor surface combatants, and
- 10 helicopters.

All other European suppliers collectively delivered

- 150 tanks and self-propelled guns,
- 440 artillery pieces,
- 440 APCs and armored cars,
- 6 minor surface combatants,
- 40 supersonic combat aircraft,
- 40 helicopters, and
- 90 surface-to-air missiles.

All other non-European suppliers as a group delivered

- 60 tanks and self-propelled guns,
- 380 artillery pieces,
- 330 APCs and armored cars,
- 15 minor surface combatants,
- 20 supersonic combat aircraft,
- 60 helicopters, and
- 20 surface-to-air missiles.

Table 3 Numbers of Weapons Delivered by Major Suppliers to Developing Nations

<u>Weapons Category</u>	<u>U.S.</u>	<u>Russia</u>	<u>China</u>	<u>Major West European</u>	<u>All Other European</u>	<u>All Others</u>
1996-1999						
Tanks and Self-Propelled Guns	1,202	340	240	340	1,250	120
Artillery	199	200	180	110	370	970
Armored Personnel Carriers and Armored Cars	1,705	720	120	790	2,170	390
Major Surface Combatants	3	1	1	17	11	2
Minor Surface Combatants	33	5	24	42	92	67
Guided Missile Boats	0	0	9	14	0	3
Submarines	0	5	0	9	0	2
Supersonic Combat Aircraft	386	140	80	110	70	70
Subsonic Combat Aircraft	2	10	0	70	30	30
Other Aircraft	51	30	60	80	150	120
Helicopters	169	240	0	70	120	40
Surface-to-Air Missiles	1,021	1,480	770	1,750	2,460	850
Surface-to-Surface Missiles	0	0	0	0	0	30
Anti-Ship Missiles	266	100	250	170	0	10
2000-2003						
Tanks and Self-Propelled Guns	200	390	100	320	810	90
Artillery	203	30	440	90	590	540
Armored Personnel Carriers and Armored Cars	67	460	360	50	780	530
Major Surface Combatants	12	5	0	9	2	3
Minor Surface Combatants	2	11	21	38	37	83
Guided Missile Boats	0	0	1	4	0	0
Submarines	0	1	0	1	2	0
Supersonic Combat Aircraft	46	230	60	0	70	50
Subsonic Combat Aircraft	15	0	0	30	10	0
Other Aircraft	43	50	90	110	110	110
Helicopters	120	290	10	60	80	90
Surface-to-Air Missiles	2,953	2,190	540	50	570	540
Surface-to-Surface Missiles	0	0	0	0	0	20
Anti-Ship Missiles	308	220	20	170	0	50

Source: U.S. Government

Note: Developing nations category excludes the U.S., Russia, Europe, Canada, Japan, Australia and New Zealand. All data are for calendar years given. Major West European includes France, United Kingdom, Germany, and Italy totals as an aggregate figure. Data relating to surface-to-surface and anti-ship missiles by foreign suppliers are estimates based on a variety of sources having a wide range of accuracy. As such, individual data entries in these two weapons delivery categories are not necessarily definitive.

Table 4 Number of Weapons Delivered by Major Suppliers to Asia and the Pacific

<u>Weapons Category</u>	<u>U.S.</u>	<u>Russia</u>	<u>China</u>	<u>Major West European</u>	<u>All Other European</u>	<u>All Others</u>
1996-1999						
Tanks and Self-Propelled Guns	476	30	100	0	340	0
Artillery	148	60	50	40	40	840
Armored Personnel Carriers and Armored Cars	58	70	120	180	70	90
Major Surface Combatants	1	1	1	12	1	2
Minor Surface Combatants	8	5	17	13	6	49
Guided Missile Boats	0	0	4	0	0	0
Submarines	0	3	0	6	0	2
Supersonic Combat Aircraft	284	80	60	80	0	70
Subsonic Combat Aircraft	0	10	0	60	10	0
Other Aircraft	15	0	40	10	20	40
Helicopters	56	90	0	10	20	0
Surface-to-Air Missiles	148	1,340	350	1,650	100	80
Surface-to-Surface Missiles	0	0	0	0	0	10
Anti-Ship Missiles	201	100	90	60	0	0
2000-2003						
Tanks and Self-Propelled Guns	88	310	40	0	120	20
Artillery	108	10	370	10	90	130
Armored Personnel Carriers and Armored Cars	20	310	310	20	120	80
Major Surface Combatants	8	5	0	2	1	3
Minor Surface Combatants	0	2	2	4	22	20
Guided Missile Boats	0	0	0	0	0	0
Submarines	0	1	0	0	2	0
Supersonic Combat Aircraft	16	200	60	0	10	30
Subsonic Combat Aircraft	15	0	0	30	0	0
Other Aircraft	8	20	30	0	40	50
Helicopters	81	220	0	20	10	10
Surface-to-Air Missiles	2,557	1,250	490	0	60	480
Surface-to-Surface Missiles	0	0	0	0	0	0
Anti-Ship Missiles	232	190	0	80	0	0

Source: U.S. Government

Note: Asia and Pacific category excludes Japan, Australia and New Zealand. All data are for calendar years given. Major West European includes France, United Kingdom, Germany, and Italy totals as an aggregate figure. Data relating to surface-to-surface and anti-ship missiles by foreign suppliers are estimates based on a variety of sources having a wide range of accuracy. As such, individual data entries in these two weapons delivery categories are not necessarily definitive.

Regions Identified in Arms Transfer Tables and Charts

<u>Asia</u>	<u>Near East</u>	<u>Europe</u>	<u>Africa</u>	<u>Latin America</u>
Afghanistan	Algeria	Albania	Angola	Antigua
Australia	Bahrain	Armenia	Benin	Argentina
Bangladesh	Egypt	Austria	Botswana	Bahamas
Brunei	Iran	Azerbaijan	Burkina Faso	Barbados
Burma (Myanmar)	Iraq	Belarus	Burundi	Belize
China	Israel	Bosnia/Herzegovina	Caeroon	Bermuda
Fiji	Jordan	Bulgaria	Cape Verde	Bolivia
India	Kuwait	Belgium	Central African Republic	Brazil
Indonesia	Lebanon	Canada	Chad	British Virgin Islands
Japan	Libya	Croatia	Congo	Cayman Islands
Kampuchea (Cambodia)	Morocco	Czechoslovakia/ Czech Republic	Côte d'Ivoire	Chile
Kazakhstan	Oman	Cyprus	Djibouti	Colombia
Kyrgyzstan	Qatar	Denmark	Equatorial Guinea	Costa Rica
Laos	Saudi Arabia	Estonia	Ethiopia	Cuba
Malaysia	Syria	Finland	Gabon	Dominica
Nepal	Tunisia	France	Gambia	Dominican Republic
New Zealand	United Arab Emirates	FYR/Macedonia	Ghana	Ecuador
North Korea	Yemen	Georgia	Ginea	El Salvador
Pakistan		Germany	Guinea-Bissau	French Guiana
Papua New Guinea		Greece	Kenya	Grenada
Philippines		Hungary	Lesotho	Guadeloupe
Pitcairn		Iceland	Liberia	Guatemala
Singapore		Ireland	Madagascar	Guyana
South Korea		Italy	Malawi	Haiti
Sri Lanka		Latvia	Mali	Honduras
Taiwan		Liechtenstein	Mauritania	Jamaica
Tajikistan		Lithuania	Mauritius	Martinique
Thailand		Luxembourg	Mozambique	Mexico
Turkmenistan		Malta	Namibia	Montserrat
Uzbekistan		Moldova	Niger	Netherlands Antilles
Vietnam		Netherlands	Nigeria	Nicaragua
		Norway	Réunion	Panama
		Poland	Rwanda	Paraguay
		Portugal	Senegal	Peru
		Romania	Seychelles	St. Kitts & Nevis
		Russia	Sierra Leone	St. Lucia
		Slovak Republic	Somalia	St. Pierre and Mequelon
		Slovenia	South Africa	St. Vincent
		Spain	Sudan	Suriname
		Sweden	Swaziland	Trinidad
		Switzerland	Tanzania	Turks and Caicos
		Turkey	Togo	Venezuela
		Ukraine	Uganda	
		United Kingdom	Zaire	
		Yugoslavia/Federal Republic (Serbia/Mont.)	Zambia	
			Zimbabwe	