

FAS Obtains Key Report on US Arms Exports

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Deliveries of arms through the Defense Department's Foreign Military Sales (FMS) Program decreased by nearly a billion dollars in fiscal year 2008, according to the most recent edition of the *Annual Military Assistance Report*. The report, which is often referred to as the "Section 655 Report" after the section in the Foreign Assistance Act that requires it, is compiled each year by the Defense Department and the State Department.¹ The Defense Department's contribution to the report was acquired by the Federation of American Scientists under the Freedom of Information Act.

Foreign Military Sales in FY2008: A Brief Overview

According to this year's report, FMS deliveries in FY08 totaled \$10,996,180,000 - nearly \$1 billion less than the \$11,910,160,000 delivered in FY2007. This is surprising given the significant increase in FMS agreements in recent years. FMS agreements jumped from \$9.5 billion in FY2005 to more than \$18 billion in FY2006,² and nearly doubled again to \$36 billion in FY2008, according to the GAO.³ One possible explanation for the apparent lag is that deliveries, and particularly deliveries of big-ticket items, can take years. If this is the explanation, FMS delivery totals are likely to rise sharply over the next few years.

The top five importers of defense articles and services through the FMS program in FY2008 were (from largest to smallest in dollar value terms) Israel, Saudi Arabia, South Korea, Egypt and Poland. This list is similar to last year's, although the ranking is different (see table 1 below). With the exception of Poland, these countries consistently rank amongst the largest importers of US defense articles and services. Poland's recent ascendancy is due in large part to the purchase of 48 F-16 fighter aircraft in 2002, deliveries of which accounted for at least 78% of the value of FMS deliveries to Poland in FY2007 and 82% in FY2008.

¹ As of 14 July 2009, the State Department had not posted its section of the FY08 report on its website.

² Defense Security Cooperation Agency, *Historical Facts Book as of September 30, 2007*.

³ Government Accountability Office, *Defense Exports: Foreign Military Sales Program Needs Better Controls for Exported Items and Information for Oversight*, 20 May 2009, p. 1.

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

| Table 1: Top ten importers of defense articles and services through the FMS Program (deliveries) Fiscal Years 2007 & 2008 (In thousands of USD) | | | |
|---|---------------|----------------|---------------|
| Country | FY2007 | Country | FY2008 |
| Poland | \$1,489,346 | Israel | \$1,359,425 |
| Israel | \$1,281,174 | Saudi Arabia | \$808,770 |
| Egypt | \$1,120,695 | South Korea | \$798,523 |
| Saudi Arabia | \$1,002,074 | Egypt | \$788,345 |
| South Korea | \$590,020 | Poland | \$732,833 |
| Kuwait | \$467,278 | Canada | \$470,142 |
| United Kingdom | \$358,018 | Iraq | \$342,196 |
| Canada | \$280,977 | Turkey | \$336,925 |
| Colombia | \$230,832 | Jordan | \$306,930 |
| Greece | \$218,028 | Pakistan | \$270,789 |

Source: Annual Military Assistance Reports for FY07 and FY08 (Defense Department Sections). Data compiled by the Federation of American Scientists.

The countries experiencing the largest increases in FMS deliveries in FY08 were South Korea, Canada, Iraq, Turkey and Pakistan. The spike in the value of exports to South Korea is largely explained by the delivery of two Aegis Combat Systems valued at nearly \$300 million. The increases in exports to Iraq and Pakistan are particularly noteworthy given that US arms exports to both countries were banned less than a decade ago. The incremental lifting of the ban on arms transfers and other security assistance to Pakistan began shortly after the 9/11 terrorists attacks and culminated in the sale 36 F-16 aircraft in 2006⁴ – a watershed moment in the United States’ on-again, off-again relationship with Pakistan.⁵ Weapons delivered to Pakistan in FY08 included \$81 million in communications equipment, 867 TOW anti-tank missiles worth more than \$26 million, and eighty-eight 155 mm howitzers valued at more than \$25 million.

Deliveries of US arms to Iraq through the FMS program began in FY2005 and have increased exponentially since then. If recent arms sales notifications to Congress are at all indicative of future growth trends, Iraq is likely to continue to rank among the largest recipients of US arms for the

⁴ The original agreement was for 36 aircraft but financial constraints resulting from the 2005 earthquake in Kashmir prompted the Pakistanis to reduce their order to 18 planes. “Defeating Al-Qaeda’s Air Force: Pakistan’s F-16 Program in the Fight Against Terrorism,” hearing testimony by Donald Camp, Principal Deputy Assistant Secretary of State for South Asia, House Subcommittee on South Asia, 16 September 2008.

⁵ After exporting hundreds of millions of dollars in arms to Pakistan during the Soviet occupation of Afghanistan in the 1980s, the US abruptly cut off arms sales to its erstwhile ally in 1990. Most galling to the Pakistanis was the US decision to halt delivery of F-16s that had already been paid for by the Pakistani government.

foreseeable future. In December 2008, for example, the Defense Department notified Congress of more than six billion dollars in potential arms sales to Iraq.

The countries experiencing the largest decreases were Poland, Egypt, Kuwait, Saudi Arabia and the United Kingdom. The decrease in the value of exports to Poland is due almost entirely to a drop-off in deliveries of F-16 aircraft from 27 planes in FY2007 to 14 in FY2008.

| Table 2: Ten countries with the largest absolute change in FMS deliveries between FY07 and FY08 (In thousands of USD) | | | |
|--|---------------|---------------|-------------------|
| Country | FY2007 | FY2008 | Difference |
| South Korea | \$590,020 | \$798,523 | \$208,503 |
| Canada | \$280,977 | \$470,142 | \$189,165 |
| Iraq | \$190,000 | \$342,196 | \$152,196 |
| Turkey | \$196,169 | \$336,925 | \$140,756 |
| Pakistan | \$166,404 | \$270,789 | \$104,385 |
| United Kingdom | \$358,018 | \$248,178 | -\$109,840 |
| Saudi Arabia | \$1,002,074 | \$808,770 | -\$193,304 |
| Kuwait | \$467,278 | \$247,176 | -\$220,102 |
| Egypt | \$1,120,695 | \$788,345 | -\$332,350 |
| Poland | \$1,489,346 | \$732,833 | -\$756,513 |

Source: Annual Military Assistance Reports for FY07 and FY08 (Defense Department Sections). Data compiled by the Federation of American Scientists.

The Section 655 Report and Transparency in US Arms Transfers

While far from perfect, US reporting on its arms exports is among the most consistent and detailed in the world. Several arms exporting states, including China, provide little or no information on their countries’ exports. Other states are more transparent, but few consistently provide as much information as the United States.

Of the annual US reports on arms exports available to the public, the Section 655 report provides the most detailed breakdown of defense articles and services delivered through the Foreign Military Sales Program. The data are disaggregated by importing country (or international organization) and then by type of article or service, and includes the quantity of items exported and the total dollar value of exports by category. The report is significantly more detailed than arms export reports published by most countries, which tend to aggregate data on arms exports into broad categories. A good example is data on firearms transfers. Whereas many countries report firearms transfers under a single, broad category that includes all “smooth-bore weapons with a calibre of less than 20 mm [and] other arms and automatic weapons with a calibre of 12,7 mm...or less,” data on FMS deliveries of firearms in the Section 655 report is disaggregated by specific type, e.g. “rifle,” “carbine,” “machine gun”, etc. This

level of specificity is consistent with other U.S. arms export reporting practices, which earn it high marks from organizations that monitor and assess national reporting on arms exports.⁶

Yet there is also room for improvement. The Section 655 report provides no data on many arms transfers, including deliveries of weapons made against commercial arms export licenses⁷ and weapons purchased with Defense Department-appropriated funds. Expanding the scope of the report to include all⁸ transfers of US defense articles and services –regardless of the avenue through which they are transferred – would facilitate congressional oversight and improve public understanding of US arms exports.

Accessibility is also an issue. The Defense Department’s section of the Section 655 report is released to the public only in response to annual Freedom of Information Act requests filed by the Federation of American Scientists. If the FAS were to stop filing these requests, the report might not be made public at all. The FOIA process also results in months-long delays in the public release of the report, delays that could be avoided if the Defense Department were to automatically post a redacted copy of the report on its website shortly after it is delivered to Congress.

Finally, some of the commodity categories used in the report are too vague and broad, making it difficult to determine exactly what item was shipped or which service was provided. Revising the commodity categories to make them clearer and more specific, and including a detailed summary of the methodology and terms used in the report, would make the report more useful to Congress and the public.

To access the FY2008 Section 655 report, visit the Arms Sales Monitoring Project’s “Government Data” webpage at http://fas.org/programs/ssp/asmp/factsandfigures/government_data_index.html#655.

⁶ For example, the US ranked first amongst major exporters of small arms and light weapons in Small Arms Survey’s Transparency Barometer from 2004 to 2008. In 2009, the US dropped down to fifth (of 45 countries) as a result of changes in scoring. The Transparency Barometer uses a point system based on specific criteria to assess transparency in national reporting on transfers of small arms and light weapons. For a more information, see “Sifting the Sources: Authorized Small Arms Transfers,” in *Small Arms Survey 2009: Shadows of War* (Cambridge University Press, 2009).

⁷ The Section 655 report contains comprehensive data on licenses issued for commercial sales but not deliveries against these licenses.

⁸ With the exception of records that are properly classified.