
Conventional Arms Transfers to the Third World, 1985—1992

By

Richard F. Grimmett
Congressional Research Service
The Library of Congress

[The following are extracts from an unclassified report of conventional arms transfers as published under the above title by the Library of Congress on 19 July 1993. The selections included herein begin with a discussion of major research findings regarding the dollar value of both arms transfer agreements and arms deliveries to the Third World from 1985 through 1992. These findings are all cross-referenced to comparative data tables which are presented following the textual material. Special attention is given to the roles of the United States, the former Soviet Union, and China as arms suppliers, to arms trade with Iran and Iraq, and to identification of the leading Third World arms recipient nations. The report concludes with a listing of the type and quantity of weapons delivered to the Third World by major arms suppliers in the 1985-1992 time period. Copies of the complete 84 page study (Report No. 93-656 F) are available from the Foreign Affairs and National Defense Division, Congressional Research Service, The Library of Congress, Washington DC 20540.]

INTRODUCTION

The major political and economic transitions wrought by the end of the Cold War continued in 1992, resulting in a significant impact on the Third World arms marketplace. The formal dissolution of the Soviet Union contributed to a sharp fall in Russia's arms agreements, while the United States remained the undisputed leader in arms sales to the Third World. Continued reductions in domestic defense spending in many nations became a matter of acute concern to their weapons exporting industries, leading to intense competition among former suppliers for new arms deals throughout the globe. Despite initial optimism about their prospects, talks aimed at controlling destabilizing conventional arms transfers to the Near East region, in the wake of the Persian Gulf War, did not produce a major new control regime.

The new Russian leadership seems committed to strengthening its domestic non-military industrial base and developing a market economy. Efforts are underway to transform Russia's political system as well. The transition from a communist system to one based on democratic and market concepts has been very difficult. Arms exports have been one of the few vehicles that Russia has had to obtain hard currency and shore up its severe foreign exchange shortage and debt servicing problems, as Moscow undertakes efforts to reduce domestic defense spending and to promote conversion of its defense industry to civilian applications.

In an effort to increase income, the Soviet Union, and now Russia, terminated its grant military aid program with most of its Third World arms customers. At the same time, Russia has sought weapons contracts with countries such as Iran that could pay in hard currency. Russia has also sought to increase its arms sales in Asia with China, a former adversary that needs Russia's advanced weapons and will pay to obtain them, and with other traditional Western customers such as Malaysia. Russia has further sought to maintain an arms supply relationship with India, a key

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 1993		2. REPORT TYPE		3. DATES COVERED 00-00-1993 to 00-00-1993	
4. TITLE AND SUBTITLE Conventional Arms Transfers to the Third World, 1985-1992				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Institute of Security Assistance Management (DISAM),DISAM/DR,2475 K Street,Wright-Patterson AFB,OH,45433-7641				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES The DISAM Journal, Fall 1993, Volume 16, Issue 1, p.65-82					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT	b. ABSTRACT	c. THIS PAGE			
unclassified	unclassified	unclassified	Same as Report (SAR)	18	

client in the past, even though to do so may require providing weapons on concessional terms. Nonetheless, a hallmark of Russian arms sales policy currently, and for the foreseeable future, seems likely to be the general absence of deep discounts and grants for most of its former Cold War era clients—such as Cuba, Vietnam, and Syria, and adherence to United Nations sanctions by refusing to sell to Iraq.

Despite its efforts to offer advanced weapons systems at competitive prices, Russia currently suffers from concerns of potential buyers that the industrial and political turmoil it has gone through during the breakup of the Soviet Union, and still in prospect, may have made it an unreliable supplier of the spare parts and support services required to maintain its weaponry. Given the option of selecting a Russian or a Western produced weapon, many prospective Third World buyers may conclude that it is more risky to purchase from Russia.

The United States, at the same time, has become the principal arms supplier to most regions of the Third World for each of the last three years. The reputation of American weapons was enhanced by their overwhelming success on the Persian Gulf War battlefield. As a consequence, several Near Eastern countries have sought to purchase advanced U.S. weapons systems in the period since the war.

Further, because of reductions in defense procurement in the United States resulting from the Cold War's end, American arms producers focused greater attention on obtaining additional foreign arms sales contracts to compensate, to the degree possible, for lost domestic orders. United States weapons systems have traditionally been built primarily for the American armed services, with only secondary consideration being given to foreign sales. As a result, these arms are more advanced, complex and costly than those of most other suppliers of arms to the Third World.

Aggressive promotion of foreign purchases of American weapons has not been the traditional policy of the U.S. Government. The U.S. Government, through various means, has controlled and restricted transfers of U.S. weaponry to the Third World. But, as the sales record in the period since the Kuwait crisis of August 1990 demonstrates, the United States will make major sales of advanced arms to friendly Third World states whenever it believes that U.S. national interests will be advanced by doing so. And the Bush Administration did support an unsuccessful initiative to permit the Export-Import bank to guarantee some loans for U.S. foreign military sales.

Reductions in national defense spending have also occurred in both major and minor arms supplying countries in Europe and elsewhere since the Cold War's end. At the same time, these nations have attempted to maintain their traditional foreign arms sales programs. In most cases these supplier countries face difficulties in concluding large new arms deals even though they have historically placed greater emphasis on foreign arms sales than the United States—because of the importance of such exports to maintaining their respective defense industrial bases. Problems for these suppliers stem from significant reductions in demand for weapons by major clients and an overall increase in competition for available arms sales contracts.

The post-Cold War environment has increased the significance of financial considerations as a driving factor behind efforts of many traditional arms suppliers to sell conventional weapons. Countervailing forces against such sales are, nevertheless, significant. Many Third World countries, apart from Taiwan and oil rich states such as Saudi Arabia and to a lesser extent Iran and some ASEAN countries, lack large cash reserves and are thus dependent on securing some degree of credit from sellers in order to conclude major new arms purchases. Some leading arms suppliers may not be in a position to supply such credit, or may only be prepared to supply it to the most creditworthy customers. Some sellers, in particular Russia, may be willing to lower arms prices to secure a contract, but it seems clear that in most of those cases they will seek hard currency payment for such discounted sales. This suggests that most major suppliers may well focus their

foreign arms sales activities on wealthier clients in the Near East and Asia. Most of the smaller arms suppliers are likely to compete successfully only for sales of medium and lower technology items to Third World states for whom the lowest price for a basic weapon system is the most critical consideration. The collective effect of these circumstances, however, may be a continuing decline of the Third World arms trade.

Third World arms purchases may also be held back by growing pressure from international aid donors for developing countries to decrease defense spending and invest more in social and economic development programs. Some bilateral donors and international agencies have raised the prospect of linking new transfers of economic assistance from the World Bank, the International Monetary Fund, and bilateral programs, with recipient nations' cuts in military expenditures. Some aid donors also note that arms supplying nations have responsibilities not to stimulate unnecessary arms purchases by Third World countries. They argue that if developing countries are pressed to decrease defense expenditures then arms suppliers must not encourage new purchases.

In the aftermath of the Persian Gulf war, many called for dramatic new approaches to controlling conventional arms transfers, especially in the Near East region, to reduce the likelihood of another massive weapons buildup such as had occurred in Iraq. Proponents saw this period as a notable opportunity to garner international support, especially among the major arms suppliers. Members of Congress endorsed arms control initiatives related to the Near East, and both Houses passed bills requiring an arms sales moratorium to the region pending a conference of the major arms suppliers. In May 1991, the Bush Administration launched an initiative centered on curtailing the size and nature of arms sales to the Near East region. The focus for negotiations was on the five permanent members of the United Nations Security Council, the top five suppliers of arms to the Third World in 1991.

For more than a year, meetings and discussions were held among the five permanent members of the United Nations Security Council (the U.S., the United Kingdom, Russia, France and China), aimed at achieving agreement on a mechanism for the Permanent Five nations to notify one another in advance of their prospective arms sales to the Near East. An American goal was to establish an on-going consultation mechanism among the Permanent Five, following such advance notifications, which might result in curtailment of destabilizing arms sales to the Near East region. Subsequent meetings did not lead to such an agreement. By the Fall of 1992, the Permanent Five discussions had effectively collapsed when China ended its participation following the announcement by the United States of the sale of 150 F-16 fighter aircraft to Taiwan.

Despite the setback in the Permanent Five talks, some members of the U.S. Congress have continued to support additional efforts to advance a wide range of initiatives aimed at controlling the conventional arms trade and the United States role in it. Others in Congress and outside it are making renewed efforts to secure U.S. Government loan guarantees for American weapons exports to enhance their prospects and thereby aid American defense industries faced with declining domestic orders and increased foreign competition. These efforts occur as the Clinton Administration begins to formulate its approach to the broad issue of conventional arms sales policy. The conventional arms marketplace, meanwhile, is proceeding through a major period of transition. During this period policymakers confront great pressures as they seek to reconcile the economic interests of domestic defense industries with the objective of limiting destabilizing arms transfers to Third World states.

It should be noted that an increasing problem with conventional weapons transfers to the Third World is that they do not have to be especially expensive to be deadly and pose a significant security threat within a given region, even though sales of more costly systems tend to attract the attention of policymakers. Furthermore, given the growing spread of lower and middle levels of weapons production knowledge, it will become more difficult to monitor effectively some weapons

transfer activities involving Third World countries than was the case in the past, since both the existence and the dollar value of weapons technology transfer agreements are harder to establish.

This report provides unclassified background data on transfers of conventional arms to the Third World by major suppliers for the period 1985 through 1992. It updates and revises the report entitled "Conventional Arms Transfers to the Third World, 1984-1991," published by the Congressional Research Service (CRS) on July 20, 1992 (CRS Report 92-577F). The data in this new report completely supersede *all* data published in previous editions. Since various changes occur in the data from one edition of the report to the next due to a comprehensive review and revision of the information utilized, only those data in the most recent edition should be used.

Special Note

Constant 1992 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 1992 dollars. Although this helps to eliminate the distorting effects of inflation to permit a more accurate comparison of various dollar levels over time, the effects of fluctuating exchange rates are not necessarily neutralized. The deflators used for the constant dollar calculations in this report are those provided by the Department of Defense. Because all regional data tables must be composed of four-year aggregate dollar totals (1985-1988 and 1989-1992), they must be expressed in current dollar terms. Where tables rank leading arms suppliers to the Third World or leading Third World recipients using four-year aggregate dollar totals, these values must also be expressed in current dollars. Unless otherwise noted in the report, all dollar values are stated in constant terms.

MAJOR FINDINGS

General Trends In Arms Transfers To The Third World

The value of all arms transfer agreements with the Third World in 1992 was \$23.9 billion. This was by far the lowest yearly total for agreements with the Third World for any of the years during the 1985-1992 period, whether measured in nominal or real terms. The general decline in the value of new arms transfer *agreements* with the Third World during the late 1980s was dramatically reversed in 1990 as the result of major new arms agreements related to the Gulf War. In 1991, however, the pattern of overall decline in the value of arms transfer agreements with the Third World resumed in an equally dramatic fashion. This pattern of decline continued in 1992. (Table 1A).

In 1992, the value of all arms *deliveries* to the Third World (\$12.7 billion) was the lowest total by far for any year during the 1985-1992 period. This is the fifth consecutive year since 1987 that the value of all arms deliveries to the Third World dropped significantly from the previous year. These declines have been relatively steady from year to year. Deliveries values in 1992 (in real terms) were roughly one-quarter of what they were in 1987. This pattern reflects the impact of the end of the Iran-Iraq war and the Cold War, and a winding down of other regional conflicts in the Third World (Table 2A). However, given the surge in 1990 of new arms transfer agreements with the Third World, the total value of arms deliveries may increase in future years if most of these agreements are fully implemented.

The United States has come to dominate the Third World arms market in the most recent period. From 1989-1992, the United States made \$55.4 billion in arms transfer agreements with the Third World or 43.7 percent of all such agreements. In the earlier period before the Cold War

had ended (1985-1988), the former Soviet Union was the single leading supplier, making \$88.9 billion arms transfer agreements with the Third World or 44.5 percent (in constant 1992 dollars).

From 1990 onward, the Third World arms market has been comprised of three general tiers of suppliers. In the first tier is the United States whose position far surpasses that of any other arms supplier to the Third World. In the second tier are France, the United Kingdom and Russia whose positions are notably below those of the United States, but distinctly above the positions of the remaining arms suppliers to the Third World. The four nations in the first two tiers have historically had the means to supply the most advanced weapons systems to the Third World in quantity and on a continuing basis. But as competition for a declining Third World arms market increase, some of them may have difficulty sustaining the market shares they have held in past. In the third tier are China, other European suppliers, and other non-European suppliers—that have generally been marginal or sporadic participants in the Third World arms trade. The names of countries in this third tier are likely to change over time, especially at its lower end, since some of these nations lack the means to be major suppliers of advanced military equipment on a sustained basis. Some of them, however, are capable of having an impact on potential conflicts within Third World regions because of their willingness to supply weapons based almost exclusively on commercial considerations, including types of weapons that other suppliers would refuse to provide (Tables IA, IF, II, 2A, and 2F).

United States

In 1992, the total value, in real terms, of U.S. arms transfer agreements with the Third World decreased slightly from the previous year's total, falling from nearly \$14 billion in 1991 to \$13.6 billion in 1992. Nonetheless, for the third year in a row, the United States ranked first by a substantial margin in arms transfer agreements with the Third World. The U.S. share of the value of all such agreements was 56.8 percent in 1992, up from 48.9 percent in 1991 (Tables 1A and 1B).

The United States' status as first in the value of arms transfer agreements with the Third World in 1992 is directly attributable to costly new orders from Taiwan, Saudi Arabia, and Kuwait. Taiwan's agreed to purchase 150 F-16 fighter aircraft; the Saudis bought 12 PATRIOT missile fire units and associated missiles, expensive military support services, and bombs and missiles for Saudi fighter aircraft; and Kuwait purchased 6 PATRIOT missile fire units and 6 HAWK missile batteries and associated missiles. In 1992, the total values of the arms transfer agreements of Taiwan, Saudi Arabia, and Kuwait with the United States were \$6.4 billion, \$4.2 billion and \$1.1 billion, respectively. These agreements collectively constituted 86 percent of all U.S. arms transfer agreements with the Third World in 1992. The value of Taiwan's arms transfer agreements with the United States alone in 1992 exceeded by far the total value (\$3.8 billion) of all arms transfer agreements made by France (the second leading supplier) with the entire Third World in the same year.

The signing of a few particularly large contracts for major weapons systems generally determines whether the total value of U.S. arms transfer agreements in any given year is high relative to other years. The Third World agreements figure for the United States in 1992 illustrates this point. In part due to exceptional arms agreements totals in 1990, 1991 and 1992—many related to the circumstances related to the Persian Gulf war—United States arms transfer agreements totals for 1989-1992 to the Near East region constituted 56.9 percent of all arms transfer agreements made by all suppliers to that region during these years.

*Russia**

The total value of Russia's agreements with the Third World fell significantly, from \$5.9 billion in 1991 to \$1.3 billion in 1992, ranking it fourth among all suppliers in 1992. Russia's share of all Third World arms transfer agreements declined as well, falling from 20.7 percent in 1991 to 5.4 percent in 1992 (in constant 1992 dollars) (Tables 1A and 1B).

During the 1985-1992 period, Russian arms transfer agreements with the Third World ranged from a high of \$28.8 billion in 1986 to a low of \$1.3 billion in 1992 (in constant 1992 dollars). Each year after 1986, Russian arms transfer agreement totals have declined from those of the previous year. These data from 1986 forward document the progressive decline in arms transfer agreements by Russia as the internal economic difficulties of the former Soviet Union mounted, hastening the ultimate political decision to dissolve the Union into independent states at the end of 1991.

Russia has had long-standing supplier relationships with many of the leading purchasers of weapons in the Third World, relationships that were significantly motivated by Cold War considerations. Russia has provided these purchasers with a wide range of armaments from the highly sophisticated to the most basic, including a large quantity of munitions. It has also actively sought to export weapons as an important means of gaining needed hard currency.

Due to the domestic economic problems it has encountered in recent years, as well as the Cold War's end, Russia has terminated its grant military assistance program with most of its arms clients in the Third World. At the same time, Russia has sought arms deals with countries such as Iran that can pay for weapons in hard currency. These developments, plus the loss by Russia of Iraq as a major arms purchaser, are major factors that explain why the overall value of Russian arms transfer agreements have dropped significantly most recently, while the value of arms agreements with Iran, by contrast, have increased. Among the weapons systems sold to Iran by Russia in recent years are MiG-29 fighter aircraft, T-72 main battle tanks and Kilo class attack submarines. Russia has also begun an important arms supplier relationship with China, selling Su-27 fighter aircraft in 1991, and continues to explore the prospects of new sales of other weapons. Other efforts by Russia to secure new clients for its arms have been less successful, reportedly due to an important degree to concerns by prospective buyers that Russia may not be a reliable supplier of the spare parts and support services needed to utilize its weapons systems. Nevertheless, Russia is continuing an aggressive marketing effort to sell its weapons in the Third World aimed at increasing its sales to both old clients and new ones.

China

In the 1980s, China emerged as an important supplier of arms to the Third World, in large measure due to agreements with Iran and Iraq during their war. The value of China's agreements with the Third World peaked at \$5.6 billion in 1987. China ranked fifth among all suppliers in the value of its arms transfer agreements with the Third World from 1989-1992. Since the Persian Gulf War, the value of Chinese arms transfer agreements with the Third World has fallen dramatically, registering only \$100 million in 1992 compared to about \$2.3 billion in agreements in 1990. As a consequence, in 1992 China ranked a distant tenth among all suppliers to the Third World (in constant 1992 dollars) (Table 1A).

* Russia is used throughout the text, tables and charts, although data for all years prior to 1992 represent transactions of the former Soviet Union as a whole. Russia was by far the principal arms producer and exporter of all the former Soviet republics, and the political center for decision-making by the former Soviet Union. Data for 1992 are for *Russia* exclusively.

China's arms transfer agreements with the Third World fell sharply in 1991 and 1992 because Russia displaced China as Iran's preferred arms supplier. Iraq, another important Chinese client, was barred from arms purchases by the U.N. embargo after August 1990. Beyond the Near East region, China has not had many arms clients with large financial resources or major weapons purchasing programs, that could provide significant offsetting revenues. China seems ill placed to sustain a high level of arms sales to the Near East region now that Beijing faces stiff new competition from arms suppliers such as Russia that can provide more modern and sophisticated weaponry.

Despite the decline in the volume of arms transfers, China's missiles and its willingness to sell them has been of continuing interest to certain Third World purchasers. In the latter half of the 1980s, China sold and delivered CSS-2 Intermediate Range Ballistic Missiles to Saudi Arabia, Silkworm anti-shiping missiles to Iran, and anti-tank and other surface-to-surface missiles to various Third World purchasers. China's position on its willingness to abide by the guidelines on missile transfers set out in the Missile Technology Control Regime (MTCR) is ambiguous at best. Given China's need and desire to obtain hard currency, it seems prepared to pursue arms sales opportunities it deems appropriate wherever they present themselves. China appears very reluctant to commit itself to an arms control regime that would undermine its ability to market military items or technology that may be attractive to prospective buyers in the Third World. China's refusal to continue to meet with other major weapons suppliers regarding a detailed arms restraint regime for the Near East region that might include missiles supports this conclusion.

Major West Europeans

The four major West European suppliers (France, United Kingdom, Germany, and Italy) registered a significant increase in their collective share of all arms transfer agreements with the Third World in 1992, rising to 30.6 percent from 20.4 percent in 1991. Of these suppliers, France posted a notable increase in the value of its agreements from nearly \$2.8 billion in 1991 to \$3.8 billion in 1992. The value of the United Kingdom's agreements increased from over \$2.0 billion in 1990 to \$2.4 billion in 1992. Germany registered a decrease in the value of its agreements from over \$1 billion in 1991 to \$700 million in 1992. Italy's Third World agreements in 1991 were effectively nil, but rose to \$400 million in 1992 (in constant 1992 dollars) (Tables 1A and 1B).

Throughout the period from 1985-1992, the major West European suppliers, as a group, averaged 19.4 percent of all arms transfer agreements with the Third World. As the Cold War wound down, the major West European suppliers have shown a clear increase in their share of arms transfer agreements. For the 1989-1992 period, the major West European suppliers, collectively, averaged 20.8 percent of all arms transfer agreements with the Third World. Throughout the 1985-1992 period, individual suppliers within the major West European group have had exceptional years for arms agreements, such as France in 1987 and 1992 (\$3.8 billion each year) and 1989 (\$4.4 billion); and the United Kingdom in 1985 (\$24.2 billion) (in constant 1992 dollars). Such totals have generally reflected the conclusion of a few large arms transfer agreements with a major Third World purchaser. Since 1987, the United Kingdom has had a steady increase each year in the value of its Third World agreements, helped by contracts with Saudi Arabia and other traditional British arms clients in the Near East and Asia (Tables 1A and 1B).

Because the four major West European suppliers produce both advanced and basic ground, air, and naval weapons systems, they have the capability to compete successfully with the United States, and in certain instances, with Russia, for arms sales contracts throughout the Third World. Because major West European suppliers, such as France and the United Kingdom, do not often tie their arms sales decisions to foreign policy considerations but essentially to economic ones, they have provided a viable alternative source of arms for some nations to whom the United States will

not sell for policy reasons. Generally, strong government marketing support for foreign arms sales enhances the competitiveness of weapons produced by these major West European suppliers. But in the post-Cold War environment, and a shrinking global marketplace, individual West European suppliers may be hard pressed to secure large new Third World arms contracts on a routine basis. Therefore, they may choose to reduce or eliminate some weapons categories from those in which they attempt to compete, or may seek to engage in joint production ventures with other weapons suppliers.

Regional Arms Transfer Agreement Values

Two significant Near East conflicts, the Iran-Iraq War in the 1985-1988 period and the Persian Gulf crisis from August 1990-February 1991 played a major role in stimulating high levels of arms transfer agreements with nations in that region. The Iran-Iraq war created an urgent demand by both belligerents, for conventional weapons of all kinds, from the least sophisticated battlefield consumables to more advanced combat vehicles, missiles and aircraft. During their war, Iran and Iraq bought arms from both major and minor arms suppliers. Iran, in particular, was forced to try to circumvent a U.S. led embargo on arms transfers to the warring countries. In the aftermath of the war, some arms-supplying nations continued to maintain a supply relationship with the combatants. Other suppliers sought to establish a new relationship. The United Nations embargo against Iraq, beginning On August 6, 1990, effectively cut off that major arms market to key historic suppliers such as Russia, China and other minor suppliers that had come to depend upon it during the 1980s.

The Persian Gulf War stimulated new demand by key nations such as Saudi Arabia and other members of the Gulf Cooperation Council (GCC), for a variety of advanced weapons systems, not only in response to Iraq's failed aggression against Kuwait, but also to concerns about potential threats from a resurgent Iran. The end of the Iran-Iraq war, the Cold War and the Persian Gulf War have collectively led to a reorientation of efforts by arms producers to seek sales opportunities in the Third World. Major new weapons sales have occurred recently in both Asia and the Near East regions. Data on regional arms transfer agreements from 1985-1992 reflect the particular importance of two Third World regions as international arms markets:

Near East

- The Near East is the largest Third World arms market. In 1985-1988 it accounted for 58.3 percent of the total value of all Third World arms transfer agreements. During 1989-1992, the region accounted for 38.2 percent of all such agreements.
- The United States has dominated arms transfer agreements with the Near East during the 1989-1992 time period with nearly 57 percent of their total value; in contrast, Russia and the United Kingdom collectively accounted for 50.7 percent in 1985-1988.

Asia

- Asia is the second largest Third World arms market and it is growing. In the earlier period (1985-1988), Asia accounted for 23.3% of the total value of all Third World arms transfer agreements. During 1989-1992, the region accounted for 29.5 percent of all such agreements.
- Russia ranked first in arms transfer agreements with Asia in 1985-1988 with 61.7 percent. This region includes some of Russia's traditionally largest arms clients such as India, Afghanistan and Vietnam. The United States ranked second with 17.4 percent. The major West European suppliers, as a group, made 9.2 percent of this region's

agreements in 1985-1988. In the later period (1989-1992), Russia ranked first in Asian agreements with 37.2 percent, but with a much smaller share than in the 1985-1988 period, due to reductions in transfers to former key clients. The United States ranked a close second with 32.6 percent, on the strength of major aircraft sales to South Korea and Taiwan. France ranked third with 13.4 percent, primarily due to a major aircraft sale to Taiwan. The major West European suppliers, together, made 21.1 percent of this region's agreements in 1989-1992.

Leading Third World Arms Recipients

Saudi Arabia has been, by a wide margin, the leading Third World arms purchaser from 1985-1992, making arms transfer *agreements* totaling \$63.6 billion during these years (in *current* dollars). In both the 1985-1988 and 1989-1992 periods, the value of its arms transfer agreements were consistently high (\$27.7 billion in 1985-1988 and \$35.9 billion in 1989-1992). The total value of all Third World arms transfer agreements from 1985-1992 was \$283.9 billion (in *current* dollars). Thus, Saudi Arabia alone was responsible for over one-fifth (22.4 percent) of all Third World arms transfer agreements during these eight years. In the most recent period—1989-1992—Saudi Arabia alone accounted for close to one-third (29.9 percent) of all Third World arms transfer agreements (\$35.9 billion out of \$119.9 billion). Saudi Arabia ranked second among all Third World recipients in the value of arms transfer agreements in 1992, concluding \$4.5 billion in such agreements with the Third World in 1992 (in *current* dollars), exceeded only by Taiwan primarily due to two huge aircraft purchases it made during that year (Table 1I).

Six of the ten leading Third World arms recipients—most traditional customers of Russia—registered declines in the value of their arms transfer agreements from the 1985-1988 period to the 1989-1992 period. Cuba, which purchased \$10.6 billion in 1985-1988, bought virtually nothing in the next four years; Iraq declined 91.8 percent, Syria 86.9 percent, Vietnam 64.3 percent, and India declined 61.2 percent. These figures reflect the diminished financial support for these countries by Russia in the post-Cold War era. The one exception to this trend was Afghanistan, a major Cold War client, that increased its arms transfer agreements from the earlier period by 71.7 percent. Moscow continued to heavily arm the Soviet-supported Afghan government from the time of the Soviet withdrawal in 1989 until the arms cutoff deadline of January 10, 1992 agreed to by the former Soviet Union and the United States as part of the arrangement ending the Afghan war. Three major U.S. customers registered substantial increases in the values of their arms transfer agreements from 1985-1988 to 1989-1992—Taiwan (531.8 percent), Egypt (49 percent) and Saudi Arabia (29.6 percent) (Table 1I).

Despite some large decreases in the values of the arms transfer *agreements* of specific nations from 1985-1988 to 1989-1992, the top ten Third World recipient nations in both time periods still accounted for the major portion of the total Third World arms market. During 1985-1988 the top ten collectively accounted for 64.8 percent of *all* Third World arms transfer *agreements*. During 1989-1992 the top ten collectively accounted for 74.4 percent of all such agreements. Arms transfer agreements with the top ten Third World recipients, as a group, totaled \$21.1 billion in 1992 or 88.3 percent of all arms transfer agreements with the Third World in that year (Table 1I). This reflects a growing concentration of total Third World arms purchases by relatively few countries. Between 1985-1992 the top ten nations collectively made 68.9 percent of all arms transfer agreements in the Third World (\$195.6 billion out of \$283.9 billion) (in *current* dollars).

Taiwan ranked first among all Third World recipients in the value of arms transfer *agreements* in 1992, concluding \$10 billion in such agreements. The United States was its principal supplier, selling it 150 F-16A/B combat fighter aircraft. Taiwan also made a major purchase from France, contracting for 60 Mirage 2000-5 combat fighter aircraft.

Saudi Arabia was by far the leading recipient of arms *deliveries* in the Third World in 1992, receiving \$4.5 billion in such deliveries. Saudi Arabia alone received 35.4 percent of the total value of all arms deliveries to the Third World in 1992.

Arms *deliveries* to the top ten Third World recipients, as a group, constituted \$10.2 billion, or 80 percent of all arms deliveries to the Third World in 1992. Seven of the top ten recipients were in the Near East region.

Weapon Types Recently Delivered to the Third World

Regional *weapons delivery* data reflect the diverse sources of supply of conventional weaponry available to Third World nations. Even though Russia, the United States 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 non-European suppliers, including China, are capable of being leading suppliers of selected types of conventional armaments to Third World nations.

Weapons deliveries to the Near East, the largest purchasing region in the Third World, reflect the substantial quantities and types delivered by both major and lesser suppliers. The following is an illustrative summary of weapons deliveries to this region by supplier for the period 1989-1992.

Russia:

- 935 tanks and self-propelled guns
- 430 artillery pieces
- 415 APCs and armored cars
- 3 major surface combatants
- 100 supersonic combat aircraft
- 70 helicopters
- 925 surface-to-air missiles (SAMs)
- 120 anti-shipping missiles

United States:

- 390 tanks and self-propelled guns
- 865 APCs and armored cars
- 135 supersonic combat aircraft
- 1,283 surface-to-air missiles (SAMs)

China:

- 560 artillery pieces
- 35 supersonic combat aircraft
- 190 surface-to-surface missiles
- 110 anti-shipping missiles

Major West European suppliers:

- 3 major surface combatants

-
- 95 supersonic combat aircraft
 - 855 surface-to-air missiles (SAMs)
 - 120 anti-shipping missiles

All other European suppliers:

- 320 tanks and self-propelled guns
- 460 artillery pieces
- 360 APCs and armored cars

All other suppliers:

- 240 artillery pieces
- 195 surface-to-surface missiles

Clearly, large quantities of major combat systems were introduced into the Near East region from 1989-1992, in particular, tanks and self-propelled guns, armored vehicles, artillery pieces, supersonic combat aircraft, and air defense missiles. While some of the deliveries totals to the Near East in certain categories during 1989-1992 are lower than those made during the 1985-1988 period—at a time when the Iran-Iraq War and the Cold War were critical factors in precipitating them—they nonetheless represent significant levels of arms transfers. Russia, the United States and the major West European suppliers were the principal suppliers of supersonic combat aircraft. Russia, the United States and Europeans, other than the four major West European suppliers, were the principal suppliers of tanks and self-propelled guns. These two weapons categories—supersonic combat aircraft and tanks and self-propelled guns—are especially costly and are likely an important part of the dollar values of arms deliveries of Russia and the United States to the Near East region during the 1989-1992 period. The cost of major surface combatants is also significant and the delivery of three such vessels by Russia and three by the major West European suppliers during this period also contributed notably to the total value of their respective deliveries to the Near East for these years.

It is also important to note that some of the weapons systems delivered to the Near East, while not necessarily very expensive, can be very deadly and create a significant security threat within the region. In particular, from 1989-1992, China delivered 110 anti-shipping missiles, Russia delivered 120, and the major West Europeans, collectively, delivered 120. China also delivered 190 surface-to-surface missiles, while all other non-European suppliers collectively delivered 195.

These data further indicate that a number of suppliers, other than the dominant ones, delivered large quantities of weapons such as artillery pieces and armored vehicles to the Near East from 1989-1992. China delivered 560 artillery pieces, European suppliers—excluding the major West Europeans—delivered 460 artillery pieces and 360 APCs and armored cars. All other non-European suppliers collectively delivered 240 artillery pieces and 155 APCs and armored cars. European suppliers—other than the major West Europeans—also delivered 320 tanks and self-propelled guns.

Special Notes

1. **Definition of the Third World.** The Third World category includes all countries *except* the United States, Russia, the former Soviet Union, Europe, Canada, Japan, Australia and New Zealand. All data are for the *calendar* year given, except for the U.S. MAP (Military Assistance Program) and IMET (International Military Education and Training) program data in the

agreements table, which are included for the particular *fiscal* year. All Foreign Military Sales (FMS) *construction* sales and deliveries are *included* in the U.S. values totals.

2. **United States Commercial Arms Exports Excluded.** U.S. *commercial* sales and deliveries data are *excluded*. This is done because the data maintained on U.S. commercial sales agreement and deliveries are significantly incomplete and are less precise than those for the U.S. Foreign Military Sales (FMS) program, which accounts for the largest portion of U.S. conventional arms transfer agreements and deliveries. There are no *commercial agreement* data comparable to that for the FMS program maintained on an annual basis. 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 State Department, which makes the final compilation. This approach to obtaining commercial deliveries data is less systematic than that taken by the Department of Defense for government-to-government transactions.

The *rank* of the United States in any *calendar* year from 1985-1992 has possibly been affected once—in 1991—by exclusion of the existing data on U.S. commercial arms *deliveries* to the Third World. Since the total values of all U.S. deliveries are understated somewhat by exclusion of commercial arms deliveries figures, those commercial data are provided here to complete this portion of the available record. The values of U.S. commercial arms deliveries to the Third World for *fiscal* years 1985-1992, according to the State Department were as follows:

FY 1985	\$2,017,839
FY 1986	\$1,609,142
FY 1987	\$2,401,662
FY 1988	\$3,373,397
FY 1989	\$2,537,969
FY 1990	\$1,554,539
FY 1991	\$1,346,346
FY 1992	\$643,547

[In thousands of current U.S. dollars]

TABLE 1A
ARMS TRANSFER AGREEMENTS WITH THE THIRD WORLD, BY SUPPLIER,
1985-1992
(In millions of constant 1992 U.S. dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1985-92
United States	5,966	4,117	6,110	10,058	8,361	19,485	13,965	13,565	81,628
Russia	21,673	28,782	24,276	14,130	11,676	10,665	5,920	1,300	118,423
France	1,890	1,599	3,827	1,506	4,448	3,232	2,756	3,800	23,057
United Kingdom	24,194	984	598	811	1,112	1,616	2,041	2,400	33,756
China	1,764	2,214	5,621	2,896	1,779	2,262	408	100	17,044
Germany	252	615	1,674	232	445	323	1,021	700	5,262
Italy	1,638	738	239	232	222	215	0	400	3,685
All other									
European	5,418	9,102	2,990	2,201	2,224	2,478	1,531	800	26,743
All others	2,142	2,829	2,990	3,359	1,890	1,939	919	800	16,868
TOTAL	64,938	50,980	48,325	35,423	32,157	42,215	28,562	23,865	326,465

TABLE 1B
ARMS TRANSFER AGREEMENTS WITH THE THIRD WORLD, BY SUPPLIER,
1985-1992
(Expressed as a percent of total, by year)

	1985	1986	1987	1988	1990	1990	1991	1992
United States	9.19%	8.08%	12.64%	28.39%	26.00%	46.16%	48.90%	56.84%
Russia	33.38%	56.46%	50.24%	39.89%	36.31%	25.26%	20.73%	5.45%
France	2.91%	3.14%	7.92%	4.25%	13.83%	7.66%	9.65%	15.92%
United Kingdom	37.26%	1.93%	1.24%	2.29%	3.46%	3.83%	7.15%	10.06%
China	2.72%	4.34%	11.63%	8.17%	5.53%	5.36%	1.43%	0.42%
Germany	0.39%	1.21%	3.46%	0.65%	1.38%	0.77%	3.57%	2.93%
Italy	2.52%	1.45%	0.49%	0.65%	0.69%	0.51%	0.00%	1.68%
All Other								
European	8.34%	17.85%	6.19%	6.21%	6.92%	5.87%	5.36%	3.35%
All Others	3.30%	5.55%	6.19%	9.48%	5.88%	4.59%	3.22%	3.35%
(Major West European)*	43.08%	7.72%	13.12%	7.85%	19.36%	12.76%	20.37%	30.59%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

TABLE 1F
ARMS TRANSFER AGREEMENTS WITH THE THIRD WORLD, 1985-1992:
LEADING SUPPLIERS COMPARED*
(In millions of current U.S. dollars)

Rank	Supplier	Agreements Value 1985-1988
1	U.S.S.R.	73,100
2	U.S.	21,875
3	U.K.	21,200
4	China	10,400
5	France	7,300
6	Poland	2,500
7	Germany (FRG)	2,300
8	Italy	2,300
9	North Korea	2,200
10	Czechoslovakia	2,200
11	Brazil	1,500

Rank	Supplier	Agreements Value 1989-1992
1	U.S.	53,688
2	Russia/U.S.S.R.	27,500
3	France	13,500
4	U.K.	6,900
5	China	4,200
6	Germany (Unified & FRG)	2,400
7	Spain	1,500
8	Switzerland	1,400
9	Czechoslovakia	1,000
10	Yugoslavia	1,000
11	Italy	900

Rank	Supplier	Agreements Value 1985-1992
1	Russia/U.S.S.R.	100,600
2	U.S.	75,563
3	U.K.	28,100
4	France	20,800
5	China	14,600
6	Germany	4,700
7	Italy	3,200
8	Czechoslovakia	3,200
9	North Korea	3,000
10	Spain	2,900
11	Poland	2,600

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

Source: U.S. Government

TABLE II
ARMS TRANSFERS TO THE THIRD WORLD, 1985-1992:
AGREEMENTS WITH THE LEADING RECIPIENTS
(In millions of current U.S. dollars)

Rank	Recipient	Agreements Value 1985-1988
1	Saudi Arabia	27,700
2	Iraq	19,600
3	Iran	10,700
4	Cuba	10,600
5	India	9,300
6	Syria	8,400
7	Libya	7,300
8	Vietnam	7,000
9	Angola	5,400
10	Afghanistan	5,300

Rank	Recipient	Agreements Value 1989-1992
1	Saudi Arabia	35,900
2.	Taiwan	13,900
3	Afghanistan	9,100
4.	Egypt	7,300
5	Iran	6,700
6	South Korea	4,400
7	India	3,600
8	Pakistan	3,000
9	Kuwait	2,900
10	Vietnam	2,500

Rank	Recipient	Agreements Value 1985-1992
1	Saudi Arabia	63,600
2	Iraq	21,200
3	Iran	17,500
4	Taiwan	16,100
5	Afghanistan	14,400
6	India	12,900
7	Egypt	12,200
8	Cuba	10,600
9	Syria	9,500
10	Vietnam	9,500

Source: U.S. Government

TABLE 2A

**ARMS DELIVERIES TO THE THIRD WORLD, BY SUPPLIER,
1985-1992**
(In millions of constant 1992 dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1985-92
United States	6,700	7,411	8,199	5,279	3,974	5,631	5,852	7,620	50,666
Russia	17,137	20,541	23,081	23,164	19,348	13,789	6,328	2,300	125,689
France	8,317	4,674	2,631	1,158	1,334	4,094	1,225	400	23,832
United Kingdom	1,386	3,075	4,305	4,170	4,448	3,986	3,368	500	25,238
China	882	1,599	2,511	3,359	2,446	1,508	1,123	600	14,029
Germany	882	492	718	695	445	323	919	100	4,573
Italy	1,386	738	478	347	222	108	102	0	3,382
All Other									
European	6,300	4,674	5,621	4,864	2,446	1,724	715	700	27,044
All others	2,520	2,091	2,870	3,706	2,335	970	612	500	15,605
TOTAL	45,510	45,295	50,414	46,743	37,000	32,131	20,244	12,720	290,057

TABLE 2B

**ARMS DELIVERIES TO THE THIRD WORLD, BY SUPPLIER,
1985-1992**
(Expressed as a percent of total, by year)

	1985	1986	1987	1988	1989	1990	1991	1992
United States	14.72%	16.36%	16.26%	11.29%	10.74%	17.52%	28.91%	59.91%
Russia	37.66%	45.35%	45.78%	49.56%	52.29%	42.91%	31.26%	18.08%
France	18.27%	10.32%	5.22%	2.48%	3.61%	12.74%	6.05%	3.14%
United Kingdom	3.05%	6.79%	8.54%	8.92%	12.02%	12.40%	16.64%	3.93%
China	1.94%	3.53%	4.98%	7.19%	6.61%	4.69%	5.55%	4.72%
Germany	1.94%	1.09%	1.42%	1.49%	1.20%	1.01%	4.54%	0.79%
Italy	3.05%	1.63%	0.95%	0.74%	0.60%	0.34%	0.50%	0.00%
All Other								
European	13.84%	10.32%	11.15%	10.41%	6.61%	5.36%	3.53%	5.50%
All Others	5.54%	4.62%	5.69%	7.93%	6.31%	3.02%	3.03%	3.93%
(Major West European)*	26.30%	19.82%	16.13%	13.63%	17.43%	26.49%	27.73%	7.86%
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

TABLE 2F
ARMS TRANSFER DELIVERIES TO THE THIRD WORLD, 1985-1992:
LEADING SUPPLIERS COMPARED*
(In millions of current U.S. dollars)

Rank	Supplier	Deliveries Value 1985-1988
1	U.S.S.R.	69,600
2	U.S.	22,756
3	France	13,600
4	U.K.	10,800
5	China	7,000
6	Czechoslovakia	2,400
7	Italy	2,400
8	Germany (FRG)	2,300
9	Poland	2,000
10	Spain	2,000
11	Brazil	1,900

Rank	Supplier	Deliveries Value 1989-1992
1	Russia/U.S.S.R.	38,700
2	U.S.	22,154
3	U.K.	11,500
4	France	6,600
5	China	5,300
6	Germany (Unified & FRG)	1,700
7	North Korea	900
8	Israel	900
9	Czechoslovakia	800
10	Belgium	600
11	Yugoslavia	600

Rank	Supplier	Deliveries Value 1985-1992
1	Russia/U.S.S.R.	108,300
2	U.S.	44,910
3	U.K.	22,300
4	France	20,200
5	China	12,300
6	Germany	4,000
7	Czechoslovakia	3,200
8	Italy	2,800
9	North Korea	2,500
10	Poland	2,500
11	Spain	2,500

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

Source: U.S. Government

TABLE 3
Number of Weapons Delivered by Major Suppliers
to the Third World*

<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>
1985-1985						
Tanks and Self-Propelled Guns	931	3054	535	120	760	260
Artillery	1014	3640	1945	555	1115	1200
APCs and Armored Cars	762	6180	1000	530	1705	555
Major Surface Combatants	0	18	1	19	7	4
Minor Surface Combatants	6	71	16	75	91	122
Guided Missile Boats	0	0	4	1	0	0
Submarines	0	10	0	8	2	1
Supersonic Combat Aircraft	193	465	40	135	0	45
Subsonic Combat Aircraft	13	100	30	50	0	0
Other Aircraft	201	300	45	235	300	215
Helicopters	130	725	0	310	15	70
Surface-to-Air Missiles	886	14725	705	1895	685	1450
Surface-to-Surface Missiles	0	710	55	0	0	205
Anti-Shipping Missiles	80	490	220	510	0	5
1989-1992						
Tanks and Self-Propelled Guns	603	3060	415	80	450	190
Artillery	202	2400	2345	45	845	565
APCs and Armored Cars	1037	3950	145	180	460	340
Major Surface Combatants	0	9	5	9	8	6
Minor Surface Combatants	10	29	20	48	22	35
Guided Missile Boats	0	0	2	1	0	2
Submarines	0	4	0	0	0	0
Supersonic Combat Aircraft	240	310	155	100	5	170
Subsonic Combat Aircraft	103	35	15	40	0	10
Other Aircraft	129	140	55	55	180	95
Helicopters	175	285	5	185	95	35
Surface-to-Air Missiles	2256	4115	30	1190	310	70
Surface-to-Surface Missiles	0	1655	230	0	0	195
Anti-Shipping Missiles	18	335	110	160	0	0
1985-1992						
Tanks and Self-Propelled Guns	1534	6105	950	200	1210	450
Artillery	1216	6040	4290	600	1960	1765
APCs and Armored Cars	1799	10130	1145	710	2165	895
Major Surface Combatants	0	27	6	28	15	10
Minor Surface Combatants	16	100	36	123	113	157
Guided Missile Boats	0	0	6	2	0	2
Submarines	0	14	0	8	2	1
Supersonic Combat Aircraft	433	775	195	235	5	215
Subsonic Combat Aircraft	116	135	45	90	0	10
Other Aircraft	330	440	100	290	480	310
Helicopters	305	1010	5	495	110	105
Surface-to-Air Missiles	3142	18840	735	3085	995	1520
Surface-to-Surface Missiles	0	2365	285	0	0	400
Anti-Shipping Missiles	98	825	330	670	0	5

* Third world category excludes the U.S., Russia, former U.S.S.R., 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.

Source: U.S. Government