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**TREND
REPORT**
MARCH 2018

TRENDS IN MAJOR U.S. ARMS SALES IN 2017

A Comparison of the Obama and Trump Administrations

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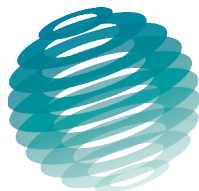
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ACKNOWLEDGMENTS

This report was written by William Hartung with contributions from Colby Goodman at the Security Assistance Monitor. Christina Arabia led efforts to collect U.S. arms sales notification data and provided significant assistance in the analysis of the data. Breanna Heilicher provided editorial review and advice. Claire Oto and Christina Arabia designed the layout and charts for this report. This report was made possible with financial support from the Carnegie Corporation of New York, Open Society Foundations, Rockefeller Brothers Fund, and the Stewart Mott Foundation.



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OVERVIEW

In its first year in office, the Trump Administration notified Congress of \$82.2 billion in new major arms sales offers, including \$63.1 billion under the Foreign Military Sales (FMS) program and an additional \$19.2 billion under the Direct Commercial Sales (DCS) program.¹ This dollar amount appears to be an increase over the last year of the Obama Administration, when notifications for both programs combined reached roughly \$76.5 billion.² The \$82.2 billion figure, however, was considerably lower than the record year of 2010, when the Obama Administration made \$102 billion in FMS offers alone, driven by a \$60 billion package of offers to Saudi Arabia. The Commerce Department also oversees certain types of U.S. arms sales through their 600 Series program, but Congress did not receive any notifications under this program in 2016 and 2017.

There was a sharp change in the regional distribution of major U.S. arms sales notifications in the first year of the Trump Administration when compared to the final year of the Obama Administration. The Obama Administration's sales tilted heavily towards the Middle East and North Africa, which accounted for 66.7 percent of all major arms offers made during 2016. Arms sales notifications under the Trump Administration did not emphasize a particular region. The Middle East and North Africa was also the largest recipient region in the first year of the Trump Administration (36.2 percent), but the Europe and Eurasia (29.5 percent) and East Asia and the Pacific (23.6 percent) regions received a significant share of total offers as well.

The top ten recipients of U.S. arms sales notifications in 2017 were, in order, Saudi Arabia, Poland, Japan, Canada, Romania, Bahrain, Australia, United Kingdom, United Arab Emirates, Greece, and Singapore (see Table 1 below). This was in part due to the fact that one major deal can have a major impact on a country's rank and many countries do not engage in major deals in consecutive years. For example, all of the top five recipients for 2017 had their total offers accounted for by one major deal. Three of the top five in 2017 – Poland, Romania, and Canada – did not even make the top 20 in 2016, because they did not conclude a major sale of the kind that propelled them to the top of the list in 2017.

KEY FACTS

- The Trump Administration notified Congress of \$82.2 billion in offers for new major arms sales in 2017. This was an increase from the last year of the Obama administration, when offers totaled \$76.5 billion.
- The top six recipients of U.S. arms sales notifications in 2017 were in order Saudi Arabia, Poland, Japan, Canada, Romania, and Bahrain.
- The Trump Administration favored major arms deals of missiles and bombs in 2017 over other categories of weapons.
- Saudi Arabia and U.A.E. received around \$659 million in weapons for likely use in combat operations in Yemen.
- A total 25 countries were slated to receive major firearms sales in 2017, including Bahrain, Honduras, Ukraine, and Turkey.
- The Trump Administration proposed a total of 16 major arms deals that would support the manufacturing of arms abroad.

Table 1: Top 20 Recipients of US Arms Sales Notifications (2016-2017)

2017			2016		
	Country	2017 \$		Country	2016 \$
1	Saudi Arabia	\$17,857,485,081	1	Qatar	\$22,285,020,000
2	Poland	\$11,314,715,895	2	Kuwait	\$12,451,000,000
3	Japan	\$10,699,674,043	3	Japan	\$7,057,254,322
4	Canada	\$5,803,710,000	4	United Arab Emirates	\$5,355,038,425
5	Romania	\$5,150,000,000	5	Saudi Arabia	\$5,075,965,002
6	Bahrain	\$3,955,422,457	6	United Kingdom	\$4,267,619,459
7	Australia	\$3,440,700,000	7	Iraq	\$3,396,300,000
8	United Kingdom	\$3,230,630,000	8	*Global	\$2,377,878,500
9	United Arab Emirates	\$2,838,124,342	9	Australia	\$2,175,792,735
10	Greece	\$2,484,000,000	10	Norway	\$1,750,000,000
11	Singapore	\$1,681,000,000	11	Germany	\$1,535,000,000
12	Iraq	\$1,505,600,000	12	India	\$1,234,385,716
13	New Zealand	\$1,460,000,000	13	Sweden	\$1,046,410,193
14	Taiwan	\$1,431,800,000	14	Egypt	\$982,234,323
15	Kuwait	\$1,200,600,000	15	Peru	\$780,895,496
16	Qatar	\$1,103,241,589	16	Pakistan	\$700,040,000
17	*Global	\$962,100,000	17	Israel	\$540,058,310
18	Israel	\$890,925,000	18	South Korea	\$392,630,345
19	India	\$803,686,000	19	Oman	\$357,113,785
20	Kenya	\$671,000,000	20	Singapore	\$326,000,000

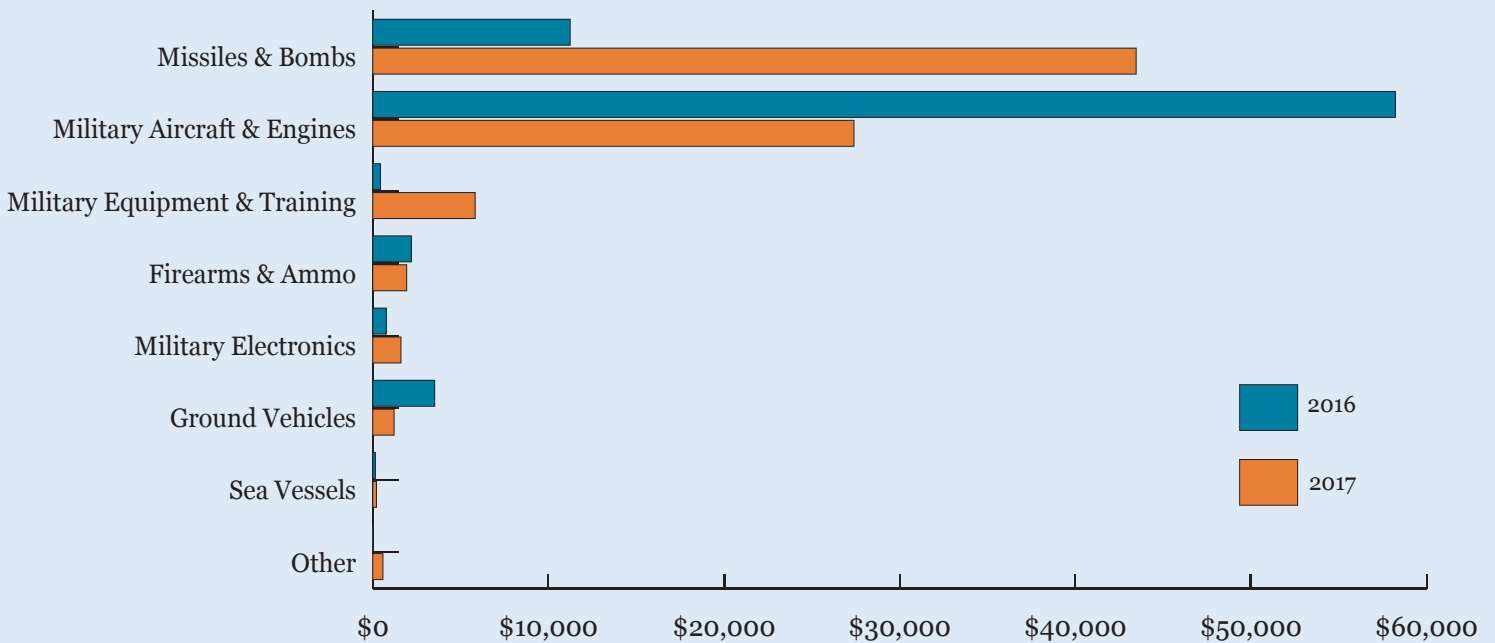
*Note: In some cases, an arms sales notification shows multiple countries as the recipient without showing the dollar amount for each country. The Global designation in the above chart shows these notifications.

The composition of major U.S. arms offers also differed widely between the last year of the Obama Administration and the first year of the Trump Administration (see Table 1). The most significant sales under President Obama were for military aircraft, including helicopters (72.5 percent of total sales), while sales during the first year of the Trump Administration favored missiles and bombs (52.9 percent). Major missile defense deals with Saudi Arabia, Poland, Romania, and Japan helped increase sales in the missiles and bombs category. The Trump Administration also approved more than 40 major arms deals in the missiles and bombs category, 10 more than in the last year of the

Obama Administration.

The Trump and Obama Administrations each authorized the export of tens of thousands of firearms. The value of notifications (for USML categories I-III combined) was higher in 2016, at \$2.19 billion versus \$1.93 billion in 2017. Although the 2017 figure does not include two deals Congress rejected prior to the formal notification (one to the Philippines police and one to the presidential guard in Turkey) there were other questionable firearms sales formally notified to Congress in 2017. This includes a \$1 million deal for M4 carbines to Honduras, where the security forces have a record of serious human rights abuses.³ The Trump Administration also proposed a series of firearms exports worth over \$20 million to the United Arab Emirates where the firearms could be used in the devastating Saudi/U.A.E. intervention in Yemen.

Figure 1: U.S. Arms Sales Notifications by Weapons Category
(in millions)



Note: "Firearms & Ammo" includes USML categories I, II, & III

In one of the new approaches to U.S. arms sales in 2017, President Trump relentlessly promoted the benefits of U.S. arms sales abroad, often focusing on the economic benefits to the United States. On the first foreign trip of his presidency, a May 2017 visit to Saudi Arabia, President Trump claimed that he had or would soon make arms deals with Riyadh worth \$110 billion, a figure close to the record \$115 billion in offers made during the eight years of the Obama administration. Trump emphasized that the deals he was making would create “jobs, jobs, jobs” in

the United States.⁴ President Trump made similar statements during a visit to Japan in November 2017. However, there are several factors that severely undercut the effectiveness of U.S. arms sales as a U.S. job creator.

The Trump Administration proposed a total of 16 major arms deals that would support the manufacturing of U.S. military equipment abroad worth over \$8.76 billion. This is despite President Trump's campaign claims that he would protect and increase U.S. manufacturing jobs in America. These offers include support to Canada to help manufacture F-404 and F-414 aircraft engines and to Japan to manufacture, integrate, and install Patriot Missiles, among others. While these offers may help secure major arms deals, they can also cut some U.S. manufacturing jobs in future if U.S. companies can't compete against foreign countries making the same items at lower costs.

The Trump Administration deemphasized human rights concerns in U.S. arms sales, as evidenced by decisions to lift suspensions on specific deals to Saudi Arabia (precision-guided munitions), Bahrain (fighter planes and other equipment), and Nigeria (small aircraft).⁵ The Obama Administration had put holds on these deals due to human rights concerns, including the risk of U.S. arms being used against civilians and civilian institutions.

Early reports on the Trump Administration's upcoming arms transfer policy directive indicate that it will emphasize arms sales promotion and the streamlining of the arms sales process in hope of further boosting U.S. arms sales. This effort aims to go beyond an Obama Administration initiative that loosened export controls on tens of thousands of military items by moving oversight of these items from the State Department to the Commerce Department. The Trump Administration is also expected to loosen export restrictions on the commercial sale of firearms and related ammunition, which has sparked concern in Congress over the potential loss of their authority to review certain U.S. firearms sales abroad.

METHODOLOGY AND TRANSPARENCY

The analysis in this report is based on arms sales notifications to Congress under the Foreign Military Sales (FMS) and the Direct Commercial Sales (DCS) programs. FMS deals involve administration led by the Pentagon, while DCS sales require a license from the State Department but are otherwise implemented by the manufacturer or exporter of a given weapons system. Under the Arms Export Control Act, Congress must be notified in advance of any proposed arms sale that meets the below threshold values (see Table 2). As such, this report does not capture the full dollar amount for all proposed U.S. arms sales in a given year. Arms sales notifications do not always lead to final sales. Deals can fall apart for a variety of reasons, from disagreements over price, technology transfers, and conditions of sale to changes in the economic, political, or strategic situation of the proposed recipient nation. These notifications, however, are a good gauge of the intent of a given U.S. administration.

Table 2: U.S. Arms Sales Notification Threshold Values⁶

Recipient Countries:	all countries <i>except</i> NATO member states, Japan, Australia, Israel, Jordan, South Korea, and New Zealand (30 calendar days before conclusion of a sale or export license)	NATO member states, Japan, Australia, Israel, Jordan, South Korea, and New Zealand (15 calendar days before conclusion of a sale or export license)
Equipment Type:	Threshold Sale Value:	
<i>Major Defense Equipment</i>	\$14 million or more	\$25 million or more
<i>Defense Articles or Services</i>	\$50 million or more	\$100 million or more
<i>Design and Construction Services</i>	\$200 million or more	\$300 million or more
<i>Commercially Licensed Sale of Firearms Controlled by USML</i>	\$1 million or more	\$1 million or more
NOTE: The State Department informally notifies the relevant congressional committees by submitting a preliminary or informal notification of a prospective major arms sale 20-40 calendar days in advance (depending on the system and destination in question) of the Executive Branch formally notifying Congress.		

One of the key reasons this report is possible is the U.S. government's increased transparency on U.S. arms sales notifications. Over the past two years, the United States provided more detail on the total amount and types of weapons included in each DCS notifications than in previous years. These DCS notifications nevertheless still leave out important information included in FMS notifications, such as the intended recipient of the arms within the country and more detail about the nature of the weapons. There were 15 cases in 2016 in which the U.S. government did not provide the total dollar amount for a DCS notification. To compensate for the lack of dollar amounts in these notifications, the author of this report used the respective arms sales notification threshold value instead for calculations in this report. As a result, the total dollar amount for all arms sales notifications in 2016 is not as accurate as the dollar amount for 2017.

MIDDLE EAST AND NORTH AFRICA

Saudi Arabia and United Arab Emirates

The Trump Administration proposed \$20.7 billion worth of major arms deals for Saudi Arabia and U.A.E in 2017, with \$17.86 billion for Saudi Arabia and \$2.84 for U.A.E., making Saudi Arabia the top recipient of U.S. arms sales notifications globally last year. In 2016, the Obama Administration had proposed \$5 billion worth of major arms offers to Congress for the Saudi Kingdom. The \$17.86 billion figure, however, is considerably less than the \$110 billion amount President Trump claimed during his trip to Saudi Arabia in May 2017. While the Trump Administration may submit further arms deals for Saudi Arabia in 2018, it appears the Obama Administration had already approved at least \$23.7 billion of the \$110 billion President Trump mentioned.⁷

The Trump Administration sent a total of 22 arms sales notifications for Saudi Arabia and U.A.E. in 2017. The largest deal for Saudi Arabia was a \$15 billion sale for a Lockheed Martin Theater High Altitude Area Defense (THAAD) missile defense system to address potential threats from Iranian ballistic missiles. Similarly, President Trump offered U.A.E. Patriot PAC-3 and GEM-T missiles defense systems. At least \$659 million of the other major arms deals for Saudi Arabia and U.A.E. appear to be for the two countries' combat operations in Yemen. These deals include \$610 million in various munitions and firearms for Saudi Arabia, including Paveway missile systems (see Table 3). The Trump Administration also approved over \$48 million in firearms to U.A.E, which has led the ground offensive in Yemen.

In approving the sale of Paveway missiles, the Trump Administration reversed an Obama Administration decision to suspend the sale of these types of munitions to Saudi Arabia without a clear reduction in Saudi Arabia's airstrikes on the civilian population.⁸ President Obama held these weapons out of concern for Riyadh's indiscriminate use of U.S. weaponry to bomb civilian targets in Yemen. These bombings and a related blockade on goods entering Yemen has reportedly put millions of Yemenis at risk of famine and spawned the worst cholera outbreak in recent memory.⁹ The Trump Administration did require Saudi Arabia to buy \$750 million worth of U.S. training to help mitigate civilian casualties in Yemen. President Trump also successfully pushed Saudi Arabia to lift the blockade for 30 days to allow U.S. supplied cranes to be installed at a key port of entry point in Yemen.¹⁰

Table 3: U.S. Munitions and Firearms for Saudi Arabia and U.A.E. 2017

U.S. Weapons System	Dollar Amount
<i>Saudi Arabia</i>	
Joint Direct Attack Munitions	\$118,304,843
FMU-152A/B Joint Programmable Bomb Fuze System	\$95,250,001
Paveway II and Ill, Enhance Paveway II and Ill, and Paveway IV Weapons Systems	\$298,430,237
Various calibers of firearms ammunition	\$98,500,000
Total	\$610,485,081
<i>United Arab Emirates</i>	
M4 fully automatic carbines 5.56x45 NATO	\$7,918,327
Bolt action rifles & suppressors	\$2,644,360
M16A4 rifles, spare parts, accessories, and training	\$1,469,925
Various machine guns and spare barrels	\$11,000,000
5.56mm upper receiver assemblies, barrel assemblies, and accessories	\$25,591,730
Total	\$48,624,342

Qatar

During the last year of the Obama Administration, Qatar was the largest recipient of U.S. arms sales notifications, receiving a combined total of \$22.2 billion. However, the Trump Administration made arms sales offers to Qatar for only \$1.1 billion, including notifications for F-15QA fighter jet construction and for firearms. The drastic change in the total dollar amount between 2016 and 2017 is largely because of one major deal in 2016: a notification for F-15QA fighter jets and related weapons support totaling \$21.1 billion. The Obama Administration also proposed seven other major arms sales deals with Qatar compared to the two offers the Trump Administration sent to Congress. These Obama Administration deals included Javelin guided missiles, fast patrol boats, C-17 military transport, RIM-116C and RIM-116C-2 Rolling Airframe Missiles, and logistics support.

EUROPE AND EURASIA

Poland and Romania

The Trump Administration's two largest arms deal offers in Europe and Eurasia were to Poland and Romania for Patriot missile defense systems, valued at \$10.5 billion for Poland and \$3.9 billion for Romania. The missile defense deals appear to be in response to Russia's more aggressive military posture in recent years, including its military intervention in Ukraine. According to Raytheon, the missile defense system is designed to address "large slow-moving aircraft or smaller cruise missiles to short-range tactical ballistic missiles." Some Polish officials have balked though at the potential \$10.5 billion price tag for the system.¹¹ Raytheon has also indicated that the deal would support Polish jobs by involving Polish industry in the "codevelopment (design, engineering, and software) of the next generation Patriot system, including coproduction of a large portion of this future capability for both Poland and export to other nations for radar, command and control, and missiles."¹²

EAST ASIA AND THE PACIFIC

Japan

In the East Asia and Pacific region, the Trump Administration approved the biggest deals for Japan. In total, Japan received over \$10.7 billion in major arms offers, making Japan the third largest recipient of U.S. arms sales notifications in 2017. Japan's \$10.7 billion in deals were dominated by two major offers, a \$4.5 billion license to build a Final Assembly and Checkout (FACO) facility for Lockheed Martin F-35 combat aircraft and a \$5.4 billion deal to support the manufacture and installation of a Patriot missile system. The fighter jet facility will be used to assemble F-35s purchased from the United States by Japan as well as F-35s purchased by other U.S. allies in the region. The primary rationale behind Japan's purchase of the Patriot missile system is the growing nuclear threat from North Korea. The Trump Administration also approved the sale of Maverick and Sidewinder missiles for South Korea to support their homeland defense.

Australia, New Zealand, and Taiwan

Australia was 2017's second largest recipient of major U.S. arms deals in the region with over \$3.4 billion in U.S. approved sales. In 2016, the Obama Administration proposed \$2.1 billion in major arms sales to the country. Some of the larger deals to Australia include the following: \$1.3 billion for Gulfstream aircraft; \$815 million for Small Diameter Bombs (SDB's); \$360 million for MH-60 helicopters; and \$137.6 million for anti-radiation missiles. Other major U.S. arms offers for East Asia and the Pacific included a \$1.46 billion sale of P-8A anti-submarine warfare planes to New Zealand and a series of deals for missiles and torpedoes to Taiwan worth a total of \$952 million. The sales of naval systems like torpedoes and anti-submarine aircraft are consistent with building a stronger regional coalition to deal with issues like China's attempts to assert military control over the oil-rich South China sea. Concerns about China also fueled many of the U.S. arms sales to Taiwan.

NORTH AMERICA

Canada

Canada moved to the fourth highest recipient of major U.S. arms offers in 2017 with over \$5.8 billion in proposed sales. The jump in U.S. arms sales to Canada was driven by a \$5.2 billion deal for Boeing F-18 combat aircraft. However, as of this writing, the deal had been suspended due to a trade dispute. The suspension of the deal by the Canadian government came in response to a U.S. Commerce Department decision to slap large tariffs on sales of Canadian Bombardier civil aircraft to the United States.¹³ In late January, however, the U.S. International Trade Commission overruled the Commerce Department recommendation to place tariffs on the Bombardier aircraft.¹⁴ The United States also approved a \$175.5 million deal in 2017 to support Canadian efforts to manufacture F-404 and F-414 aircraft engine components in Canada in order to supply General Electric Aviation's production lines in the United States and a \$85 million sale to support Canada's armored vehicle sales to Saudi Arabia.

Mexico

After ranking among the top recipients of major U.S. arms offers in 2014, Mexico did not make it into the top 20 recipients in 2017. Over the past year, the Trump Administration submitted to Congress two major arms sales to Mexico worth a total of \$88.6 million. The largest deal was for \$86 million to "support the Star Satire 380 HD camera system." The United States also approved a deal of .50 caliber rifles, ammunition, barrels, accessories, and associated training to Mexico in 2017. Under the last year of the Obama Administration, the United States made a total of seven major arms offers to Mexico worth a total of \$686 million. Some of the 2016 major offers included a \$122 million sale of T-6C+ aircraft, a \$118 million deal to support the manufacture of piezoelectric ceramic products, and a \$10 million offer to support the manufacture of barrels and barrel blanks for various rifles. The United States also approved major sales of firearms to the Mexican Navy and law enforcement in 2016 (see Table 4 for details on U.S. firearms sales notifications globally).

Table 4: U.S. Category 1 Firearms Sales in 2017

Country	# of Notifications	Weapon Type	Total Amount
Spain	1	Design & manufacture of sporting firearms & components in Spain for commercial resale	\$258,200,000
Saudi Arabia	1	Various calibers of firearms ammunition	\$98,500,000
Thailand	2	Semi-auto 9mm pistols with extra magazines	\$93,899,820
Indonesia	5	M134 7.62mm machine guns, spare parts, & accessories Fully automatic rifles, semi-automatic pistols, & silencers with extra magazines & accessories M400 5.56mm rifles, 9mm caliber rifles, 9mm pistols, silencers, & accessories Light machine guns with spare barrels, ammunition, & accessories Fully automatic rifles, semi-automatic pistols, silencers, spare parts, & accessories	\$53,955,020
United Arab Emirates	5	5.56mm upper receiver assemblies, barrel assemblies, & accessories Various machine guns & spare barrels M4 fully automatic carbines 5.56x45 NATO Bolt action rifles & suppressors M16A4 rifles, spare parts, accessories, & training	\$48,624,342
Ukraine	1	Firearms, parts, & accessories	\$41,500,000
Malaysia	1	5.56mm carbines with extra magazines & parts	\$20,631,875
Tunisia	5	M60 & M2HB machine guns, MK19 grenade machine guns, & associated components Semi-automatic pistols, spare barrels, & spare parts M4A1 carbines with flash and sound suppressors, associated components & equipment Machine guns, barrel assemblies, spare parts, & accessories M2A2 12.7mm & M60E 7.62mm machine guns & M60 weapons training, parts, & accessories	\$8,411,412
Canada	4	9mm semi-automatic pistols Various rifles, pistols, barrels, flash hiders, & accessories Barrel blanks for commercial resale Various caliber replacement barrels & rifle barrel blanks for commercial resale	\$8,210,000
Honduras	1	M4 Carbines & accessories	\$6,150,000
Turkey	1	Machine guns & barrels	\$4,785,000
Sweden	2	Bolt action rifles of various calibers 5.56mm and 7.62mm carbines, associated training, parts, & accessories	\$3,573,548
Jordan	2	M400 5.56mm rifles, associated parts, & components M400 semi-automatic rifles & P320 semi-automatic pistols & accessories	\$3,294,566
Qatar	1	Carbines, spare parts & accessories	\$3,241,589
Peru	1	Semi-automatic rifles, semi-automatic pistols, & magazines	\$2,800,000
Mexico	1	.50 caliber rifles, ammunition, barrels, accessories, & associated training	\$2,428,453
El Salvador	1	Pistols	\$1,581,880
Bahrain	1	Rifles & accessories	\$1,172,457
Argentina	1	M1500 bolt action rifles in various calibers & accessories for commercial resale	\$1,161,300

SUB-SAHARAN AFRICA

Kenya and Nigeria

In Sub-Saharan Africa, Kenya was the largest recipient of major U.S. arms offers in 2017, including a \$253 million sale of weaponized MD-530 helicopters and a deal for \$418 million for “air tractor” aircraft. Both systems are relevant to Kenya’s ongoing role in aiding the fight against the al-Shabaab terrorist group in neighboring Somalia. However, Kenyans have raised concerns regarding the costs of the new deals, which total \$671 million, compared to Kenya’s annual military budget of \$933 million.¹⁵ The Trump Administration’s \$494 million offer of 12 Super Tucano fighter aircraft and thousands of bombs to Nigeria has become embroiled in controversy due to the Nigerian government’s objections to certain conditions the United States has placed on the sale. According to news reports, these conditions include a delivery date of 2020, no U.S. training for Nigerian technicians who will be maintaining the aircraft, and no U.S. personnel involved in maintenance of the planes.¹⁶ Nigerian officials have said that the deal will be delayed until the conditions are softened. The deal was already controversial in the United States due to concerns over the human rights and corruption record of the Nigerian military.

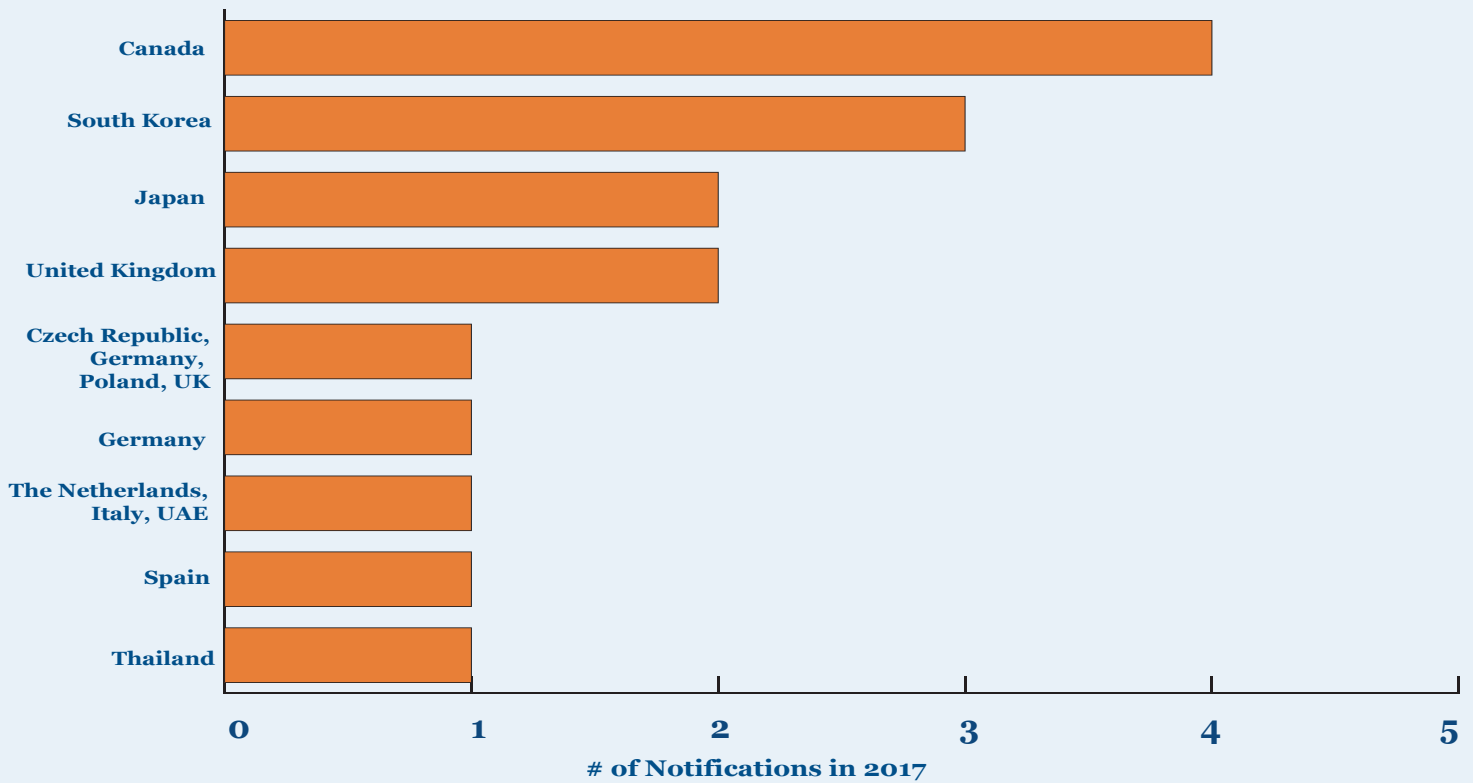
U.S. ARMS SALES AND JOBS

One of the biggest changes in U.S. arms transfer policy under the Trump Administration is President Trump’s highly public promotion of international arms sales as a source of jobs in the United States. Job creation has always been a factor in U.S. arms exports, but no U.S. president broadcast this alleged benefit of weapons trading so loudly or so consistently as he did. The irony of the Trump Administration approach is that U.S. weapons production is increasingly questioned as an effective way to create American jobs. As Heidi Garrett-Peltier has noted in a 2017 report on military spending and employment, spending on infrastructure, alternative energy, or health care creates one and a half times as many jobs as military spending, and spending on education can create up to twice as many jobs.¹⁷ U.S. taxpayers usually provide billions each year through funds such as the Foreign Military Financing (FMF) to support U.S. arms sales.

Even in cases like U.S. arms sales to Saudi Arabia, where the customer pays the full cost of the weapons purchase, the economic benefits are often less than meets the eye. First of all, large deals take time and many are sidelined somewhere along the line due to changes of heart or lack of funds on the part of the purchasing nation. As noted above, the Trump administration’s \$5.2 billion offer of F-18 combat aircraft to Canada is likely to be cancelled as a result of a trade dispute with the United States. And of the \$110 billion in arms offers made to Saudi Arabia during the Obama Administration years, only half of them have resulted in formal agreements, and only about one-quarter of them have resulted in weapons actually being delivered.¹⁸ So, when an announcement of a major, multi-billion-dollar arms deal is made, it cannot be taken for granted that all of those dollars will ultimately be spent, and if they are, the expenditures may be spread over many years. In most cases fewer jobs will be created over the life of a deal than anticipated in the initial fanfare of a major sales announcement.

Second, U.S. arms sales disappoint as a jobs creator because in many cases the jobs created by a sale are shared with the purchasing nation via offset and coproduction agreements. An offset agreement is a deal between the selling company and the purchasing nation in which the company invests in the purchasing country’s economy as a way to “offset” the costs of the deal. Coproduction, as the name suggests, involves production of part of a system in the recipient nation. In 2017, the Trump Administration proposed a total of 16 major arms deals that would support the manufacturing of U.S. military equipment abroad (see Figure 2). These deals include the sales mentioned above to Canada and Japan. Similar to Japan, a total 79 foreign companies are producing major components for the F-35.¹⁹ As a result, many of the major U.S. arms sales will likely create jobs in foreign countries rather than in the United States. These foreign arms manufacturing jobs can also cut American jobs in the future if U.S. companies can’t compete against foreign countries making the same items at lower costs.

Figure 2: Major U.S. Arms Sales Offers Involving Foreign Manufacturing, by Number of Notifications



Sales to the Persian Gulf – the biggest market for U.S. weapons in recent years – are increasingly characterized by major offset arrangements. For example, in exchange for the U.A.E.’s purchase of Lockheed Martin weapons, that company is helping the U.A.E. develop a state-of-the-art robotic machine tool industry that will sell its wares to defense and aerospace firms, possibly at the expense of similar sales by firms based in the United States.²⁰ And under Saudi Arabia’s Plan 2030 economic reform plan, the country has a goal of producing 50 percent of the value

of the arms it purchases in Saudi Arabia. That process is already under way through a deal to sell the kingdom 132 Sikorsky Black Hawk helicopters that will be assembled at a factory in Riyadh.²¹

CONCLUSION AND LOOKING AHEAD

A number of major decisions regarding U.S. arms transfer policy are on tap for early 2018. The Trump Administration is poised to release a new arms transfer policy directive. A report by Politico, based on interviews with sources at the State Department and a National Security Council official suggests that the new directive will seek to streamline the process of approving arms sales, increase the already extensive role of U.S. government personnel in promoting weapons exports, and remove what a National Security Council statement has described as “unreasonable constraints on the ability of our companies to compete.”²² In keeping with that priority, the NSC official told Politico that “the administration is intent on ensuring that U.S. industry has every advantage in the global marketplace.”

This new approach was confirmed in a January 2018 article by Reuters that suggested that the forthcoming arms transfer directive would put a heavy emphasis on arms sales promotion by U.S. diplomats and other overseas personnel. As one administration official familiar with the development of the new policy told Reuters, “We want to see those guys, the commercial and military attaches, unfettered to be salesmen for this stuff, to be promoters.”²³ As a result, we will likely see many more U.S. officials promoting U.S. arms sales, which could potentially take them away from other important tasks. We may also see new efforts to streamline the approval process of the FMS system, including potentially eliminating important checks to ensure U.S. arms are not illegally diverted. These efforts come at time when many U.S. arms sales experts have shown the need for more U.S. government assessments to ensure U.S. weapons are going to recipients that will use the arms responsibly.²⁴

The Trump Administration is also expected to move forward with a plan to ease controls on the export of U.S. firearms that was stalled at the end of the Obama Administration. The plan would move gun exports, now licensed and scrutinized by the State Department, under the jurisdiction of the Commerce Department. Some firearms exports could be exported to U.S. allies without a license, reducing the U.S. government’s ability to prevent U.S. weapons from reaching criminal networks and irresponsible foreign security forces.²⁵ The proposed move would also likely reduce the ability of Congress to review proposed firearms sales notifications, removing the possibility for Congress to stop problematic deals such as the proposed deals to the Philippines police and Turkey presidential guards mentioned above.

In September 2017, three U.S. Senators, Sen. Ben Cardin (D-MD), Sen. Dianne Feinstein (D-CA), and Sen. Patrick Leahy, sent a letter to Secretary of State Rex Tillerson raising concerns about the change in controls on firearms exports.²⁶ The U.S. Senators asserted that “combat firearms and ammunition are uniquely lethal; they are easily spread and easily modified, and are the primary

means of injury, death and destruction in civil and military conflicts throughout the world. As such they should be subjected to more – not less – rigorous export controls and oversight.”²⁷

As a result of these likely changes, there is a strong chance that the Trump Administration will greatly increase the number of U.S. arms sales notifications in 2018 with less oversight. Paradoxically, the Trump Administration may even support the U.S. defense industry in their efforts to manufacture more arms abroad. The focus on promoting the economic benefits of weapons exports at the potential expense of human rights and other important foreign policy considerations runs the risk of not only of putting more lives at risk, but also undermining U.S. security by transferring U.S.-supplied equipment in ways that do not support long-term U.S. interests.

Endnotes

- 1** For a complete list of U.S. arms sales notifications for 2016 and 2017, see Security Assistance Monitor’s fact sheet entitled “U.S. Arms Sales Notifications: A Comparison between Obama and Trump,” at https://securityassistance.org/fact_sheet/us-arms-sales-notifications-comparison-between-trump-and-obama.
- 2** The U.S. government did not report the total dollar amount for 15 arms sales notifications under Direct Commercial Sales in 2016. As a result, the total dollar amount for arms sales notifications in 2016 is not as accurate as the amount in 2017 (see the methodology section of this report for more details).
- 3** Human Rights Watch, “Honduras: Events of 2017,” Human Rights Watch World Report, 2018 -- <https://www.hrw.org/world-report/2018/country-chapters/honduras>
- 4** Vera Bergengruen, “Trump Saudi Arms Deal Creation Certain Only In Saudi Arabia,” Charlotte News and Observer, May 24, 2017 (McClatchy syndicate) -- <http://www.newsobserver.com/news/politics-government/article152465259.html>
- 5** Los Angeles Times, “Trump to Sell Planes to Nigeria to Fight Boko Haram Despite Human Rights Abuses,” April 10, 2017 (from Associated Press).
- 6** Paul Kerr, “Arms Sales: Congressional Review Process,” Congressional Research Service, July 25, 2017, at <https://fas.org/sgp/crs/weapons/RL31675.pdf>.
- 7** Marcus Weisgerber, “What Really Matters in Trump’s \$110B Saudi Arms Package,” Defense One, May 22, 2017. <http://www.defenseone.com/business/2017/05/what-really-matters-trumps-110b-saudi-arms-package/138069/>
- 8** Himmiche, Carvajal, Gunaratne, Johnsen, Wilkinson, “Panel of Experts on Yemen mandated by Security Council resolution 2342,” United Nations Security Council, January 26, 2018, <https://reliefweb.int/sites/reliefweb.int/files/resources/N1800513.pdf>
- 9** Zeeshan Saleem, “Saudis New Blockade Is Starving Yemen,” Vox, November 22, 2017.
- 10** Justin Sink and Nafeesa Syeed, “Trump Issues Rare Rebuke to Saudi Arabia, Urging End to Yemen Blockade,” Bloomberg Politics, December 6, 2017.
- 11** Polish concerns about the potential price of the PAC-3 deal are discussed in Mike Stone, “Raytheon Gets Okay for \$10.5 Patriot Sale to Poland: Pentagon,” Reuters, November 17, 2017
- 12** https://www.raytheon.com/media/poland/Patriot_for_Poland_Facts.pdf
- 13** “In Trade Blowback, Canada Will Buy Used Australian Jets Rather Than New Ones from Boeing,” Los Angeles Times, December 12, 2017 (from Associated Press).
- 14** Ana Swanson, “Boeing Denied Bid for Tariffs on Canadian Jets,” New York Times, January 26, 2018.
- 15** Kevin J. Kelley, “Analysts Sceptical of Impact in Somalia of Kenya Arms Purchases,” Daily Nation, May 7, 2017, <https://www.nation.co.ke/news/Kenya-arms-purchases/1056-3916992-2unn2f/index.html>
- 16** Felix Onuah, “Nigeria to protest U.S. conditions on \$494 million purchase of fighter planes,” Reuters, January 25, 2018. <https://www.reuters.com/article/us-nigeria-usa/nigeria-to-protest-u-s-conditions-on-494-million-purchase-of-fighter-planes-idUSKBN1FE27J?il=0>

- 17** Heidi Garrett-Peltier, “Job Opportunity Costs of War,” Costs of War Project, Watson Institute, Brown University, May 24, 2017..
- 18** For data on formal agreements and deliveries under the Pentagon’s Foreign Military Sales Program, see U.S. Department of Defense, Defense Cooperation Agency, “Historical Facts Book as of September 30, 2016.”
- 19** William D. Hartung, “Promising the Sky: Pork Barrel Politics and the F-35 Combat Aircraft,” Center for International Policy report, January 22, 2014.
- 20** On Lockheed Martin investments in the UAE, see Remarks of Marillyn A. Hewson, Global Summit of Women Speakers of Parliament, Abu Dhabi, United Arab Emirates, December 13, 2016.
- 21** Linda Qiu, “Trump’s Trip Abroad Created Thousands of Jobs? Maybe in Saudi Arabia,” New York Times, June 2, 2017.
- 22** Bryan Bender and Tara Palmeri, “Trump to Unleash More Foreign Arms Sales,” Politico, September 29, 2017.
- 23** Matt Spetalnick and Mike Stone, “Trump to Call on Pentagon, Diplomats to Play Bigger Arms Sales Role,” Reuters, January 8, 2018.
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- 25** Colby Goodman and Rachel Stohl, “Five Dangers of Giving the Commerce Department Oversight of Firearms Sales,” Defense News, September 25, 2017.
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