



TRENDS IN U.S. ARMS SALES

Foreign military sales (FMS) for 2022 through the end of June, in terms of U.S. dollar value, have now surpassed the total value of FMS for the entirety of 2021. The drop in volume, in terms of dollars, between 2020 and 2021 was the greatest drop in recent memory. The climb again so far in 2022 is a signal this year will be a more typical year in terms of arms sales value.

Additionally at the end of June, the U.S. Department of State released a new report on direct commercial sales (DCS) for 2021, providing new information on commercial arms sales from the United States to recipient countries.

This issue brief examines these trends, as well as key takeaways for 2021 and what that could mean for 2022, as well as U.S. recipients of arms sales, weapons categories, and corporate beneficiaries. In addition, the Security Assistance Monitor is planning to release additional briefs, following this one, that cover issues such as transparency, institutional reforms, and implications for key regions and recipients.

KEY TAKEAWAYS

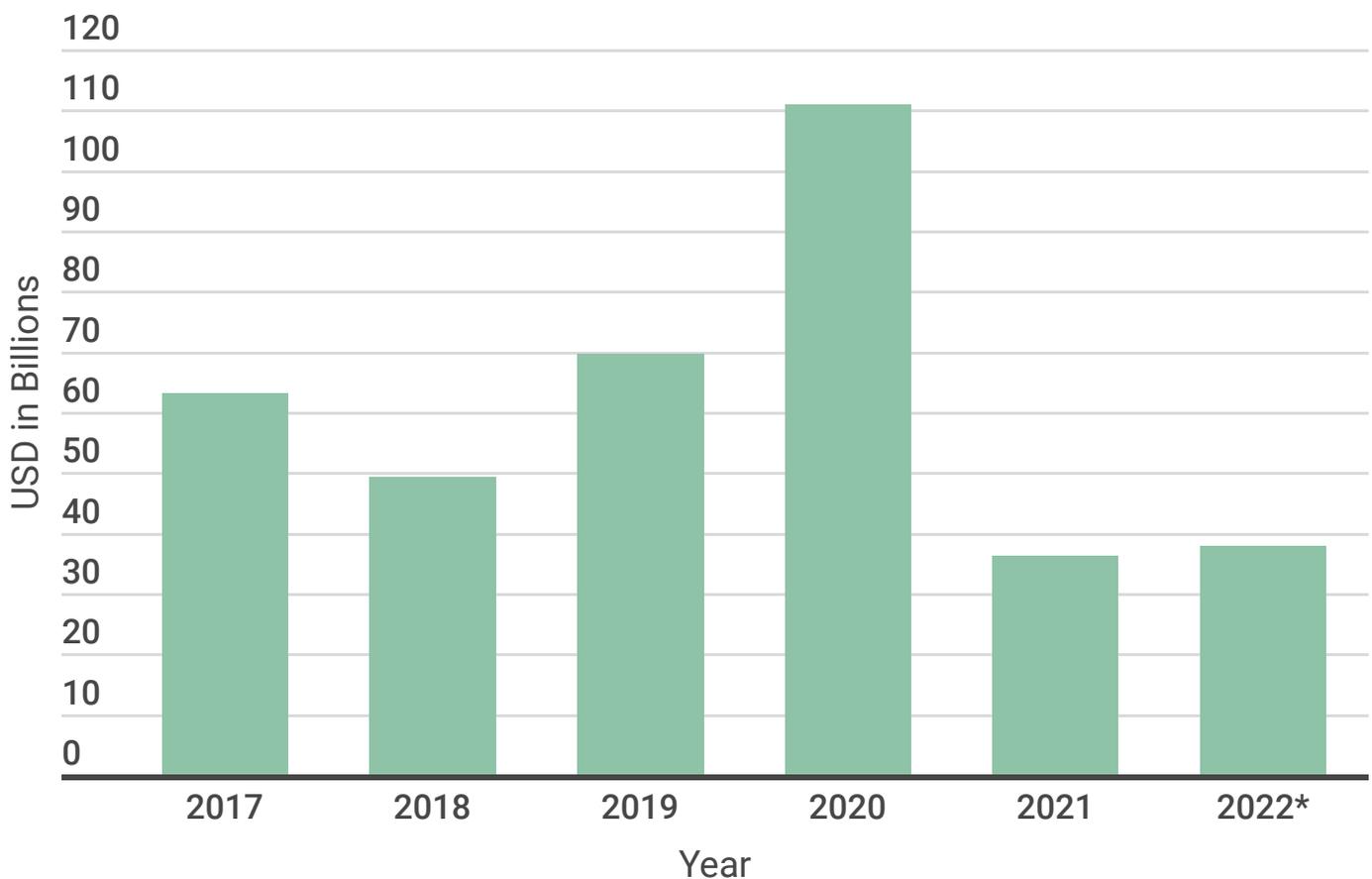
1. Notifications for foreign military sales (FMS) from the United States to other governments reached their lowest volume in recent memory in 2021, at just over \$36 billion. But already by the end of June 2022, they had reached nearly \$38 billion, more than all of 2021.
2. The Biden administration has moved away from the Trump-era focus on jobs as a justification for arms sales, focusing instead on efforts to strengthen countries allied with the United States that may hedge against the influence of China and Russia.
3. Europe and Eurasia took over from the MENA region as the region with the greatest value of newly announced FMS offers between 2020 and 2021, but so far in 2022 (as of the end of June), in terms of value, East Asia and the Pacific has overtaken them both.
4. The top five recipients of U.S. FMS offers so far for 2022, through the end of June, in terms of value, are Indonesia, Poland, Egypt, Jordan, and Bulgaria.
5. A newly released U.S. Department of State report reveals that authorizations for direct commercial sales (DCS) from U.S. manufacturers to foreign buyers were also at relatively low levels for 2021, compared to previous years, at just under \$41 billion. (2022 data is not yet available.)
6. The top five recipients of U.S. direct commercial sale (DCS) authorizations for 2021, in terms of U.S. dollar value, were Japan, the UK, Australia, Israel, and the UAE.
7. Military aircraft and engines continue to dominate the value of major weapons sales because of their high costs, but so far this year, ground vehicles, as well as bombs and missiles, have also been significant for major sales. The category of sea vessels has moved down as a major source of new arms offers since 2021, when they were largely driven by sales to Greece.
8. As in 2020, a handful of companies benefited most from U.S. arms offers in 2021. The top three, again—Lockheed Martin, Boeing, and Raytheon Technologies—were involved in the vast majority of total offers for 2021.

U.S. FOREIGN MILITARY SALES IN RECENT YEARS

In 2020, the last year of the Trump administration, the United States had just completed one of its largest years in arms offers in recent history—nearly \$111 billion in foreign military sales (FMS) offers alone. By contrast, 2021 was the lowest year for FMS offers in recent memory. But by the end of June 2022, FMS had already surpassed all of 2021 offers in terms of U.S. dollar value.

Year	U.S. Foreign Military Sales
2017	\$63,064,950,000
2018	\$49,114,200,000
2019	\$69,778,752,000
2020	\$110,967,911,000
2021	\$36,025,600,000
2022*	\$37,935,910,000

* Through June 30, 2022



Despite the precipitous drop in the volume of U.S. FMS offers in 2021, they are once more climbing again, as the Biden administration approves new sales of weapons systems around the world. In public justifications for major weapons sales, one key political framework consistently relies on great power competition, or the desire to strengthen the abilities of allies to counter Russia and China. The Biden administration has departed from the Trump-era emphasis on jobs as a rationale for weapons exports. But the great power competition framing also reflects a longstanding assumption, consistent across administrations, that supporting U.S. allies in critical regions of the world can help hedge against the influence of Russia and China. This sense is only growing since Russia's February invasion of Ukraine.

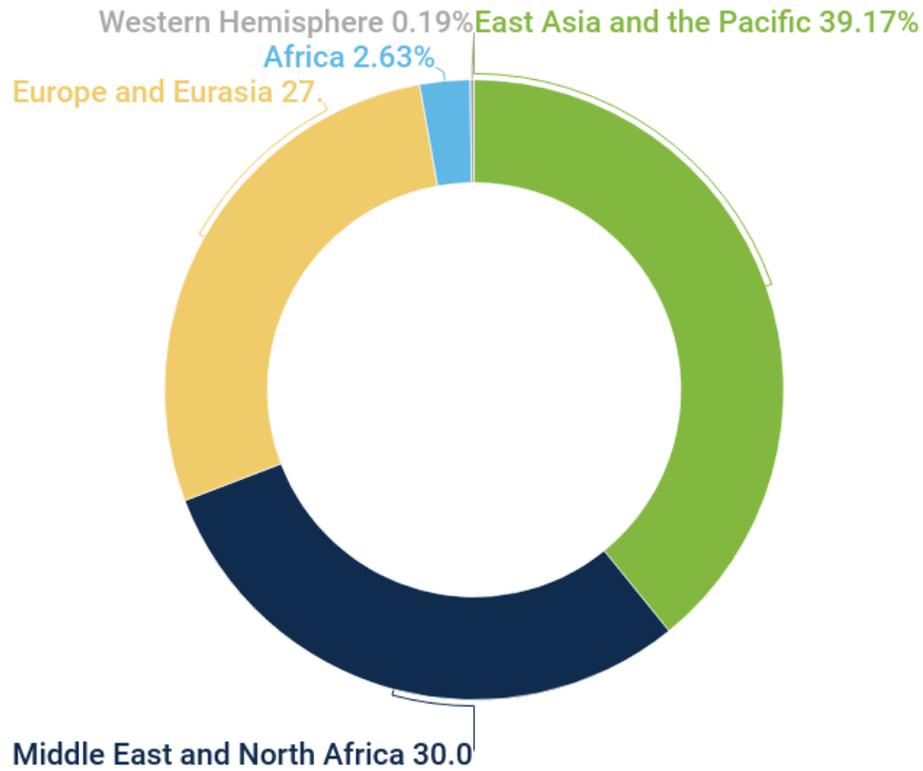
REGIONAL BREAKDOWNS OF FOREIGN MILITARY SALES

Besides the overall levels of arms sales, another key finding is a geographical shift in recipients of FMS. In 2020, the Middle East and North Africa (MENA) received the greatest volume of FMS offers from the United States. In 2021, the region with the greatest volume was Europe and Eurasia displacing the MENA region. And while it is too early to judge the entirety of 2022, already (through the end of June), the region of East Asia and the Pacific has leapt ahead to account for nearly 40% of the volume of arms offers, driven by an enormous \$13.9 billion sale to Indonesia of F-15ID aircraft, as well as multiple smaller sales to Australia and Taiwan. It is striking that Indonesia, Australia, and Taiwan alone drive the entirety of that major push of arms sales in the region.

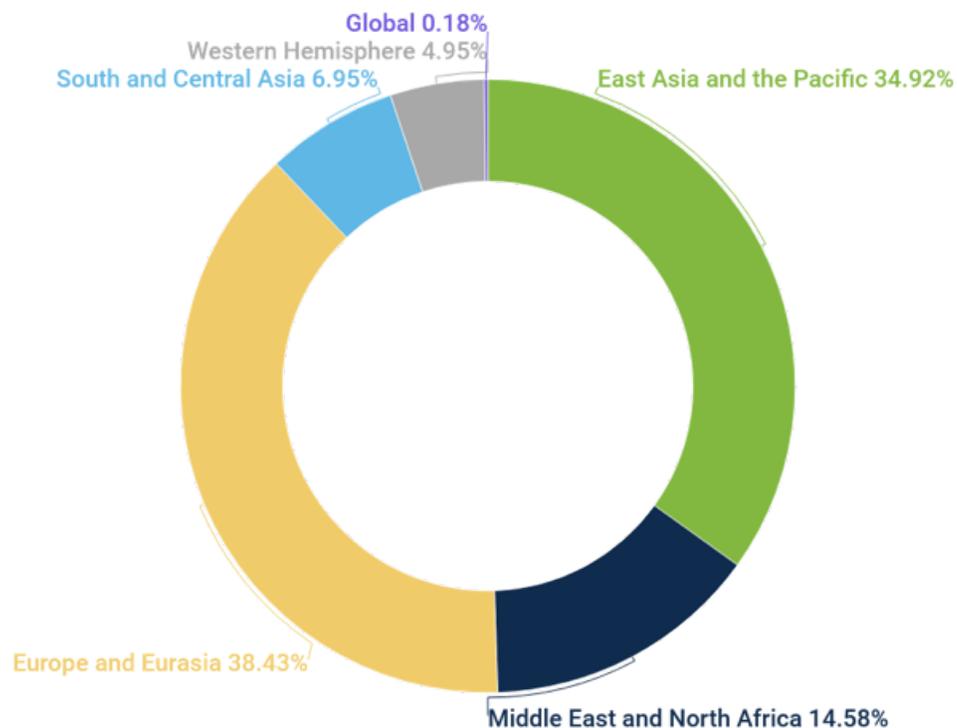
For 2022, after East Asia and the Pacific (39%), is the MENA region (30%), with Europe and Eurasia in third (27%). While this may seem surprising to some, in light of Russia's war in Ukraine, a few factors are worth noting. For one, much of the current shift in arms transfers to Europe is taking place through security assistance and will not be reflected in arms sales purchases. Additionally, negotiations leading up to an arms notification are long, often multi-year processes, so the full results of negotiations that have taken place since Russia's February invasion of Ukraine will not be seen until later. It is also worth noting that certain kinds of weapons, including aircraft, often drive a high volume in sales, and can thus skew the value of sales toward that region.

That said, even with the war in Ukraine, and an increasing U.S. desire to build up a stronger NATO presence in Europe to counter Russia, the same can be said for U.S. support for U.S. partners in East Asia and the Pacific, meant to counter China. Justifications for FMS notifications frequently refer to improving the security of important regional partners, and developing and maintaining their self-defense capabilities, meaning against both Russia and China, as well as against various non-state armed groups.

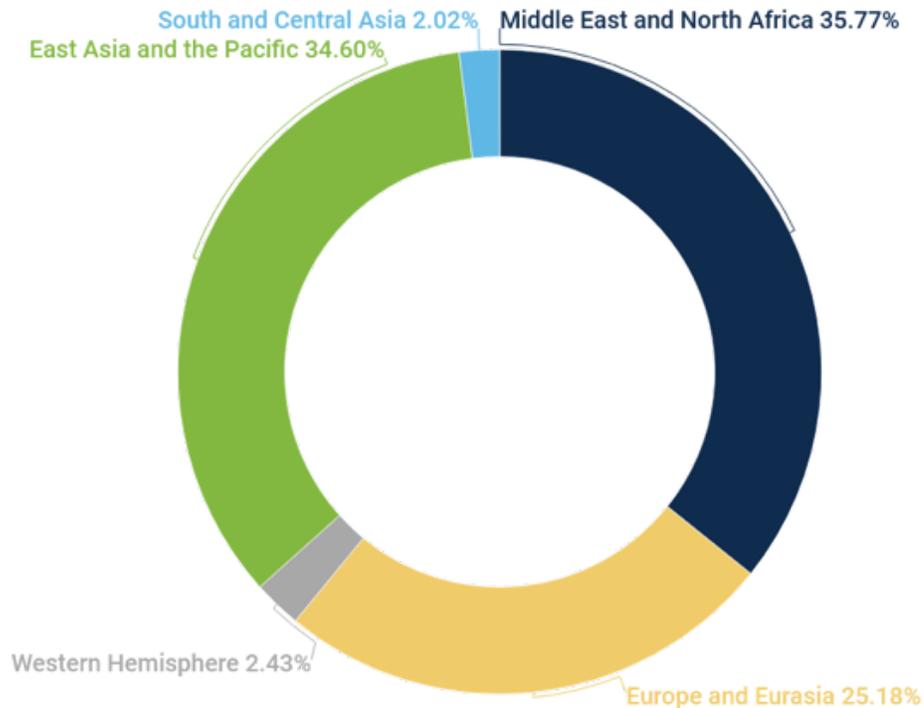
REGIONAL BREAKDOWN OF 2022 FOREIGN MILITARY SALES THROUGH JUNE 2022



REGIONAL BREAKDOWN OF 2021 FOREIGN MILITARY SALES



REGIONAL BREAKDOWN OF 2020 FOREIGN MILITARY SALES



TOP RECIPIENTS OF FOREIGN MILITARY SALE NOTIFICATIONS

While it is too soon to account for all of 2022, as with the regional breakdowns of FMS, a look into top FMS recipients so far in 2022 can tell us which countries have been approved to make major FMS purchases from the United States.

Two things are striking in the below list. One is a fairly even distribution, so far, among East Asia and the Pacific, the MENA region, and Europe and Eurasia in the top recipients, in terms of U.S. dollar value. This is consistent with the approach of the U.S. continuing to push for influence in all of these regions. Missing, however, so far, is the presence of countries in South or Central Asia. Instead, Nigeria makes an appearance as the lone country in West Africa to be approved for a major arms sale.

Finally, the 2021 and 2020 lists below compare the top FMS recipients in terms of dollar value for the first year of the Biden administration and the last year of the Trump administration. While there are significant variances among the lists, including a large last-minute proposed (but not executed) arms offer for the UAE in 2020, East Asia and the Pacific, Europe and Eurasia, and the MENA regions continue to dominate key positions on all three lists.

TOP RECIPIENTS OF FOREIGN MILITARY SALE NOTIFICATIONS: JANUARY - JUNE 2022

Rank	Country	Total Notification Value
1	Indonesia	13,900,000,000
2	Poland	6,000,000,000
3	Egypt	5,846,000,000
4	Jordan	4,280,000,000
5	Bulgaria	1,673,000,000
6	UK	1,068,530,000
7	Kuwait	1,000,000,000
8	Nigeria	997,000,000
9	Spain	950,000,000
10	Australia	643,000,000
11	France	388,000,000
12	Taiwan	315,000,000
13	Greece	233,000,000
14	Bahrain	175,980,000
15	Ukraine	165,000,000
16	Netherlands	117,000,000
17	Argentina	73,000,000
18	UAE	65,000,000
19	Saudi Arabia	23,700,000
20	NATO	22,700,000

TOP RECIPIENTS OF FOREIGN MILITARY SALE NOTIFICATIONS: 2021

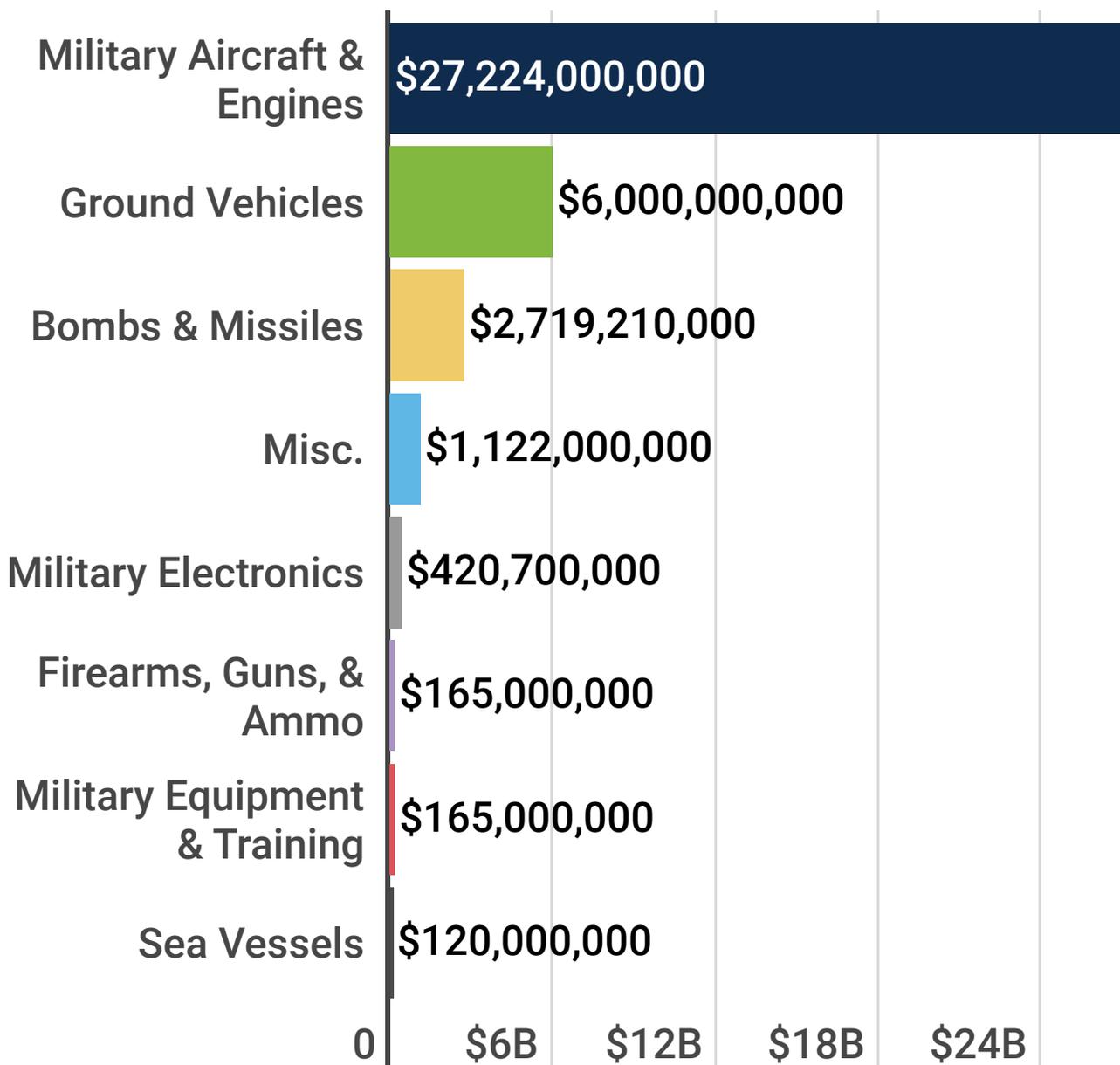
Rank	Country	Total Notification Value
1	Greece	\$9,835,000,000
2	Australia	\$8,663,000,000
3	Israel	\$3,400,000,000
4	Philippines	\$2,592,400,000
5	India	\$2,502,000,000
6	Germany	\$1,770,000,000
7	Canada	\$1,700,000,000
8	France	\$1,321,000,000
9	Saudi Arabia	\$1,150,000,000
10	Taiwan	\$750,000,000
11	Kuwait	\$445,000,000
12	Netherlands	\$315,000,000
13	South Korea	\$294,000,000
14	North Macedonia	\$210,000,000
15	Egypt	\$197,000,000
16	Japan	\$195,500,000
17	Lithuania	\$125,000,000
18	Spain	\$110,000,000
19	Finland	\$91,200,000
20	Chile	\$85,000,000

TOP RECIPIENTS OF FOREIGN MILITARY SALE NOTIFICATIONS: 2020

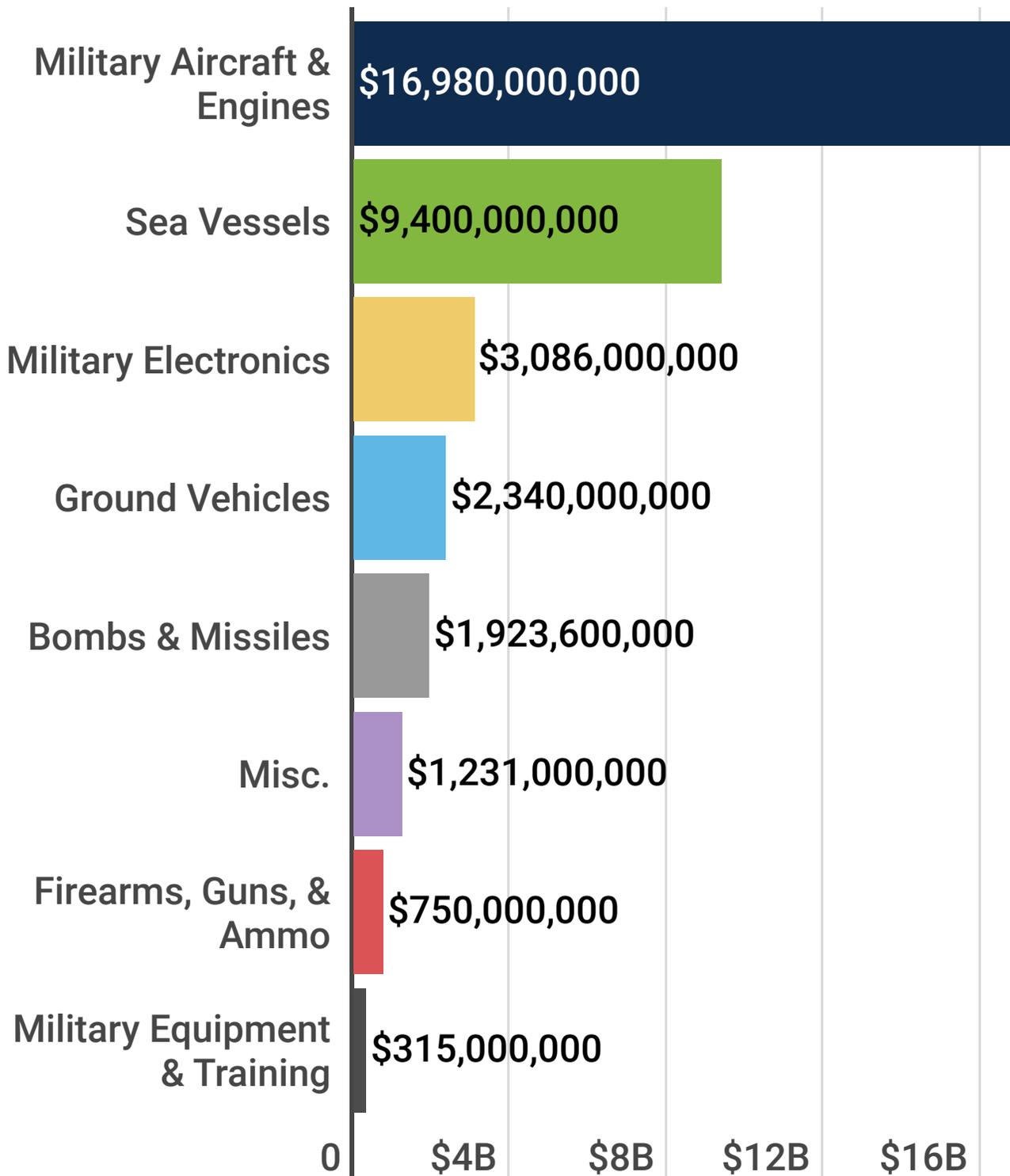
Rank	Country	Total Notification Value
1	United Arab Emirates	\$24,076,000,000
2	Japan	\$23,228,311,000
3	Finland	\$12,500,000,000
4	Switzerland	\$8,780,000,000
5	Taiwan	\$5,861,300,000
6	Kuwait	\$5,684,600,000
7	Israel	\$5,400,000,000
8	Egypt	\$2,886,600,000
9	Singapore	\$2,750,000,000
10	Australia	\$2,668,200,000
11	France	\$2,350,000,000
12	India	\$2,112,000,000
13	Indonesia	\$2,000,000,000
14	Canada	\$1,637,300,000
15	South Korea	\$1,316,100,000
16	Croatia	\$757,000,000
17	Saudi Arabia	\$640,000,000
18	Chile	\$634,700,000
19	Ukraine	\$600,000,000
20	Philippines	\$576,000,000

CATEGORIES OF FOREIGN MILITARY SALES: JANUARY - JUNE 2022

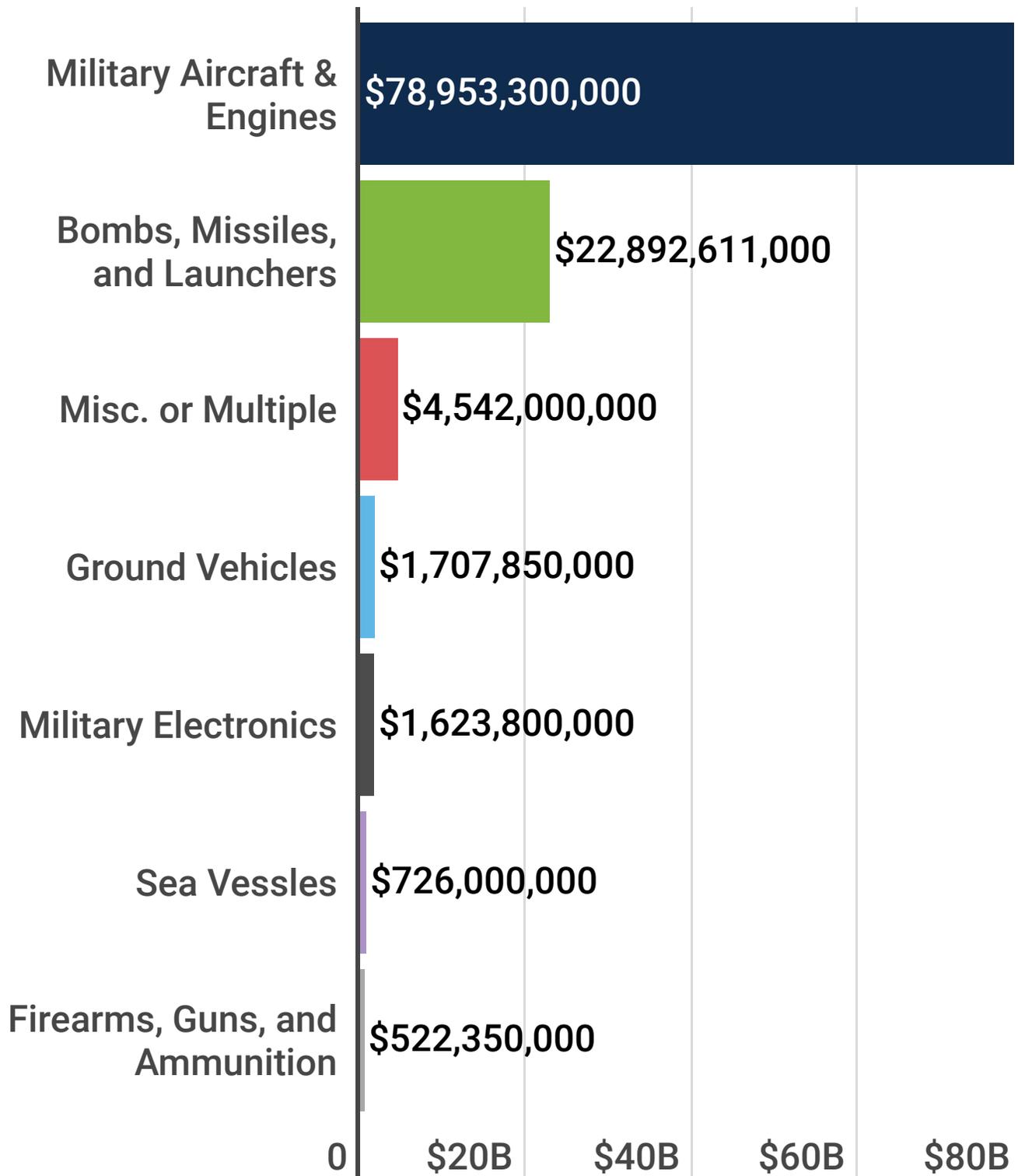
Military aircraft and engines continued to represent high volumes of potential foreign military sales, driven by major aircraft-related notifications to countries including Indonesia, Egypt, Jordan, Bulgaria, Nigeria, and elsewhere. So far in 2022, ground vehicles have also emerged as an important category, driven by an arms offer to Poland of M1A2 SEPv3 Main Battle Tanks and related equipment, at a cost of \$6 billion, to deter Russia and support participation in NATO operations. Sea vessels have been less prominent so far this year than in 2021, when the U.S. government approved multiple major arms offers to Greece related to its naval capabilities, in support of its strategic location on NATO’s southern flank.



CATEGORIES OF FOREIGN MILITARY SALES: 2021



CATEGORIES OF FOREIGN MILITARY SALES: 2020



2021 U.S. DIRECT COMMERCIAL SALES

While foreign military sales (FMS) represent government-to-government sales, U.S. direct commercial sales (DCS) measure sales from a U.S. maker directly to a foreign buyer. These commercial sales are authorized by the U.S. Department of State and thus are frequently measured as "authorizations." At the end of June 2022, the U.S. Department of State released DCS numbers for 2021. As with FMS, DCS dipped in 2021, but less significantly. The 2022 DCS figures are not yet available. Still, it is striking that the 2021 dip in FMS was also mirrored by a similar 2021 dip in DCS.

Year	Direct Commercial Sales
2017	\$51,577,987,202
2018	\$63,442,835,539
2019	\$55,062,099,366
2020	\$61,909,788,830
2021	\$40,787,211,085

While figures on total DCS authorizations per country are available through 2021, unfortunately the details of that data, including specific weapons systems, remain unavailable to the public.

Individual direct commercial sales, unlike foreign military sales, are not made public when they are notified to Congress, although they make up a large percentage of arms sales. Annual reports to Congress on direct commercial sale authorizations, also known as Section 655 reports, only generally cover aggregated U.S. Munitions List categories by country and do not, for example, provide information on individual defense items, as the reports did in years past. This severely limits public knowledge of commercial arms exports.

However, we can draw some conclusions from available DCS data, including the per country values of major authorizations, and the top recipients for 2021: Japan, the UK, Australia, Israel, and the UAE.

TOP RECIPIENTS OF DIRECT COMMERCIAL SALE AUTHORIZATIONS: 2021

Rank	Country	Total Authorization Value
1	Japan	\$6,278,847,792
2	UK	\$5,571,324,812
3	Australia	\$5,447,661,371
4	Israel	\$2,958,863,353
5	UAE	\$2,000,157,562
6	NATO	\$1,556,355,493
7	India	\$1,548,339,405
8	Norway	\$1,475,239,716
9	Canada	\$1,439,547,283
10	Saudi Arabia	\$1,377,506,734
11	Italy	\$910,682,932
12	Qatar	\$906,165,516
13	South Korea	\$866,653,680
14	Sweden	\$784,003,036
15	Germany	\$762,660,919
16	Mexico	\$732,771,037
17	Taiwan	\$586,131,456
18	Belgium	\$511,013,058
19	Algeria	\$484,181,233
20	Singapore	\$428,999,750

TOP RECIPIENTS OF DIRECT COMMERCIAL SALE AUTHORIZATIONS: 2020

Rank	Country	Total Authorization Value
1	Singapore	\$25,584,609,360
2	Australia	\$3,576,889,195
3	Israel	\$3,179,605,433
4	Italy	\$3,155,652,105
5	UK	\$2,799,455,729
6	South Korea	\$2,784,670,068
7	Japan	\$2,694,988,994
8	Qatar	\$1,997,046,795
9	Saudi Arabia	\$1,963,629,729
10	India	\$1,722,727,514
11	Canada	\$1,717,853,224
12	Mexico	\$1,280,009,837
13	UAE	\$1,020,580,978
14	Taiwan	\$985,353,626
15	Germany	\$657,475,059
16	NATO	\$589,404,107
17	Norway	\$573,335,966
18	Netherlands	\$536,478,834
19	Poland	\$521,379,486
20	France	\$443,617,797

CORPORATE BENEFICIARIES

Finally, as in 2020, a handful of companies benefited most from U.S. foreign military sale offers in 2021. (The Security Assistance Monitor will account for the 2022 corporate beneficiaries of arms sales when further data is available.) The top three, again in 2021—Lockheed Martin, Boeing, and Raytheon Technologies—were involved in the vast majority of total offers for the year. Lockheed Martin, the top beneficiary, alone was involved in deals that accounted for more than \$24 billion in offers—nearly 67% of the total value of offers in 2021. Some major sales included multiple individual companies, so a single company would not necessarily receive all of the profits from a shared package of weapons and equipment.

Lockheed Martin was involved in the top five largest arms offers of 2021, either as the lone contractor, as in the case of a \$6.9 billion arms offer to Greece of Multi-Mission Surface Combatant (MMSC) ships, or as part of a coalition of companies, as in the case of a \$3.5 billion arms offer to Australia of AH-64E Apache Helicopters and related equipment, alongside Boeing. Other deals included a \$3.4 billion offer to Israel for CH-53K Heavy Lift Helicopters with support and equipment, alongside General Electric; a \$2.5 billion offer to Greece for MEKO Frigate Modernization and equipment, alongside Raytheon, BAE Systems, and VSE Corporation; and a \$2.43 billion offer to the Philippines for F-16 Block 70/72 Aircraft and related equipment, in addition to other arms offers.

Behind Lockheed Martin, Boeing was involved in deals that accounted for \$8.15 billion in offers. Those included a \$2.42 billion offer to India for P-8I aircraft and equipment; a \$1.77 billion offer to Germany for P-8A aircraft and support and equipment; and a \$258 million offer to South Korea for Precision Guided Munitions, in addition to other arms offers.

Third, Raytheon Technologies was involved in deals that accounted for \$6.08 billion in offers. Those included a \$1.651 billion offer to Australia for MQ-9B Remotely Piloted Aircraft and equipment, alongside General Atomic Aeronautical Systems, Lockheed Martin, and Leonardo; a \$650 million offer to Saudi Arabia for AIM-120C Advanced Medium Range Air-to-Air Missiles; and a \$350 million offer to Australia for defense services related to future standard missile production.

The totals for each of these top three weapons manufacturers add up to more than the total reported arms offers in 2021 because in some cases, they would be sharing revenue from weapons packages. However, the total amounts of arms sales for these companies are certainly under-counted, since they do not include direct commercial sales, nor do they include sales under threshold reporting values.