



Container freight, one of the most opaque aspects of the small arms trade (© Associated Press/Itsuho Inouye).

Insights and Mysteries: GLOBAL SMALL ARMS TRANSFERS

3

INTRODUCTION

In May 2002, Nepal's then Prime Minister, Sher Bahadur Deuba, arrived in Washington to meet with US President George W. Bush. Mired in a deadly civil war with Maoist insurgents, his government anxiously sought help to restore the credibility of its armed forces. It was not sophisticated equipment that the Nepalese army needed, but reliable small arms.

Buying them was not easy. Germany had only recently decided against such a sale. A prospective deal with Belgium was in doubt. Although the United States had been monitoring the situation in Nepal for several years, it had kept a distance, if only to avoid antagonizing China and India, whose rivalry for influence over Nepal was legendary. This time, however, the United States was prepared to act. Emboldened by the War on Terror, Bush promised to supply Nepal with the basic weapons it needed for counter-insurgency operations (*Washington File*, 2002).

As perhaps the most prominent small arms deal of 2002, this one exposed the tensions inherent in the international trade of small arms and light weapons. To some, the transfer of M16 rifles and other weapons to Nepal represented legitimate support for an endangered democracy. To others, it dangerously expanded commitments to a government of dubious trustworthiness. Such tensions are reflected in the key findings of this chapter, including:

- The total value of documented small arms exports in 2000—the most recent year for which reliable data is available—was approximately USD 2.1 billion.
- This represents some 52 per cent of the estimated value of the total legal international trade in small arms, light weapons, and ammunition, worth approximately USD 4 billion a year.
- Most countries involved in the small arms trade still fail to provide annual reports on their arms exports and imports.
- The value and volume of the international small arms trade appears to have declined since the mid-1990s, led by a dramatic fall in the trade in military weapons and most types of pistols and revolvers.
- Many countries in central and eastern Europe have begun to show greater restraint and political control over their small arms exports.

The total value of documented small arms exports in the year 2000 was USD 2.1 billion.

The legal international trade in small arms appears to have declined since the mid-1990s, after allowing for the peaks and troughs of particular years. The pattern resembles the widely observed decline in the value of the conventional arms trade in general. The value of new agreements (or contracts) for all exports of military equipment fell by 35 per cent between 2000 and 2001, from USD 40 billion to USD 26.4 billion (Grimmet, 2002; Shanker, 2002). There is no evidence, however, to suggest that the trade in small arms has fallen as quickly. Small arms differ from other kinds of weaponry in having distinctive markets and their own dynamic. This chapter aims to reveal that dynamic.

The figures in this chapter refer exclusively to the *international* (cross-border) trade in small arms, most of which is between manufacturers and brokers or middlemen. Unless otherwise stated, they do not include other aspects of the *total* trade, especially domestic sales.

The decline observed in this chapter applies only to the overall international trade; individual countries and regions will have trends of their own. The exact decrease in the international small arms trade cannot be accurately quantified, any more than the total scale of the trade. The annual value of the legal international trade in small arms is still estimated to be worth approximately USD 4 billion, while the illicit trade is probably worth less than USD 1 billion.

This chapter addresses the following questions:

- **What are the recent trends in the legal international small arms trade?**
- **Is the state-authorized trade becoming more transparent?**
- **Who are the leading international suppliers and recipients of small arms?**

While the evidence presented is incomplete because both official and unofficial information is lacking, the outlines of the global small arms trade are becoming progressively clearer due to the cumulative effects of greater national co-operation, investigative journalism, official investigations, and many scholarly research projects.

INTERNATIONAL TRENDS

The majority of countries involved in the small arms trade still fail to provide comprehensive official data on their annual arms exports and imports. While much information can be obtained from unofficial sources such as press reports, a significant proportion of the global trade in small arms is conducted in secrecy, reinforcing an environment in which corruption and the black market thrive.

It is encouraging that the number of countries publishing annual arms export reports and the quality of information provided are improving (older reports are described in the *Small Arms Survey 2002*, pp. 117–22, and Haug, *et al.* 2002). France has included considerably more information on the value and type of its military small arms export licences (DGA, 2002). Sweden has included information on the value of small arms transfers to individual countries (Krigsmaterielexporten, 2001). South Africa (2002) continues to provide general but useful data on its exports. Belarus, Germany, and Spain have published their confidential small arms reports to the Organization for Security and Co-operation in Europe (OSCE). Poland has indicated that it will, for the first time, produce an annual report on its arms exports in 2003. The United Kingdom has included the numbers of small arms and light weapons licensed for export via the Single Issue Export Licence (Saferworld, 2002).

These reports, and the previous ones they complement, are still exceptions to the rule. Yet, while much remains unreported, they do clarify the nature of small arms and light weapons exports. In the absence of a comprehensive international reporting scheme for the international trade in small arms, the most substantial source of information on the scale and trends of the international trade, despite its serious shortcomings, is the COMTRADE database (UN, Statistics Division, 2002). Compiled by the International Trade Centre (ITC) based in Geneva, it relies on national customs data submitted to the United Nations Statistics Division. Different patterns of national co-operation with COMTRADE reflect the sensitivities, attitudes, and sometimes the competence of particular governments regarding the trade in small arms (see Box 3.1).

Although COMTRADE data is incomplete, it reaffirms the widespread impression that the international trade in small arms continues to decline. COMTRADE and official national reports show that, in 2000, the total value of small

National reports, customs declarations, and anecdotal information suggest that the international small arms trade has continued to decline since 2000.

Box 3.1 COMTRADE data

The most comprehensive source of comparable data on the international trade in small arms remains COMTRADE. This database of commodity trade statistics is compiled by the International Trade Centre (ITC) in Geneva, based on voluntary submissions of national customs data to the United Nations Statistics Division. Although the system is designed to track 90 per cent of the world's trade in various goods, many governments fail to supply full information. Submissions in the small arms, light weapons, and ammunition categories are especially sensitive, and tend to be incomplete.

A further limitation is that COMTRADE data is published exclusively in aggregate categories. The data used here relies solely on customs categories devoted only or almost entirely to small arms, light weapons, and their ammunition (see Table 3.1). Other customs categories mix major conventional weapons and small arms. Category 930690, for example, mixes hand grenades with artillery shells and torpedoes, making its use here impossible. There are differences from country to country in the reporting of customs data. Many governments report only the value or tonnage given in their customs receipts, leaving the actual number of weapons to guesswork. A few countries—of which the United States is the most consistent—also provide the number of individual firearms traded.

Even more serious is the failure of many important countries to participate in the system. In all, 96 governments have submitted small arms data in one year or another. In 2000, however, only 21 countries reported exports of military weapons (customs code 930100). Among those not submitting reports on military small arms are major exporters like Bulgaria, Russia, and Yugoslavia. Several others like China and Romania only report intermittently. Participation among importers is even more irregular, understandable in the case of weak or failed states, which often lack a functioning customs bureaucracy. Their failures can be partially offset through careful examination of the submissions of exporters, who often identify their trading partners. But since transactions worth less than USD 50,000 over a five-year period are not reported, many of the low-value, yet destabilizing transactions fail to make it into the system in any event.

COMTRADE data for 2000, based on the customs codes listed in Table 3.1, documents international commerce in small arms, light weapons, and ammunition worth USD 1.844 billion. This amounts to some 44 per cent of the estimated total value of the international small arms trade, believed to be worth roughly USD 4 billion a year. Some of the rest can be found in national export reports and other official and unofficial data.

The COMTRADE data appears to be strongest on the exports and imports of western countries, principally North America and western Europe. It is much less reliable on the exports and imports of Africa, much of the Middle East, and Southeast Asia. And it is weakest of all on the re-export of second-hand weapons, much of it illegal, between countries in those regions.

Table 3.1 COMTRADE customs codes used by the Small Arms Survey

Code	Weapons
930100	Military weapons other than revolvers and pistols
930200	Revolvers and pistols
930320	Sporting shotguns
930330	Sporting rifles
930621	Shotgun cartridges
930630	Small arms ammunition (cartridges and parts thereof)

Source: UN (2002)

arms exports (inter-state transfers) was USD 2.087 billion (see Table 3.2). This includes exports of USD 1.844 billion based on information reported in COMTRADE, plus an additional USD 243 million revealed in public or official sources by other countries, such as the Russian Federation.

The value of identifiable small arms imports was USD 1.64 billion (see Table 3.3). The discrepancy between the export and import figures reflects disparities in national reporting practices and in internationally-accepted value calculations with respect to customs reporting. Because of differences like these and others discussed below, all aggregate data presented here should be regarded as suggestive rather than authoritative.

Table 3.2 Value of documented small arms exports by region, 2000

Region	Value (millions of current USD)
European Union	869
North America	692
Non-EU Europe	243
South America	104
Northeast Asia	65
Central and South Asia	51
Middle East	35
Sub-Saharan Africa	16
Southeast Asia	8
Pacific	4
Total	2,087

Note: No reliable data or only partial information is available on many exporters. EU total includes intra-EU trade.

Sources: UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630) and various national reports

Table 3.3 Value of documented small arms imports by region, 2000

Region	Value (millions of current USD)
North America	499
European Union	485
Middle East	285
Northeast Asia	98
Non-EU Europe	78
South America	48
Pacific	43
Southeast Asia	38
South Asia	36
Sub-Saharan Africa	27
Total	1,878

Note: No reliable data or only partial information is available on many importers. EU total includes intra-EU trade.

Source: UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

This data shows that a major portion of the international small arms trade can be documented. The estimated value of all global small arms production is some USD 7 billion–8 billion annually (PRODUCERS). The legal international trade in small arms, which includes a large share of recent production as well as second-hand equipment, is believed to be worth approximately USD 4 billion a year (Small Arms Survey, 2002, p. 145). COMTRADE data and national reports make it possible to verify some 52 per cent of the international export trade in small arms. There currently is no basis for significantly higher estimates of the international trade, such as speculation that the legal trade is worth USD 12 billion and illicit transfers some USD 2 billion (Bone, 2003).

But what about the rest, the undocumented trade? Much of it occurs between countries that have not submitted reports to COMTRADE, or do so only on an *ad hoc* basis. China, for example, reported exports of military small arms only in 1998. Not only key actors, but also whole market sectors are missing. The documented trade consists largely



A Taiwanese coast guard inspects smuggled weapons that have been confiscated from a fishing boat.

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of exports of newly-manufactured small arms and ammunition. Large parts of the market have been excluded. The massive trade in second-hand equipment, often between brokers, is poorly represented here. Much of the missing share of the global trade also appears to be in more costly and sophisticated weapons, especially man-portable surface-to-air missiles, which usually are not included in the data.

Where does the small arms market stand in relation to the total global arms trade? In 2000, the actual global total for deliveries of arms transfers (as opposed to new orders) was worth USD 32.6 billion, according to the US Congressional Research Service (Grimmet, 2002). Documented small arms exports, with total documented deliveries worth USD 2.1 billion, amounted to six per cent of the total value of international arms deliveries that year. The value of all legal small arms transfers, worth approximately USD 4 billion, amounted to 12 per cent of all conventional international arms transfers that year. But the comparison is far from complete. It does not include the suspected but unverified (and illicit) elements of the international trade in small arms, light weapons, and ammunition.

Like traditional estimates of all conventional arms transfers, these figures for the value of small arms transfers include all country-to-country transactions. Although it would be preferable for some analytical purposes to exclude *intra*-regional trade, such as the trade between members of the European Union (EU) or between Canada, the United States, and Mexico, the data can be disaggregated this way in only a few cases. Distinctions are made below between *intra*-regional and all international transfers as the data permits.

Within the documented share of the small arms trade, several regional trends are emerging. Although the United States is the largest market for imported civilian small arms (worth USD 418 million to foreign suppliers in the year 2000), North America is second in terms of the value of both exports and imports. On both counts, first place goes to the 15 members of the EU. This should come as no surprise since so many European countries have major manufacturers (PRODUCERS). US gun-makers are important exporters as well, but, with a massive domestic appetite to serve, they are not driven by the same economic pressure to compete for exports. Europe's import dominance is more surprising given the continent's peaceful reputation, although it reaffirms the previously overlooked scale of its own civilian firearms markets (STOCKPILES).

Western countries—the EU member states, North America, and non-EU Europe—are the source of some 86 per cent of all documented small arms exports. They also receive 69 per cent of known imports. These percentages are distorted by the greater willingness of western governments to share relevant data and the failure of many important non-western countries to submit data to COMTRADE or to issue export reports. Their true share of global markets is almost certainly smaller.

These figures also show that, paradoxically, many of the regions worst affected by small arms violence are minor players in the overall trade. The total number of small arms flowing into Central and South America, Africa and the Middle East, and central and Southeast Asia cannot be accurately determined from these figures. But they clearly are a secondary or tertiary proportion of the global trade. The importance of craft production and stable or even rising firearms prices in these regions testifies to the strength of local demand, which surpasses supply (PRODUCERS).

Some 52 per cent of the total trade in small arms worth approximately USD 4 billion a year can be definitively documented from official sources.

Most of the countries involved in the small arms trade still fail to provide annual arms export reports.

The value of the legal international trade in small arms accounted for 12 per cent of all conventional international arms transfers in 2000.

Large purchases of small arms and light weapons by countries in the Middle East and Southeast Asia are documented in COMTRADE figures. The importance of these regions as recipients is beyond dispute, although the actual volume of their imports is impossible to establish. It is entirely conceivable that these two regions are importing most of their small arms from non-reporting states. The one region in which non-declaring exporters may sell more than reporting suppliers is sub-Saharan Africa, as discussed below.

The international trade in small arms appears to have continued to decline since 2000. Although it may be explained by nothing more than simple delays in press reporting, anecdotal reports of large deals—in legal, grey, and black markets—appeared to be less frequent in 2002 than in previous years. Major transfers continue, including large government-to-government transfers and grey-market ones (see Boxes 3.3, 3.4, and 3.5). But national reforms of export law and enforcement practices in many countries appear to be reducing freedom to trade as well. Compelled by the pressures of impending EU and NATO membership, or the growing strength of international small arms measures, many countries are trying to repair their reputations (Grillot, 2003). In addition, regulatory reform in related areas such as the American Container Security Initiative may impose further constraints in the near future (Box 3.2).

Changing market share: The new civilian dominance

The long-term fall in the value of reported small arms exports recorded by COMTRADE since 1996 has affected all categories of firearms and ammunition. The most dramatic decreases have been in sales of military small arms and light weapons (custom code 930100) and all categories of pistols and revolvers (custom code 930200). Over the five-year period 1996–2000, Australia, Switzerland, the United Kingdom, and the United States all recorded significantly fewer exports of military weapons. The Czech Republic, Italy, and the United States recorded significant declines in their exports of pistols and revolvers. The decline in the value of pistol and revolver imports occurred across the globe, reflected in both import and export statistics. The most significant drops in import totals occurred in Canada, Germany, the Philippines, South Korea, Thailand, and Turkey.

In contrast, the trade in sporting shotguns and sporting rifles (custom codes 930320 and 930330) has been relatively steady throughout the five-year period. The trade in sporting rifles declined slightly, while the data on the trade in shotguns is more ambiguous; exports reportedly went down slightly while imports apparently went up. An increase in the trade in shotguns is further indicated by a definite increase in the trade in shotgun ammunition (custom code 930621).

These trends have significantly altered the balance between the international trade in military and in civilian (sporting, personal security, and collectable) small arms. As recently as the mid-1990s, the known international trade in military firearms was worth considerably more than exports of civilian guns. During 1996, known exports of military small arms and light weapons (custom code 930100) were valued at USD 632 million. By 2000 this figure had fallen to USD 372 million. Exports of sporting rifles and shotguns also dropped, but less precipitously: from USD 451 million in 1996 to USD 398 million in 2000 (UN, 2002). These trends reversed the relative importance of the two sectors, making the known trade in civilian rifles more valuable than its military counterpart. Trends in civilian and military pistols and revolvers are less evident, since the categories cannot be separated so clearly, but civilian trade may dominate these sectors as well (UN, 2002).

The drop in military small arms and light weapons exports may be the result of the decline in communal and inter-state violence that was widely observed from the mid-1990s. Sales of civilian firearms, by comparison, appear to be more resilient to outside forces and steadier over time.

To conclude, between 1996 and 2000, the available information indicates a steady decline in the value of the international small arms trade. This decline was largely attributable to the steady fall in the trade in military weapons and all categories of pistols and revolvers. The sale of sporting rifles, shotguns, and ammunition remained steadier. This decline may be exaggerated by statistical problems, such as the unwillingness of exporters to report their military-related transfers to COMTRADE, although there is no direct evidence for this. Nevertheless, it appears that the trade in sporting and personal security firearms has taken a greater share of the market than military small arms.

The trade in sporting and personal security firearms appears to have taken a greater share of the global market than military small arms and light weapons.

The European Union: Acknowledging a big player

Although its civilian market is considerably smaller than that of the United States, and the defence budgets of most of its member states have been declining for years, the EU is the largest source of small arms and light weapons exports. The region also is a significant importer of small arms. The apparent dominance of the EU in the global small arms market may be exaggerated by the lack of transparency among other exporting regions, but its significance is less evident.

Much of Europe’s small arms trade is, not surprisingly, between EU members. In 2000, the 15 countries of the EU documented small arms exports worth USD 869 million. Of this, the *intra*-European small arms trade was worth about USD 349 million (UN, 2002). Thus, EU countries sent USD 520 million or 60 per cent of their known small arms exports to other regions of the world.

A similar breakdown fits EU imports. Among known small arms imports of EU member states worth USD 485 million in 2000, USD 241 million, or almost 50 per cent, came from outside the EU. The scale of EU small arms imports supports the conclusion that European civilians are more heavily armed than commonly assumed (STOCKPILES).

The importance of a handful of countries in the region’s small arms trade is illustrated in Table 3.4. During 2000, exports from the EU (excluding intra-EU trade) exceeded exports from the United States or any other region. Such is the dominance of western Europe that during 2000 it was the largest documented exporter of small arms to North America, South America, and the Middle East.

Table 3.4 Known EU small arms exporters and importers, by value, 2000 (millions of current USD)

Country	Exports	Imports
Italy	279	64
Germany	140	68
United Kingdom	110	68
Belgium	100	85
Austria	71	18
Spain	43	41
France	36	54
Sweden	31	12
Portugal	29	16
Finland	21	12

Source: Bevan (2002); Marsh (2002); UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

A number of EU exporters are heavily dependent on sales to the United States. COMTRADE data shows that during 2000, Austria exported USD 71.4 million of small arms, of which USD 53.6 million or 75 per cent went to the United States. Most Austrian small arms exports to the United States were Glock pistols. US data reveals that in 2001 it received

During 2000, EU member states collectively were the largest exporter of small arms by value to North America, South America, and the Middle East.

234,330 Glock pistols, with a wholesale value of USD 43.1 million (US, BATF, 2002). In 2000, the US market also soaked up 36 per cent of Italian and 33 percent of German small arms and light weapons exports (UN, 2002).

Export sales to the US civilian market generally rose through the late 1990s, providing the most important engine for the European industry. Military orders, by comparison, have waxed and waned with specific export contracts. Exports from EU members declined between 1996 and 1999, but rose abruptly in 2000 (UN, Statistics Division, 2002). The rise in exports was due largely to increased trade by Belgium, which significantly boosted sales to Saudi Arabia. Also important in the net figures was Italy, which increased its sales to Turkey and the United States.

The most important jump in reported imports into the EU came from Greece, which listed USD 178 million for military small arms and light weapons during this five-year period. Almost all came from the United States. This may be inflated, however, by the loose customs categories at the heart of the COMTRADE system. The Greek figure appears to include imports of US MLRS artillery rockets, part of a major weapon system, but still included in category 930100 (SIPRI, 2002, p. 427).

The quality of European small arms export data continues to improve, but it still has a long way to go before achieving consistent transparency. Both Austria and Belgium, for example, failed to report major elements of their small arms exports to COMTRADE. Austria's large-scale exports of pistols to the United States were absent from its reports but instead appear in US import data. Belgian exports of small arms and light weapons to Saudi Arabia were missing as well, but appear in COMTRADE import statistics, where Saudi Arabia acknowledges receiving USD 13 million worth in 2000.

European confusion: Just passing through?

Nearly 50 per cent of the EU's documented small arms imports came from outside the EU in 2000.

Although manufacturers and exporters naturally receive more attention, the transit trade is a major element in small arms statistics. Small arms data, instead, tends to concentrate on the place of origin and final destination. Most of the transit trade never leaves customs-free warehouses and does not appear in trade figures, just as passengers changing planes do not appear in immigration statistics. When it has been added to trade data, moreover, transit trade is often extremely difficult to distinguish, since much of it passes through the ports of countries with major manufacturers of their own, be it Antwerp or Singapore, Galveston or Vancouver.

A unique insight into the scale of the transit trade appears in the trade figures of countries with little or no domestic production. In recent COMTRADE data, two countries of this type stand out: the Netherlands and Cyprus. The Dutch figures are especially revealing, showing large increases in imports in the late 1990s and corresponding exports. This spike temporarily made the Netherlands appear to be one of the world's largest small arms traders. The data supports the conclusion that some USD 300 million of small arms entered and left the Netherlands in the space of two years



Small arms on parade in Cyprus.

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in the late 1990s. The trade quickly fell to much less by the year 2000 (Table 3.5). Since Dutch small arms production is non-existent except for ammunition, and its domestic market is not large, most of this can safely be assumed to be transit goods. The reporting of this data was probably an anomaly. But there have been no reported changes in Dutch policy to suggest that its small arms transit trade actually declined or disappeared.

Table 3.5 The Netherlands and the transit trade (millions of current USD)

Year	1996	1997	1998	1999	2000	Total
Imports	3.4	282.9	75.1	1.5	1.3	364.2
Exports	5.8	130.2	184.1	4.9	2.5	327.5

Source: UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

Cyprus offers an even more dramatic and mysterious illustration of the transit trade at work. During the five years from 1996 to 2000, this tiny nation with a population of just 900,000 imported a total of almost 382,000 small arms and light weapons (Table 3.6). These imports were worth a reported USD 592 million (see Table 3.7). According to official data, moreover, only USD 9 million of this enormous arsenal left the country during the years for which data is available. Where the guns came from and where they are today is impossible to say. Either Cyprus has suddenly become one of the most heavily-armed places on earth, or trade data is being misused to conceal something.

Table 3.6 Cyprus' small arms imports, 1996-2000

Category	Units
Military weapons (930100)	161,129
Pistols and revolvers (930200)	3,612
Sporting shotguns (930320)	215,156
Sporting rifles (930330)	2,014
Shotgun ammunition (930621)	770 tons
Small arms ammunition (930630)	554 tons

Source: UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

Table 3.7 Cyprus' disappearing guns, 1996-2000 (millions of current USD)

Year	1996	1997	1998	1999	2000	Total
Imports	227.0	191.0	32.8	88.0	53.5	592.3
Exports	2.0	1.9	2	1.7	1.4	9.0

Source: UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

The United States: The mammoth market

The main actor of the global small arms trade is the United States. This is partially the result of its status as the global superpower and the scale of its armed forces. But it is much more the result of US civilian demand for firearms (STOCKPILES). The United States dominates North America's small arms import and export trade. In 2000, it accounted for USD 418 million of the region's USD 499 million of legal small arms imports (UN, 2002). The scale of the US public appetite for guns is also enough to make the US market a major force on the overall global trade.

During 2001, the latest year for official data, the United States was a net importer of firearms. US customs data indicates that the country imported 1,636,899 individual firearms that year, as opposed to exports of 271,929. The overwhelming majority of US small arms imports are sporting rifles, shotguns, pistols, and revolvers. Its trade deficit in firearms was offset somewhat by exporting higher-value firearms and large quantities of ammunition (Haug 2002; US,

OTEA, 2002). These large imports also highlight the globalization of the small arms trade; hundreds of thousands of weapons are exported to the United States from countries across the globe. Whole industries in countries as far afield as Austria, Brazil, and Japan are dependent upon exports to the United States. Winning a small share of the US market can elevate a firm into an industry giant and rank a state among the world's leading small arms exporters.

Between 1997 and 2001, the most dynamic sector of the US small arms market was for imports of pistols and revolvers, which rose steadily (US, BATF, 2002). Particularly striking is the rise in handgun imports, which came during a long period of declining interest and depressed domestic sales (PRODUCERS). Changes in public taste and fashion appear to explain the shift in buyer preferences, which allowed foreign suppliers to capture a growing share of the shrinking US handgun market.

With its large market, the United States also is a magnet for weapons smuggling. For example, in 2000, it was recently disclosed, a US broker in St Louis, Missouri, was arrested for illegally importing 800 automatic rifles from Bulgaria. This one dealer reportedly was trying to bring consignments of 90,000 prohibited weapons into the country (Shinkle, 2003). In November 2002, three men in San Diego were charged with trying to buy Stinger missiles for al Qaeda, while in Houston agents of the Colombian United Self-Defence Forces were caught trying to buy a total of 9,000 Kalashnikov rifles and ammunition (see Box 3.4).

US exports of small arms and light weapons continued to decline during this period. In 1996 and 1997, US firms and the US government made significant transfers to a number of allies and strategic clients, including the Baltic States, Israel, Japan, Kuwait, Saudi Arabia, and Turkey. By 2001, exports to all of these states were down or had ceased outright as deliveries were completed and follow-on orders were slow to appear. The United States also must compete for sales. In Saudi Arabia, for example, Belgium replaced the United States as the main supplier of military small arms (UN, 2002).

Although US small arms trade data is among the best available, it is not without significant confusion. Whether all military small arms exports are counted in US customs and COMTRADE data is not clear. The most detailed source on US military small arms sales is the annual '655 Report' by the US Department of State. The latest edition shows that, in 2000, USD 342 million of small arms, light weapons, and related ammunition were licensed for export by the State Department's Office of Defense Trade Controls (US, Department of State, 2002). This value corresponds to another government report showing that the United States actually exported 106,325 military small arms that year (US, BATF, 2002, p. E-2). The top ten recipients of US small arms export licences in 2000 are listed in Table 3.8.

The US remains the main actor of the global small arms trade due to its civilian demand for firearms.

Table 3.8 Recipients of selected US export licences for military small arms, 2000

Licensee	Value (million USD)
Canada	116.8
Costa Rica	42.9
Australia	37.6
Germany	24.8
Belgium	11.3
Argentina	10.5
Mexico	8.6
Turkey	7.9
Austria	7.0
United Kingdom	6.9

Sources: Haug (2002); US, Department of State (2002)

Note: This table lists licenses, or permission to export, granted in 2000. Actual deliveries may be completed in subsequent years, or never at all.

Box 3.2 Indirect benefit: The Container Security Initiative

Acting on a tip, Italian police in the southern port of Gioia Tauro opened three maritime containers in December 2002. They found an illegal shipment of 6,000 Yugoslav-made SKS automatic rifles, bound for Vancouver, Canada, and Norfolk, Virginia (Contenta, 2002). How many comparable transfers do not get intercepted?

Global container freight has long been recognized as one of the most opaque aspects of the global small arms trade, a huge and largely unregulated avenue with innumerable opportunities for smuggling. There are an estimated 200 million container movements—domestic and international—every year, carrying some 90 per cent of the world's sea-borne freight. Over 48 million of these are international shipments between major ports (Bonner, 2002).

On 2 February 2003, a new system for monitoring international shipments in maritime containers came into effect. The Container Security Initiative was designed by the US Customs Service (2002) to support that nation's fight against terrorism, but the implications for the global small arms trade are potentially dramatic.

Under a series of bilateral agreements, port authorities will permit shipments only of containers with detailed and verifiable manifests. High-risk containers are identified for special screening. So far the Initiative has focused on the 20 largest international ports where some 70 per cent of American-bound containers originate. Over time, however, the same procedures are expected gradually to become the industry standard for all international containerized commerce.

Although the trade is enormous, the proportion of containers carrying small arms and light weapons is relatively small. With a total value estimated at USD 4 billion annually, the entire international trade in small arms is less than 0.1 per cent of the value of all international container traffic, worth more than USD 5 trillion a year. Most sea-going small arms shipments appear to be containerized. An example is the 3,117 rifles and ammunition in the 2001 deal between Nicaragua and the AUC in Colombia examined in Box 3.4. Container security is aimed against all contraband smuggling, including illegal migration and drug trafficking. If container security is largely about needles in haystacks, illegal small arms are among the most important of those needles.

Container security agreements are far from universal; so far they involve trade only with the United States, although all members of the International Maritime Organization are being encouraged to adopt comparable controls (*The Economist*, 2002). Nor are the agreements without critics. Labour unions in ports without agreements have brought suit against the practice as an illegal restraint of trade. The European Union is suing Belgium, France, Germany, and the Netherlands to stop their co-operation (Crouch, 2003). But the actual implementation of the agreements has been smooth (Bradsher, 2003).

Container security will not stop the illegal and questionable transfer of small arms and light weapons. But it will make it more difficult. Measures like the Container Security Initiative will inhibit the largest and most devastating illegal transfers. It will also push crime toward other channels, as the illegal small arms trade gravitates to small freighters, road, and air shipment instead (Naylor, 2002).

Reforms like the Container Security Initiative will not stop illegal small arms transfers, but will make them more difficult.

The high value of US exports to Canada appears to be a provisional figure for anticipated deliveries of components under an agreement for licensed co-production of M16 rifles for export to NATO allies and other friendly governments. The actual deliveries will be spaced out over several years (Haug, 2002). One of the largest American military export contracts since 2000 came in October 2001, when an agreement was reached to supply the Philippines' armed forces with 30,000 M16 rifles. This was part of a USD 92.3 million package that included major conventional weapons to help Manila combat Abu Sayyef and other rebel movements. The shipments to the Philippines were accompanied by 1,300 US troops, who stayed in the country for six months to train 25 Philippines army companies, making this one of the most high-profile uses of small arms transfers by the US in its war against terrorism (*Financial Times*, 2003b).

A potentially even larger US transfer involves military rifles for Nepal, aiding its war against Maoist guerrillas (see Box 3.3). Smaller transfers under the general rubric of the War on Terror include shipments from US allies to Afghanistan and the Georgian armed forces being trained by US military personnel (Pachkoria, 2002). Further examples of military assistance, such as sales to Colombia and Israel, which were initiated before 2001, appear to have been reinforced by the war against terror.

In contrast to the United States, Canada and Mexico have much more modest small arms trades. Canadian firearms imports, including legal transfers from the United States, rose from USD 44 million in 1998 to USD 54 million in 2000. Similarly, its exports rose over the same period from USD 31 million to USD 46 million, of

which more than two-thirds (USD 31 million) went to the United States. Canadian participation in the small arms trade may increase following the licensed co-production agreement for M16 rifles noted above.

Mexico's small arms figures are notoriously slippery, since much of its military and civilian export and import trade is concealed by the nation's defence department on grounds of national security. COMTRADE data shows that Mexican small arms and light weapons imports doubled between 1996 (USD 13.5 million) and 2000 (USD 27 million). Mexican authorities have long stressed the role of the United States as the source of most of the country's illegally acquired firearms. Most of these are smuggled via the small-time *ant trade* (Small Arms Survey, 2001, p. 186). The United States also appears to be Mexico's largest supplier of legal imports, providing more than half of its known legal imports.

Non-EU Europe: Less documented, not less important

Although the member states of the EU account for a significant share of the documented international small arms trade, several non-EU European countries have acquired reputations in recent years for aggressive, often irresponsible arms sales. While this perception undoubtedly was justified through the 1990s, more recently several countries in central and eastern Europe have begun to show greater restraint and political control over their small arms exports (Grillot, 2003). Their production and legal exports appear to be in decline, in marked contrast to the steady performance of some EU traders.

Illegal arms transfers are still a serious problem, especially for some central and eastern European countries. While reports of questionable small arms deals have declined in recent years, the same cannot be said of transfers of components for major conventional weapons (Williams and Wood, 2002). As many of these countries will become full members of the EU or NATO in the next few years, their export policies will undergo even more rigorous oversight. Evaluating the impact of these reforms on their exports is difficult because several major regional actors tend to withhold key export data.

Among non-EU European countries, only Switzerland reported fully on the scale and recipients of its small arms transfers for 2000. Norway reported only aggregate figures, and these just for military small arms exports, which were worth less than USD 50,000 in 2001 (Norway, 2002). Important exporters not providing any data to the UN Statistics Division and COMTRADE include Bulgaria and the Ukraine. The Czech Republic and Russia have provided only partial information. Several countries (including the Czech Republic, Poland, the Russian Federation, and Slovakia) have produced limited national reports or released information through the media, thus contributing to a more balanced picture. Combining these disparate statistics for various non-EU European countries, as explained below, reveals total exports in 2000–2001 worth roughly USD 243 million a year.

The total dimensions of the small arms trade of several major actors in this group are still unknown, apart from anecdotal accounts. Consequently the figures developed here must be treated cautiously, since they almost certainly underestimate the group's actual export performance.

Bulgaria: Reports of one of the largest single arms deals in recent years appeared in 2000. These claimed that Bulgaria would provide 200,000 Kalashnikov rifles to India (Small Arms Survey, 2001, p. 158). Since the original reports, though, no additional information about the proposed deal has been made public. In May 2002, it was reported that the Bulgarian Interdepartmental Council on the Military Industrial Complex and Military Readiness discussed revoking the Beta defence plant's licence following its alleged involvement in illegal transfers of small arms and light weapons to Sudan (*Dnevnik*, 2002).

Several central and eastern European countries have begun to show greater restraint and political control over their small arms exports.

In exchange for this restraint, Bulgaria has received small but symbolic contracts. Most notable was a contract in the summer of 2002 to supply 400 AK-47s and other small arms, light weapons, and ammunition to the new Afghan National Army as part of the American-run training programme (Davis, 2002). Whether Afghanistan, Bulgaria, or the United States paid for the transfer is not clear.

Czech Republic: In contrast with exporters in other countries in the region, who are generally short of business, Czech firms have developed several new markets, especially for pistols and sporting guns (PRODUCERS). Data released by the Czech Republic through the media shows that its firms sold USD 48.8 million of ammunition, pistols and revolvers, and sporting rifles to civilian clients in 2000. The data does not appear to cover military small arms. By 2002, the combination of steady old markets and vibrant new ones helped the Czech Republic increase its legal small arms exports to more than USD 73 million in 2002. This makes its firearms export industry among the most healthy anywhere (*Financial Times*, 2003a).

Czech firms are doing good business, as they have developed several new markets, especially for pistols and sporting guns.

One of its new markets is Latin America. Sales have been prominent in Colombia and especially in Mexico, where Czech firms sold USD 900,000 in 2001 and perhaps four times as much in 2002 (*Mlada Fronta Dnes*, 2002a). Even more dramatic have been sales to Yemen, home to one of the largest per capita civilian markets in the world (YEMEN). In 2002, Yemen took the third-largest share of Czech gun exports after Germany and the United States, buying USD 6 million worth of small arms and ammunition, mostly sporting rifles and pistols (*Financial Times*, 2003a). These figures may be low. Reports in the Czech press indicated that Czech companies sold between 20,000 and 30,000 pistols and revolvers to Yemen in June 2002 alone (*Mlada Fronta Dnes*, 2002b).

Moldova: One consequence of the US's War on Terror has been increased attention to states suspected of complicity or lack of attention to support for terrorism. Moldova, widely suspected of tolerating questionable transfers in the past, has been on the receiving end of special pressure.

When announcing anti-terror sanctions, US State Department spokesman Richard Boucher stated specifically, 'We appreciate the efforts that Moldova and Armenia have made in non-proliferation' (AFP, 2002b). It had previously been announced in December 2001 that the Moldovan Security Council had decided to 'halt the trading of unusable weapons and hardware of the national army'. Announcing the end of the previously lucrative sales of surplus military small arms, ammunition, and other armaments, Iurie Stoicov, the chairman of the parliamentary commission for state security, said 'We must be sure that the weaponry coming from Moldova does not reach a conflict zone or the hands of terrorists' (Basapress, 2001).

High-minded statements are one thing; prosecutions can be a more meaningful indicator of change. In May 2002, the US government sanctioned two Moldovan firms (along with eight Chinese and two Armenian companies) for selling small arms and other military equipment to Iran. Moldovan opposition MPs demanded a full explanation of the alleged sales (Radio Chisinau, 2002). These demands were quickly followed by a July 2002 parliamentary report. This was quoted as admitting that:

[S]ince Moldova became independent in August 1991, it has sold significant amounts of Kalashnikov rifles and ammunition. Legislation has been violated in all these deals. The rapporteurs also said that in all the cases the price of armament was much lower than the real one. The Prosecutor-General's Office was instructed to check all the irregularities (ProTV, 2002).

These events give the impression that the Moldovan government has modified and possibly reversed its previous policies of overlooking questionable arms exports. The negative political consequences of its arms ending up in the hands of proscribed purchasers seem to have outweighed the commercial benefits.

Romania: In December 2001, reports began to circulate that the previous May, Romanian firms exported 20,000 Kalashnikovs to the armed forces of Uganda (Salopek, 2001). Sales to Africa were important to Romanian manufacturers throughout the 1990s. But since the 2001 Ugandan deal, such transactions appear to have become less common.

Illustrating this new caution, in 2002, for example, Romania denied a licence for the export of a variety of military goods including small arms and ammunition worth some USD 2 million by the firm Rhomtechnica to Eritrea, despite the lifting of the UN arms embargo. The licence was denied because of Romanian government suspicions concerning the intentions of the Israeli traders who brokered the deal (Ziua, 2002).

Like other eastern European arms manufacturers reforming their export processes, Romania has received some symbolic rewards in recent years. A prominent example was a contract in June 2002 to provide the New Afghan Army with 1000 AK-47 rifles, other light weapons, and ammunition (Romania, 2002).

Russia: Most Russian arms producers must work through the state-run export agency, *Rosoboronexport*. This was created in November 2000 through the merger of the two previous state arms export organizations, Rosvooruzhenie and Promexport (CAST, 2002). In 2000, Rosoboronexport exported some USD 80 million of small arms and light weapons, and between USD 60–70 million in 2001 (see Table 3.9). Annual exports average between 130,000–150,000 individual small arms and 150 million–200 million rounds of ammunition (CAST, 2002). Some of Russia's largest customers for small arms sales in recent years have reportedly included Bhutan, Ethiopia, India, Indonesia, Kenya, Namibia, and Uzbekistan (Yurkin, 2001).

While most Russian defence exports are supposed to be channelled through Rosoboronexport, Moscow permits two light weapons manufacturers to export directly: the Instrument Building Design Bureau (IBDB) and the Kolomna Machine-Building Design Bureau (KMBDB). Their exports for 2000 and 2001 are presented in Table 3.9. Both of these manufacturers are diversified firms, exporting not just light weapons but major conventional systems as well, a distinction that is not clear in these export statistics.

Table 3.9 Russian exports of small arms and light weapons, 2000–2001 (millions of current USD)

Firm or organization	Deliveries	
	2000	2001
Rosoboronexport	80.0	60-70
Instrument Building Design Bureau (IBDB)	72.8	30
Kolomna Machine-Building Design Bureau (KMBDB)	0	32
Total	<152.8	<130
Proportion of total Russian arms exports	4.2%	3.5%

Note: Figures for IBDB and KMBDB may include other military goods as well as small arms.
Source: CAST (2002)

In contrast to its distinctive way of reporting military transfers, Russia does provide customs data on its exports of civilian small arms and ammunition to the UN Statistics Division. Some of this can be verified by matching with import data submitted by recipients. From 1998 to 2000, the value of Russian civilian shotgun exports, for example, fluctuated between USD 11 million and 12 million annually, while exports of hunting rifles reportedly ranged between

USD 1.1 million and 1.8 million. According to Russian customs data, exports of handguns to the United States rose from nothing in 1996 to USD 214,000 in 2000. The largest importer of Russian handguns is Germany, which took over USD 1.4 million between 1996 and 2000. Major importers of Russian small arms ammunition in 2000 were Angola, Greece, India, Turkey, the United States, and Uzbekistan (UN, 2002). Although it cannot be confirmed, these civilian export figures should be represented in the Rosoboronexport total in Table 3.9, since it also controls civilian weapons and ammunition exports.

Russian military small arms exports appear to be substantially larger. During the October–November 2001 campaign against the Taliban, the Afghan Northern Alliance received large quantities of Russian small arms and light weapons paid for, in part, by the United States (CAST, 2002). In February 2002, Russian press reports claimed that Washington had contributed another USD 50 million to arm the new armed forces of Afghanistan. Turkey reportedly contributed USD 500,000. The equipment included both Russian small arms and major conventional weapons such as armoured vehicles, artillery, and helicopters (Soloviov and Suleimanov, 2002). In 2002, Rosoboronexport reported a sale of Kalashnikov AK-101 and AK-102 automatic rifles to the Kenyan government (*Business Day*, 2002).

Switzerland: Submissions to COMTRADE show that Swiss small arms and light weapons exports have declined for several years. In 1996 they were worth USD 64 million, in 2000 only USD 41.7 million. The decline appears to have followed completion of deliveries for the country's largest recent export contract, a sale of small arms and ammunition to Oman worth USD 36.5 million in 1996 alone.

Former Socialist Federal Republic of Yugoslavia: European experts on small arms policy and small arms crime increasingly agree that most of the illicit small arms entering western Europe originate in the former Yugoslavia (Sagramoso, 2001). Bosnia and Herzegovina, Croatia, and Serbia and Montenegro are cited in press reports as the origins of major smuggling routes. In 2002, a United Nations study specifically identified a Belgrade firm as an illegal supplier of small arms to conflict in west Africa (see Box 3.5).

Through reports like this, prodding by foreign governments, and domestic media, officials throughout the region have been made aware of the seriousness of the problem. Anecdotal reports show that Serbian courts have begun to indict small arms smugglers (Tanjug, 2003). At this stage it is impossible to determine whether this is a serious response or just another round in the old game of persecuting political rivals. Above all, these countries have not begun to provide the detailed export reports that would permit outsiders to evaluate their overall small arms export policies.

Importers: Non-EU Europe's best-documented importers of small arms by value are Switzerland and Norway. During 2000, they took in USD 36 million and USD 43 million of small arms and light weapons respectively (UN, 2002). These trades were worth more than the identified imports of all the other non-EU countries combined. Indeed, the imports of other non-EU European states remain largely unreported. In all likelihood, most are not buying much; high domestic production and large remaining stocks from the Soviet era ensure that many CEE countries will be major net exporters for many years to come (PRODUCERS).

Central and South Asia

While most attention on this part of the world has been directed at events in Afghanistan, the entire central and South Asian region continues to be heavily involved in the small arms trade. Official data captures some of the legal trade but leaves out many of the most dangerous transfers, especially those to organized crime and rebel groups (see Table 3.10).

Table 3.10 South Asian small arms imports, 2000

Country	Value (millions of current USD)	Leading suppliers (in descending order)
India	21.7	Russian Federation, Austria, UK, Slovakia, Italy
Sri Lanka	8.8	Czech Republic, Germany, Italy, Spain
Pakistan	5.7	Republic of Korea, China, Germany, Czech Republic, UK

Source: Bevan (2002); Marsh (2002); UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

India is the launch customer for the new Israeli Tavor rifle, a weapon so costly the Israeli Defence Forces declined to buy it.

Russia remains India's largest arms supplier of military equipment, but its dominance of small arms sales has been challenged in recent years. In 2000 it was reported that Bulgaria would provide 200,000 Kalashnikov rifles to India (Small Arms Survey, 2001, p. 158). In December 2002, New Delhi reportedly signed a major contract with Israeli Military Industries (IMI) to re-equip its special forces operating in Kashmir (Bedi, 2002). The contract was also contested by Heckler & Koch. The British-German firm reportedly was the first choice of the Indian armed forces, but it was forced to withdraw its bid after Berlin refused an export licence, apparently for fear that the weapons could be used in armed conflict. The details of the Israeli contract, worth USD 20 million, remain sketchy. It reportedly includes 3,400 Tavor rifles, roughly 200 Galil sniper rifles, ammunition, night vision sights, laser target designators, and other targeting equipment (Bedi, 2003). The deal is the launch order for the newly introduced Tavor rifle, a weapon so costly that the Israeli Defence Forces themselves have declined to buy it (Marom, 2003).



Women selling a rifle on the streets of Kabul, Afghanistan.

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In Sri Lanka, the Czech Republic appears to have dominated purchases by civilians and government forces, with exports of USD 8.6 million in small arms ammunition to the country during 2000. A truce negotiated by Norwegian mediators in February 2002 was intended to halt fighting by the secessionist Tamil Tigers. The rebels' sincerity has been called into question by evidence that they continue to rearm. In February 2003, in a dramatic illustration of the problem, smugglers committed suicide in front of neutral truce monitors immediately after being caught with a boat loaded with small arms and ammunition (Reuters, 2003).

In Afghanistan, the best-publicized small arms imports have been arranged for the newly-created Afghan National Army, with a planned strength of 70,000 men, as noted above. Al Qaeda and Taliban forces apparently continue to acquire weapons as well. American Secretary of Defence Donald Rumsfeld has stated that international peacekeeping forces there continue to recover newly manufactured equipment (Scarborough, 2002). Press reports maintain that Chinese-made small arms continue to pass into Afghanistan from Pakistan, apparently with the complicity of Pakistani military intelligence (Baldauf, 2002). This equipment includes hundreds of short-range rockets, mortar rounds, rocket-propelled grenades, anti-personnel mines, and heavy machine gun ammunition (*Los Angeles Times*, 2003).

Box 3.3 Nepal's military firearms: Guerrillas or geopolitics?

The best-publicized small arms deal of 2002 involved several contracts signed by the Government of Nepal for automatic rifles and machine guns. This will permit the modernization of its armed forces and the creation of a new domestic gendarmerie to better fight the civil war against Maoist guerrillas. Negotiating these purchases has exposed the country to the full European ambivalence about small arms exports. Resolving the matter required the personal intervention of a series of high officials, including Belgian Prime Minister Guy Verhofstadt and US President George W. Bush.

Since it began in 1996, the war in Nepal has taken at least 7,000 lives. Government officials acknowledge that the guerrillas have control of 40 per cent of the country's inhabited area. Analysts in Kathmandu estimate current rebel fighting strength at 3,000-4,000 regular militants and 10,000-15,000 local militia. Initially, the insurgents fought with hunting rifles and home-made guns, some allegedly from illegal gun factories in the neighbouring Indian state of Bihar. Through the standard guerrilla tactic of raiding police stations, they acquired bolt-action rifles, shotguns, and pistols. Raids on army posts yielded automatic weapons like Sten guns and Indian-made self-loading bolt-action rifles (Linter, 2002). They may also be supplied by their ideological counterpart in India, the People's War Group (Raman, 2002).

Contrary to the impression given by some reporting, new weapons will not simply replace old-fashioned bolt-action weapons. The Nepali armed forces have long had an automatic rifle, the Belgian FN 7.62mm Fusil Automatique Leger (FAL), adopted by Nepal in 1960, and an Indian-made version known as the Ishapore Self-Loading Rifle (SLR). These will be passed on to the regular Nepali police and the newly-created 15,000 Armed Police Force. Additional equipment from India continues to reach Kathmandu (AP, 2003). For Nepal, though, a major goal in turning to the west appears to be geopolitical. With this, its largest western arms deal in recent years, it reduces reliance on Indian-made equipment, enhancing national independence (Joseph, 2001).

The process began in 2001, when the army evaluated bids for 50,000 rifles to replace its SLRs. The offers quoted by suppliers were in the range USD 600-970 apiece, with bids from Colt's Manufacturing in the US, Daewoo of South Korea, FN Herstal of Belgium, Heckler & Koch of the UK and Germany, and Israeli Military Industries. The initial preference was the Heckler & Koch G36, regarded as possibly the best all-round military rifle on the market today (Bhattarai, 2001).

Rather than finance, it was the EU Code of Conduct that posed the greatest barrier to a deal. Although Heckler & Koch badly needed the business, the German government rejected the contract, concerned about supplying weapons to a country both at war and charged with human rights violations.

Instead contracts went to Colt's Manufacturing for 50,000-60,000 M16 rifles and FN Herstal for 5,500 Minimi (M249) light machine guns. The M16 deal was relatively non-controversial. Washington has consistently supported King Gyanendra in the war, and partially funded the rifle purchase with an assistance package of USD 12 million in 2002-3 (Tiwari, 2003). But it still took a personal appeal by Prime Minister Deuba to President Bush to seal the deal.

The Belgian deal aroused identical objections to the proposed purchase from Germany. Above all, opponents spoke of fears that the weapons would be used in the civil war. In addition, they said, the guns might contribute to human rights abuses such as extra-judicial killings of innocent civilians suspected of being Maoist sympathizers (BBC, 2002a).

These concerns were magnified by the country's sectarian politics. Opposition was strongest from leaders from Belgium's Flemish (Dutch-speaking) community, while support was centred in Walloon (French-speaking) areas, including Liège, home to FN Herstal's factories. The dispute culminated in a parliamentary vote of confidence against Prime Minister Verhofstadt in August 2002. The government won the vote, although its determination to proceed provoked the resignation of Health Minister Magda Aelvoet, who said the deal was 'incompatible with her personal convictions' (AFP, 2002a; BBC, 2002b).

Initial deliveries of 3,000 M16s and 500 Minimi M-249s began in January 2003, with additional shipments expected for several years to come (Phuyal, 2003). Within weeks the guerrillas accepted a tentative ceasefire (*The Economist*, 2003). The role of the arms deals in the peace agreement is something analysts will have to evaluate.

Map 3.1 Small arms transfers to Nepal, 2003



Latin America

Although several South American countries have small arms industries of their own (*Small Arms Survey*, 2001, pp. 28–30), the region has a surprisingly low level of intra-regional trade. Instead, large quantities are exported out of the region, especially to the United States. Other Latin American states prefer to import firearms primarily from western Europe and the United States rather than the region’s own major producers, who appear to be regarded as just bidders among many, worthy of no special loyalty (see Table 3.12).

During 2000, Latin America was a net exporter of small arms, led by Brazil, the region’s largest and most aggressive trader. Brazil exported USD 98.6 million of small arms (Table 3.11). Argentina, the region’s runner-up exporter, reported export sales of only USD 3.6 million (UN, 2002). Brazil’s main market is the United States, where it sends large numbers of pistols and revolvers, as well as small arms ammunition. Imbel, a leading Brazilian firearms manufacturer, stated that 90 per cent of the 2,000 pistols it exports each month go to the United States. During 2001–2 Brazilian sales to North America reportedly increased steadily (*Gazeta Mercantil*, 2001).



Peru's Interior Minister displays small arms seized from guerrillas.

© Associated Press/Martin Mejia

COMTRADE data confirms that the United States is not only the largest individual importer of firearms from Latin America but also the largest single supplier of legal small arms to the region. This is despite the US’s willingness to halt normal exports to countries afflicted with serious gun violence. In Jamaica, this policy has significantly restricted firearms availability (Whyte, 2002), but it is reserved for exceptional national situations. The same data set also shows that the European Union has emerged as an even larger supplier than the United

States, although none of its member countries individually rivals American pre-eminence. One transaction of note was for USD 14 million of military weapons from Italy to Brazil (UN, 2002). Continuing high levels of violence and civil war in Colombia are likely to sustain the region’s demand for imports of military and civilian small arms and light weapons in the foreseeable future.

Table 3.11 South American small arms exports, 2000

Country	Value (millions of current USD)	Leading recipients (in descending order)
Brazil	98.6	USA, UAE, Venezuela, Argentina, Germany
Argentina	3.6	USA, Venezuela, Paraguay, Costa Rica, Uruguay
Chile	1.5	USA, Brazil, Panama, Switzerland, Nicaragua

Source: Bevan (2002); Marsh (2002); UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

The dilemmas of legal small arms sales to Latin America are manifested in Guatemala, where the local market for pistols has been expanding, against the broader international trend of declining pistol sales. It also challenges orthodox assumptions that Central America is saturated with post-conflict guns, so much that virtually anyone who wants a gun allegedly can readily find one. Over four years, there has been a dramatic increase of imports of pistols and revolvers into Guatemala (see Table 3.13). These guns do not appear to be for use by the Guatemalan security

forces; a wide variety of models have been ordered from various countries, but are not those used by the security forces (Gander and Cutshaw, 2000, p. 783). High crime rates and armed violence in Guatemala appear to be behind the new wave of weapons imports.

Table 3.12 South American small arms imports, 2000

Country	Value (millions of current USD)	Leading suppliers (in descending order)
Brazil	20.5	Italy, France, USA, Chile, South Africa
Venezuela	10.7	USA, Brazil, Sweden, Spain, Austria
Argentina	10.6	USA, Brazil, Italy, Spain, Austria
Colombia	7.3	USA, Belgium, Italy, Czech Republic, Brazil

Source: Bevan (2002); Marsh (2002); UN, 2002 (COMTRADE customs codes 930100, 930200, 930320, 930330, 930621, 930630)

The highly diversified nature of this increasing trade suggests that individual private buyers, not institutional buyers, are driving the growing market. Another source of new demand is Guatemala’s private security industry, which has grown at a comparable rate during these years as well (Godnick, 2002, p. 21). In addition to importing substantially greater quantities, Guatemalan buyers have diversified their purchases. As shown in Figure 3.1, Israel and Italy are the dominant suppliers, but virtually every major firearms manufacturing country in the world has a foot in the Guatemalan market. For exporters this shows the extent of the opportunities, but also the competitive pressures, they face.

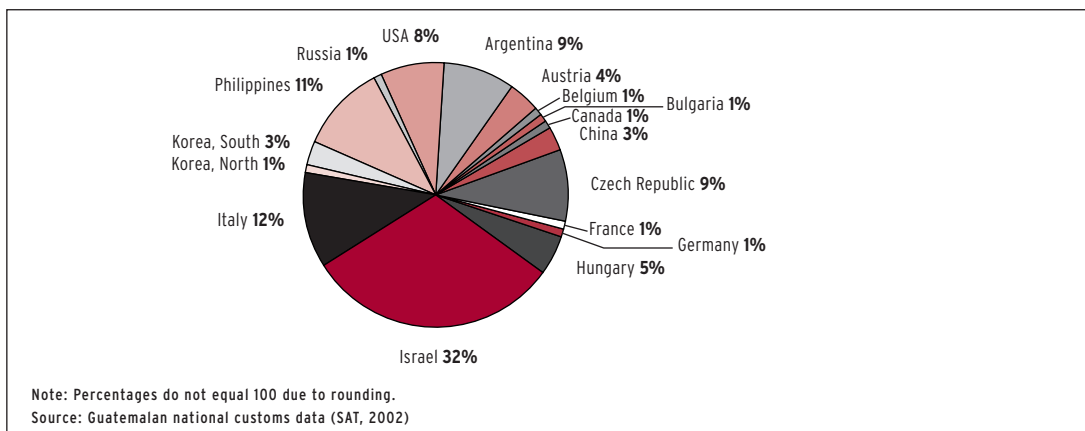
Table 3.13 Guatemalan imports of pistols and revolvers, January 1998–June 2002

Year	Value (current USD)	Units
1998	954,085	4,925
1999	990,806	4,858
2000	1,214,127	5,947
2001	3,303,459	16,397
2002*	2,665,522	10,738

Note: * Data for January–June 2002 only.
Source: Bevan (2002); Marsh (2002); Guatemalan national customs data (SAT, 2002)

Contrary to global trends, in Guatemala local demand for pistols is expanding.

Figure 3.1 Guatemalan pistol and revolver imports, by importer, January 1998–June 2002



Because of past conflict in Central America in the 1980s and concerns that violence in the region could return, the German government has refused to approve a series of export licence requests for sales to Guatemala, such as one application worth USD 81,000 in 2001. German forbearance did not inhibit Austria, France, and Italy from approving comparable deals. This highlights another instance (like the case of Nepal in Box 3.3) where exports refused by one EU government were permitted by others. This undermines the spirit of the EU Code of Conduct on Arms Exports, if not its letter.

The predominant sources of *illegal firearms* sales in Latin America are obscure, but the United States appears to be the largest source in this part of the market as well. While large illegal transfers through brokers and corrupt officials usually get the most attention, black market exports from the United States to Latin America appear to involve a large number of small-scale criminals. These smugglers take advantage of the US's permissive civilian market to buy guns and ship them to Caribbean and Latin American clients. The cumulative effect of their efforts can be substantial. An investigation in 2002 revealed how small-time operators in 1998–99 were able to channel more than

Box 3.4 Latin America: From anarchy to reform?

The 25 April 2002 edition of the Bogotá newspaper, *El Tiempo*, revealed the details of a previously unknown arms deal. A member of the United Self-Defence Forces of Colombia (Autodefensas Unidas de Colombia, AUC) boasted that his group had recently received more than 3,000 AK-47s (Lescure, 2002). As more details became public, the deal provoked an unprecedented investigation by the Organization of American States (OAS, 2002).

The most welcome revelation from the affair concerned the attitudes of governments. Instead of retreating in denial and obfuscation, regional governments were more willing to acknowledge their problems of illegal small arms trafficking, although some still hesitate to fix them. In the past, deals like this would have been tolerated or dismissed as the unfortunate result of negligence or graft. The 2003 OAS report leaves no doubt about the need for systematic reform of government stockpile management and transfer decision-making in Central America (OAS, 2003a).

While international diplomacy concentrates on illegal transfers of small arms, many of the most controversial small arms deals involve questionable transactions in the grey area between clear legality and illegality (Small Arms Survey, 2002, p. 111). Getting poor and weak governments to focus on corruption and abuse of official channels has been one of the greatest barriers to reform of the international trade in small arms.

Latin America's largest recipient of questionable transfers is Colombia, home to the region's most virulent insurgencies. The importance of questionable transactions was illustrated there before. In the most infamous example, in 1999 the Peruvian government of Alberto Fujimori transferred 10,000 second-hand AK-47s to the anti-government Revolutionary Armed Forces of Colombia or Fuerzas Armadas Revolucionarias de Colombia, FARC (Small Arms Survey, 2002, pp. 82–83). The deal contributed to the collapse of his government.

Neither the political left nor the right has a monopoly on the grey market. The *El Tiempo* article and other reporting showed how Israeli brokers based in Guatemala successfully arranged for the transfer of 3,117 AK-47s and 2.5 million rounds of ammunition to the FARC's enemies. These were second-hand weapons from Nicaraguan government arsenals. Originally it was claimed that they were supposed to go to the Panamanian police. Later, Nicaraguan officials testified they were for North American collectors. In reality, the guns and ammunition went straight to the Colombian AUC, the anti-rebel paramilitary force fighting the FARC and its sympathizers, which collected them from the Colombian port of Turbo on 10 November 2001. A second deal for 5,000 AK-47s reportedly collapsed after media attention made continued subterfuge impossible (OAS, 2003a).

The subsequent report by the OAS (2003b), released on 23 January 2003, praised the governments of Guatemala, Nicaragua, and Panama for initiating an independent investigation. It concluded that officials from all three countries were responsible, through incompetence or corruption, for the shipment. Above all, it pointed to the need for improved official oversight. The report faulted Colombia for failing to exercise proper control at its ports. It also urged faster efforts to destroy excess weaponry to avoid the temptation for similar transactions in the future (OAS, 2003a). Press reports suggest that the affected governments may be trying to dismiss the AUC deal as the work of corrupt individuals, best addressed through criminal prosecution rather than systematic legal reform (*La Prensa*, 2003).

Perhaps the most striking revelation of the report is the ease with which official channels, the very institutions expected to stop black and grey market deals, were misused to facilitate them. All four governments have signed the 1997 OAS Convention, designed to prevent such transactions. In recent years the United States has acted to intercept efforts by the AUC and other illegal buyers to export guns and ammunition from its soil (Lichtblau, 2002). Whether Latin American governments will do the same remains to be seen.

Latin America's largest recipient of questionable transfers is Colombia, home to the region's most virulent insurgencies.

800 modified AK-47s to FARC rebels in Colombia (Bergman and Reynolds, 2002). Argentina also appears to have serious problems with legal firearms haemorrhaging illegally across its borders. A study by Viva Rio discovered more than 3,000 illegal Argentine guns stored in Rio de Janeiro's police inventories of seized illegal guns. These included 315 firearms originally from Argentine military arsenals (Dreyfus, 2002).

Sub-Saharan Africa

Sub-Saharan Africa may be among the world's smallest regional markets for small arms, by value, as currently available data indicates. But a plethora of weak or non-existent states, rebel movements, and endemic civil violence make its gun trade deadly. Accurate figures on the region's imports of small arms and light weapons do not exist. Those figures that are available are notoriously incomplete. But it is clear that the total exceeds the USD 27 million in imports identified by COMTRADE data in 2000. For the same reason it is impossible to identify definite regional trends using customs data. All that can be concluded from the COMTRADE data is that Angola, Ghana, Kenya, and South Africa were among the region's importers. There is no standardized data on the value of small arms shipments to most of the continent's other significant small arms consumers, whether they are countries like Democratic Republic of Congo (DRC) and Sudan, rebel insurgencies, or tribal separatists.

Even among the four countries for which data is available, only Kenya reported its imports, worth USD 4.2 million in 2000. Data on other countries in the region comes from exporter declarations or, more typically, anecdotal information such as an important report by Pax Christi/Netherlands on arms flows in the Great Lakes region (IRIN, 2003). This information therefore probably misses most regional imports, which originate from states that do not provide data. The resulting picture appears to be a significant underestimate, failing to capture not only imports of newly manufactured equipment

from suppliers outside the region but also the important trade in second-hand hardware between African governments, and non-governmental actors, and cross-border smuggling between private individuals.

Sub-Saharan Africa is one region in which non-declaring exporters may be selling more than reporting exporters. Embargoed governments and insurgent movements are so numerous that they create a market for illicit weapons possibly rivalling the scale of legal demand. It is striking that Africa has bucked the global trend of seeking small arms

Sub-Saharan Africa is among the world's smallest regional markets, by value, for small arms. However, weak or non-existent states, rebel movements, and endemic civil violence make its gun trade exceptionally deadly.



Zimbabwean soldiers forming a guard of honour.

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and light weapons increasingly from manufacturers in western Europe and the Americas. Instead the region appears to be turning to clandestine or highly discreet suppliers in central and eastern Europe and Asia, often preferring cheap and hard-to-trace second-hand weapons (see Box 3.5). Imports by African states are among the world's most sensitive trades; but it should be borne in mind that the impoverishment of the continent means that its imports are likely to be relatively small in number, low in value, and dominated by second-hand weapons from surplus stocks.

Since much of the region's trade is concealed, even incomplete reports are exceptionally useful. For example, the local media in Ivory Coast charged that Defence Minister Moïse Lida Kouassi visited China in February 2002 intending to procure automatic weapons for the Ivorian armed forces (Moussa, 2002). All too typically, no additional details about this report have been confirmed. Russia is reportedly a major supplier of small arms and ammunition to various African countries, including Angola, Ethiopia, Kenya, and Namibia, but details are sketchy. In an effort to better understand how the weapons trade evades embargoes in place since the early 1990s, the UN Security Council has authorized studies of the small arms trade in a number of countries in the region, including Liberia and Somalia (UNSC, 2002a; 2002b).

Export declarations show that western countries also have a routine trade in small arms with Africa. In 1999–2000, Germany reported transfers of pistols, hunting guns, and ammunition to at least eight sub-Saharan countries, although the quantities involved are not known. Italy reported shipping USD 16 million of small arms to Africa in the first ten months of 2001, including transfers to Nigeria and Kenya. France, the United Kingdom, and the United States became more involved as suppliers to the region in 2002, through transfers designed as contributions to security assistance for state building and consolidation (WEAPONS COLLECTION).

Although its problems are not unique, Africa appears to suffer more than other regions from large-scale illicit transfers (Box 3.5). During the last decade, many of these originated in central and eastern Europe. In recent years, the number of sources appears to have fallen, with a proportionately greater role played by exporters in the former Socialist Federal Republic of Yugoslavia and the intra-regional trade from one African country to another. In addition, a major source of illicit weapons is the so-called *ant trade* of small smugglers, typically moving just one to a few dozen weapons at a time. Anecdotal reports suggest that the African ant trade is increasingly common, facilitated by the lack of effective border controls and lubricated by corruption (Ortise, 2002).

COMTRADE data suggests that South Africa is the region's only significant legal small arms exporter, with declared exports worth USD 15.7 million in 2000. That year it had customers in Botswana, Colombia, Germany, Greece, Lithuania, Malaysia, Mexico, the Philippines, and Singapore (UN, Statistics Division, 2002). These figures include hunting and sporting firearms. South Africa's own annual export report of military weapons presents a somewhat different picture. It shows that its foreign deliveries of military small arms and light weapons (Category B) were worth USD 10.2 million in 2000 and USD 9.4 million in 2001. Its leading customers (in order of value) in 2001 were: Colombia, Germany, Jordan, Kenya, the Philippines, Portugal, Singapore, Taiwan, and the United Kingdom (South Africa, 2002).

Box 3.5 Smuggling small arms to west Africa

After a brief hiatus in the mid-1990s, fighting broke out again in Liberia in 1999. The rebellious Liberians United for Reconciliation and Democracy (LURD), based in the north of the country, is trying to depose the Monrovia-based government of Charles Taylor. LURD has sought military equipment through a variety of channels with factions in neighbouring Guinea, the Ivory Coast, and Sierra Leone (IRIN, 2002). The Liberian government has also pursued new sources of supply. Most spectacularly, Liberian combatants have cultivated links with European arms suppliers, links seemingly in remission since the west African wars of the mid-1990s (Lederer, 2002).

In sub-Saharan Africa, embargoed governments and insurgent movements are so numerous they create a market for illicit weapons rivalling legal demand.

Box 3.5 Smuggling small arms to west Africa (continued)

The scale and sophistication of these channels was illustrated in October 2002 by a new United Nations report prepared by a group of expert consultants (UNSC, 2002a). Building on previous UN reports, it provides what may be the best documentation ever of illegal transfers to sub-Saharan Africa. It confirms systematic flouting of the 1992 UN arms embargo on Liberia (UN Security Council Resolution 788) and the 1998 ECOWAS moratorium on small arms transfers to the region, renewed in 2001.

The report documents six air-freight shipments carrying surplus Yugoslav equipment. These were organized through a Belgrade firm, Temex. Between 31 May and 25 August 2002, it delivered a total of 210 tons of small arms, light weapons, and ammunition to Liberia. The total consignment included 5,000 automatic rifles, over four million rounds of rifle ammunition, as well as machine guns, pistols, grenade launchers, and hand grenades (see Table 3.14). Other elements, like specific helicopter components, leave little doubt that the destination was the Liberian government. The shipments were accompanied with false end-user certificates indicating that the equipment was bound for Nigeria. The aircraft manifests falsely listed civilian goods and other destinations in the region.

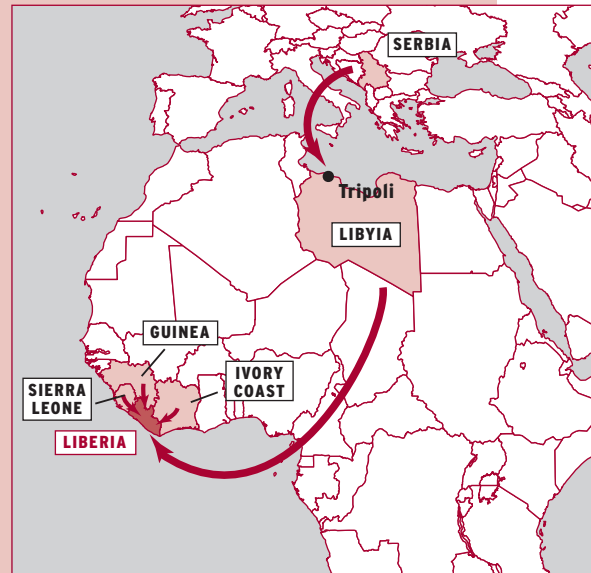
Although the channels involved are similar to those used in the 1990s, there are differences. Since the current wave of fighting began to destabilize Liberia in 1999, sub-Saharan combatants and their suppliers have had to show greater ingenuity in their weapons trade. In the face of the ECOWAS Moratorium and UN sanctions, most of the governments and firms that supplied African conflicts in the past have shown greater restraint. This left the market to ever more shadowy and unscrupulous suppliers. Reliance on false end-user certificates—apparently purchased from Nigerian government officials—suggests that illegal transfers also come at a higher cost.

The report confirms the importance of former Yugoslav actors in the illegal small arms trade. In Europe, the Balkans are widely agreed to be the predominant source of illegal firearms (STOCKPILES).

While many governments in central and eastern Europe have asserted greater control over rogue merchants and questionable exports in recent years, some states of the former Socialist Federal Republic of Yugoslavia (SFRY)—reportedly including Bosnia and Herzegovina, Croatia, and Serbia and Montenegro—stand out as refuges for rogue brokers (Sagramoso, 2001).

A striking characteristic of the six Liberian shipments examined in the report is the sheer depth and comprehensiveness of the law-breaking. These transactions did not simply violate one or two regulations. Rather, they required the systematic and blatant evasion of a whole spectrum of legal prohibitions, including false end-user certification, false shipping manifests, violation of ECOWAS moratorium and UN sanctions, flouting of the ban on travel by Liberian officials, as well as reliance on payment through prohibited trade in diamonds and other contraband materials.

Map 3.2 Small arms transfers to Liberia, 2002



The 2002 UN report on Liberia provides what may be the best documentation ever of illegal transfers to sub-Saharan Africa.

Table 3.14 Arms shipments by Temex to Liberia, 31 May–25 August 2002

Item	Quantity	Ammunition
Automatic rifles, 7.62mm	5,000	4,450,320
Hunting rifles	9	-
Hand grenades, M75	-	4,496
Machine guns, M84	5	287,400
Mortars, M57 60mm	352	6,500
Pistols, M84	70	20,250
Pistols, cz99	37	-
Sniper rifles, M93	10	5,200
Mi-24 helicopter blades	3	
Mi-24 helicopter rotor head	1	

Source: UNSC (2002b)

CONCLUSION

The information presented in this chapter suggests a decline in the overall value of the international trade in small arms since the late 1990s. COMTRADE data, despite its limitations, supports the broad impression of a decline in the international market. The scale of the largest contracts reported in 2002 appears to be smaller than in the 1990s. The same is true of the number and size of illicit transfers that have been discovered.

While major small arms deals continue to be signed, as illustrated in 2002 by deals with Nepal, India, and the Philippines, the absolute levels seem smaller than in previous years. Some exporters, especially those in the EU and other parts of Europe, have demonstrated greater control and oversight of their small arms exports. Where compliance has not improved, the international community has been better able to document law breaking and identify guilty actors. These steps show progress towards the fulfilment of the letter and spirit of the 2001 *United Nations Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects* (UN, 2001).

Reports of illegal transfers also appear to be declining in number and scale. But the dangers of the illicit trade remain unabated. The largest illicit transfers documented in 2002—the sale of 3,117 military rifles from Nicaragua to AUC rebels in Colombia and 5,483 small arms and light weapons from Serbia to the embargoed government of Liberia—are among the weapons that are most likely to be used in armed conflict.

These conclusions regarding the direction and transformation of the international small arms trade must be treated tentatively. As the lawyer-poet William Cowper famously put it in 1782, ‘Absence of proof is not proof of absence’ (Cowper, 1782). Only greater official transparency will resolve disputes over the nature of the international trade. What is beyond dispute is a change in attitudes towards the trade. Where many governments were previously inclined to permit exports unless their illegality was proved, they are increasingly willing to deny export licences unless their legality is established. This reversal of the burden of proof is most explicit in the policies and practices of many governments in central and eastern Europe. As a trend, it remains far from complete, but pressure to make its acceptance universal is growing, and it is increasingly difficult for governments to resist.

A reversal in the traditional burden of proof has increased willingness to deny export licences unless their legality is established.

3. LIST OF ABBREVIATIONS

AUC	Autodefensas Unidas de Colombia (United Self-Defence Forces of Colombia)
DRC	Democratic Republic of Congo
ECOWAS	Economic Community of West African States
EU	European Union
FARC	Fuerzas Armadas Revolucionarias de Colombia
IBDB	Instrument Building Design Bureau
IMI	Israeli Military Industries
ITC	International Trade Centre
KMBDB	Kolonna Machine-Building Design Bureau
LURD	Liberians United for Reconciliation and Democracy
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Co-operation in Europe
SFRY	Socialist Federal Republic of Yugoslavia
SLR	Self-loading rifle

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