A Sick or Dying Industry?
Products and Producers

This chapter provides an annual update, and new information and research, on global small arms production, including the global distribution of production, and the value and volume of production. It includes a survey of small arms production in the Middle East, and identifies the most important small arms producers in the world. It also includes an analysis of licensed production of small arms using case studies of two companies—FN Herstal (Belgium) and Heckler & Koch (Germany/UK).


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Small arms for sale, California.

The small arms industry is more widely distributed than previously identified. Currently, more than 1,000 companies in at least 98 countries worldwide are involved in the production of small arms and/or ammunition. The largest geographic concentration of producer countries—over 40 per cent—is in Europe and the Commonwealth of Independent States (CIS). The increase in the number of countries and companies that produce small arms does not necessarily indicate an increase in the size or production capacities of the global small arms industry.

The *value* of global small arms production, including ammunition, in 2000 (the latest year for which data is available) was estimated to be at least **USD 7 billion.** It is estimated that nearly **eight million** small arms, including commercial firearms were produced during 2000, of which more than 70 per cent were produced in the US and the European Union. The global volume of small arms production has declined in recent years, and is at much lower levels than during the Cold War era. While the production of military-style small arms seems likely to decline in the coming years, the long-term trends in the production of commercial firearms are unclear. Ammunition production for both military-style small arms and commercial firearms is relatively constant at present.

Small arms are produced in more than 1,000 companies in at least 98 countries worldwide.

TABLE 1.1 Global distribution of small arms producing countries, 2000–01

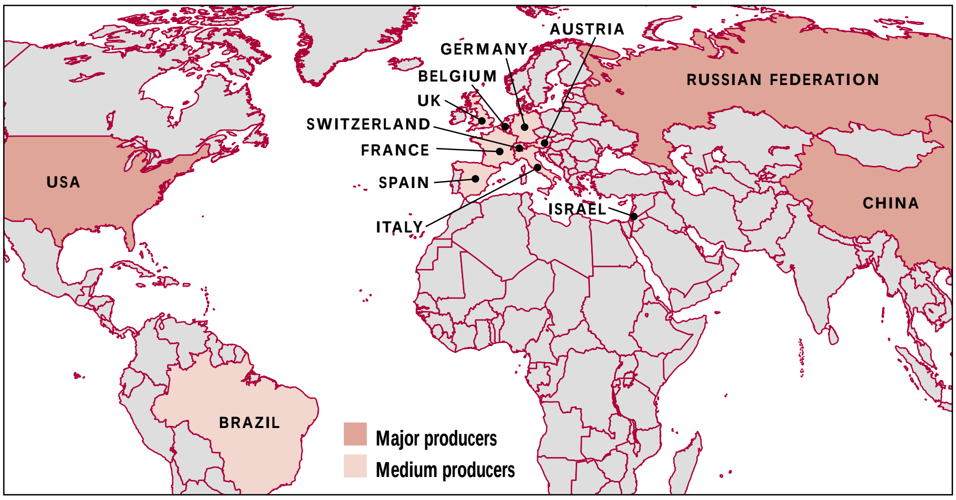
Region	Number (2000)	Percentage	Number (2001)	Percentage
Europe/CIS	39	41	41	42
North/Central America	6	6	5	5
South America	10	11	11	11
Asia-Pacific	19	20	20	21
Middle East	11	11	11	11
Sub-Saharan Africa	10	11	10	10
Total	**95**	**100**	**98**	**100**

Source: Appendix

At least 11 countries in the Middle East have the capacity to produce small arms and/or ammunition on a regular basis. Many countries in the region also have a long history and culture of craft production. Regular production usually takes place in state-owned companies and involves domestic production under licence from foreign suppliers. Israel, the region's largest and most innovative producer of small arms, is currently experiencing a crisis in its domestic small arms industry. At the same time, a number of other regional producers including Turkey, Iran, and Saudi Arabia are expanding their domestic production capabilities and aggressively targeting export markets.

The total value of global small arms production, including ammunition, in 2000 was estimated to be at least USD 7 billion.

MAP 1.2 The world's most important small arms producers



Despite the fact that more than half the world's countries have the capacity to produce small arms, the global small arms market is still dominated by only 13 countries—Austria, Belgium, Brazil, China, France, Germany, Israel, Italy, the Russian Federation, Spain, Switzerland, the UK, and the US. An assessment of the financial performance and production activities of the most important small arms companies in these countries reveals a mixed picture: some firms are in deep crisis, while others appear to be prospering. Private firms (e.g. Italy's Beretta) appear to have a better chance of survival, although in some cases, state-owned companies will continue to attract government support for political and/or strategic reasons (e.g. France's Giat Industries).

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Licensed production, a key feature of the global small arms industry particularly amongst developing countries, is examined in some detail in this chapter using case studies of two of the world's most significant licensors of small arms: FN Herstal (Belgium) and Heckler & Koch (Germany/UK). Together, the products of these two firms have been produced under licence in more than 35 countries worldwide. These case studies show how licensed production is an easy way to gain market share, evade strict export controls, or facilitate exports to prohibited destinations.

What are the most important factors that will determine the global small arms industry's future trends? The expansion of licensed production or increased export sales might improve the short-term prospects for certain firms, depending on the stringency of domestic export controls. However, in the longer-term, certain factors could have a negative impact on the future prospects for the global small arms industry. These include the slowing down of economic growth in various regions, negative public sentiment concerning the impact of small arms, such as on violence and crime rates, and the growing national and international efforts (e.g. within the United Nations) to regulate and tighten controls over the production, transfer, possession, and use of small arms. In addition, shrinking demand without a corresponding decline in the number of suppliers has made the global small arms market intensely competitive, with the result that many companies have been forced to sell their products at low and often unprofitable prices. This does not bode well for the future of the industry.