

III. The 2014 SIPRI Top 100 arms industry and military services, excluding China

AUDE FLEURANT

The sales of arms and military services by the SIPRI Top 100 continued to decrease in 2014, albeit at a moderate 3.1 per cent decline on average over the past four years (2011–14). At \$401 billion in 2014, Top 100 sales are still 43 per cent higher compared with 2002 (see table 14.1). Major arms producers headquartered in North America and Western Europe still dominate the Top 100 arms-producing and military services companies (ranked by their arms sales), with 64 companies accounting for 80.3 per cent of total sales. The remaining 29.7 per cent was generated by companies based in countries defined by SIPRI as ‘established producers’ and ‘emerging producers’ (see table 14.2).

North America’s presence in the Top 100 comes exclusively from the 38 ranked US companies which account for 54.4 per cent of total revenues. US companies occupy 7 out of the first 10 ranks. The largest arms producer in the world, Lockheed Martin, countered the general downwards trend in sales shown by other US based companies with revenues 3.9 per cent higher than those of 2013, widening its lead over its closest competitor Boeing.

Despite a declining economy, Russian companies’ arms sales continued to grow at a rapid pace in 2014, both in terms of sales and the number of companies appearing in the Top 100.¹ This growth, largely due to significant national arms procurement, has brought three new Russian companies into the Top 100. This was the case for air defence systems manufacturer, High Precision Systems, which now places 39th in the Top 100 for 2014, up from the 116th position occupied by the larger of its predecessor companies, KBP, in 2013.² Since 2009, High Precision Systems has consolidated specialized companies for developing advanced weapons within the fold of the Rostec conglomerate.³ The other two new Russian entries are RTI and UIMC.

In 2014, 15 out of 26 Western European companies ranked in the Top 100 had falling arms sales, while 6 report stable revenues compared to 2013.⁴ Of these 26 companies, 20 are based in countries considered to be major arms producers (France, Germany, Italy, Sweden and the UK) and 2 are trans-Eu-

¹ Although the drop in oil prices and depreciation of the rouble are affecting the Russian economy and impact GDP, there is some uncertainty and disagreement about the consequences of sanctions. See chapter 13, section I, in this volume for a more detailed discussion of current military spending in Russia.

² See SIPRI Arms Industry database, <<http://www.sipri.org/research/armaments/production>>.

³ The Rostec conglomerate is not ranked in the Top 100 because SIPRI does not include holdings. See the Rostec website, <<http://rostec.ru/en/news/2964>>.

⁴ See ‘The SIPRI Top 100 Arms Producing and Military Services Companies, 2014’, SIPRI Fact Sheet, Dec. 2015.

Table 14.1. Trends in arms sales of companies in the SIPRI Top 100 arms-producing companies, 2002–14

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Arms sales at current prices and exchange rates										
Total (\$ b.)	289	313	349	389	405	419	418	403	404	401
Change (%)	6	8	11	12	4	4	0	-4	0	-1
Arms sales at constant (2014) prices and exchange rates										
Total (\$ b.)	354	371	390	417	449	456	431	417	407	401
Change (%)	3	5	5	7	8	1	-5	-4	-1	-2
Cumulative change since 2005	0	5	10	18	27	29	22	18	15	13

Note: The figures in this table refer to the companies in the SIPRI Top 100 in each year, which means that they refer to a different set of companies each year, as ranked from a consistent set of data. In particular, the figures shown above for 2013 differ from those in table 14.2.

Sources: Arms Industry Top 100 and SIPRI's internal arms industry database.

ropean (Airbus Group and CNH Industry). In general, the impacts of the financial and economic crisis and the continued implementation of austerity policies have limited military spending in major Western European arms-producing countries. In this context, only the three ranked German companies have resisted the regional downward trend with a modest collective increase in arms sales (1.6 per cent), as French, Italian, British and trans-European companies' sales have remained stable or declined. In the UK—which has the most companies ranked in the Top 100 following the USA—part of the decrease is linked to the US spending decline where large British producers, such as BAE Systems, make a significant proportion of their revenues.⁵ Spain's only ranking company in 2013, Navantia, dropped out of the Top 100 altogether in 2014. Other Western European producers ranked in the Top 100 (Finland, Norway and Switzerland) have also shown stable arms sales.

In 2014, six companies based in countries considered to be 'established producers' were present in the Top 100. Together, they embody a share of six per cent of the total Top 100 sales with thirteen companies. Of this group, Poland's sole ranked company has exhibited the most significant growth with an increase in sales of 94.8 per cent in real terms, bringing the Polish Armament Group (PGZ) up to 67th position from 115th in 2013. Next are Australian companies with a 17.5 per cent growth and Japanese companies with 14.5 per cent. Israel and Singapore have displayed more stable sales compared to 2013, while Ukrainian companies have experienced a 52.8 per cent drop in arms sales.

⁵ Thomson, L., 'BAE Systems reports strong results in U.S. defense business, reflecting sector trend', *Forbes*, 30 July 2015.

Table 14.2. Regional and national shares of arms sales for the SIPRI Top 100 arms-producing companies in the world excluding China, 2014 compared to 2013^a

Arms sales figures are in US\$ b., at current prices and exchange rates. Figures do not always add up to totals because of the conventions of rounding.

Number of companies	Region/ country ^b	Arms sales (\$ b.)		Change in arms sales, 2013–14 (%)		Share of total Top 100 arms sales, 2014 (%)
		2014	2013 ^c	Nominal ^d	Real ^e	
38	North America	218.0	223.7	-2.6	-4.4	54
38	United States	218.0	223.7	-2.6	-4.4	54
26	Western Europe	104.1	109.4	-4.9	-7.4	26
8	United Kingdom	41.8	43.1	-3.1	-9.3	10
6	France	22.6	25.4	-11	-11	5.6
2	Trans-European ^f	15.3	16.6	-7.5	-8.1	3.8
2	Italy	12.0	12.1	-0.9	-1.0	3.0
3	Germany	6.2	5.6	10	9.4	1.6
1	Sweden	2.7	3.0	-8.1	-3.1	0.7
2	Switzerland	1.8	1.6	13	11	0.4
1	Norway	0.9	1.1	-15	-10	0.2
1	Finland	0.8	1.0	-20	-21	0.2
11	Eastern Europe	40.8	30.7	33	48	10
11	Russia	40.8	30.7	33	48	10
13	Other established producers	23.2	22.3	4.3	8.5	6.0
3	Israel	7.7	7.4	3.9	2.5	1.9
5	Japan	9.2	8.5	8.6	15	2.3
2	Australia	2.2	1.9	13	18	0.5
1	Singapore	2.0	1.9	7	5	0.5
1	Poland	1.3	0.7	95	95	0.5
1	Ukraine	0.8	1.8	-53	-37	0.2
12	Emerging producers	14.9	13.9	7.3	5.1	3.7
6	South Korea	6.7	5.7	16	11	1.7
3	India	4.8	5.1	-5.1	-7.1	1.2
2	Turkey	2.0	1.9	3.7	9.5	0.5
1	Brazil	1.5	1.2	21	25	0.4
100	Total	401	400	0.2	-0.5	100.0

^aAlthough it is known that several Chinese arms-producing enterprises are large enough to rank among the SIPRI Top 100, a lack of comparable and sufficiently accurate data makes it impossible to include them.

^bFigures for a country or region refer to the arms sales of the Top 100 companies headquartered in that country or region, including those in its foreign subsidiaries. They do not reflect the sales of arms actually produced in that country or region.

^cArms sales figures from 2013 refer to companies in the SIPRI Top 100 for 2013, and not to the companies in the Top 100 from 2014. Figures are given at current (2013) prices and exchange rates.

^dThis column gives the change in arms sales 2013–2014 in current US dollars.

^eThis column gives the change in arms sales 2013–2014 in constant (2014) US dollars.

^fThe companies classified as trans-European are EADS (Airbus) and CNH Industrial.

Source: 'The SIPRI Top 100 arms producing and military services companies, 2014', SIPRI Fact Sheet, Dec. 2015, <<http://books.sipri.org/files/FS/SIPRIFS1512.pdf>>.

In 2013, SIPRI created a new category of arms producers ranked in the Top 100 labelled 'emerging producers'. Collectively, countries included in this category—Brazil, India, South Korea and Turkey—represent a small portion of total Top 100 revenues. However, increases in their arms sales, as well as long-term governmental goals of building national arms-production capabilities and increasing their presence in the export market, call for better tracking of their trajectory in the ranks of top arms producers.

In 2014, 12 companies from the four emerging countries were ranked in the Top 100 accounting for 3.7 per cent of total arms revenues. Of these companies, Brazilian aircraft manufacturer, Embraer, demonstrated the highest sales growth with a 24.7 per cent increase in 2014, followed by South Korea's six ranked companies (10.5 per cent increase) and Turkey's Aselsan and Turkish Aerospace Industries (9.5 per cent).