

The Netherlands arms export policy in 2002

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1. Introduction

The present report on the Netherlands arms export policy in 2002 is the sixth annual report drawn up in accordance with the "Policy paper on greater transparency in the reporting procedure on exports of military goods" (Parliamentary Proceedings 22 054 No. 30, 27 February 1998).

The report comprises:

- a summary of the principles and procedures of the Netherlands arms export policy;
- an outline of the Netherlands defence-related industry;
- a description of developments in relevant international forums, i.e. the EU, the UN and the Wassenaar Arrangement;
- a description of policy relating to controls on the proliferation of small arms;
- a summary of the transit regulations which have been in force since 1 January 2002.

In Appendix 1 to the report, the Government informs Parliament of the value of licences for exports of goods issued in 2002 by category of military goods and by country of final destination. The Government points out that the licence value indicates the maximum export value, although at the time of publication that value need not necessarily have been reached in the exports realised. The value of the licences issued in 2002 amounted to EUR 450.3 million (2001: EUR 651.3 million). For reporting purposes it has been decided to state the figures for the first half and second half of 2002 separately as well. Appendix 2 tabulates the licences issued for transit of military goods to third countries.

Appendix 3 lists the denial notifications made by the Netherlands to its EU partners. These notifications form part of the EU Code of Conduct governing exports of military goods. Lastly, Appendix 4 tabulates arms embargoes that were operational in 2002.

2. Instruments and procedures of the arms export policy

Licences for the export of military goods are issued on the basis of the Import and Export Act. Companies or persons intending to export goods and technology appearing on the list of military goods pertaining to the Annex to the Strategic Goods Import and Export Order, apply to the Central Import and Export Service (Centrale Dienst voor In- en Uitvoer, CDIU) for an export licence. The CDIU forms part of the Tax and Customs Department of the Ministry of Finance and, with regard to arms export policy aspects, receives its instructions from the Ministry of Economic Affairs.

Applications for the export of military goods to NATO and EU member states and equated-status countries (Australia, Japan, New Zealand and Switzerland) are in principle dealt with exclusively by the Ministry of Economic Affairs. An exception to this rule is currently made for Greece and Turkey. Applications for exports to these two NATO member states as well as to all other countries are submitted to the Minister of Foreign Affairs for advice. The latter's advice plays an essential role in the decision-taking process on the issue of an export licence. If no objections are found to exist with

regard to the intended export, the Ministry of Economic Affairs will issue an export licence.

In the case of applications for exports to developing countries appearing on Part 1 the OECD DAC¹ list, the Minister of Foreign Affairs will first consult with the Minister for Development Co-operation, and will then advise the Minister of Economic Affairs on the basis of that consultation.

In the case of exports of weapons systems being disposed of by the Netherlands armed forces, Parliament receives prior confidential notification from the State Secretary of Defence. If commercial interests and the interests of the country of final destination so permit, Parliament can also be informed of the intended transactions on a non-confidential basis. In addition, the regular licence procedure has to be completed for the export of surplus equipment as well. Such transactions – like commercial export transactions - are assessed against the criteria of the arms export policy.

3. Principles of the arms export policy

Applications for licences for the export of military equipment are assessed on a case-by-case basis against the eight criteria of the arms export policy with due consideration for the nature of the product, its country of final destination and end user. These eight criteria were agreed by the European Councils of Luxembourg (1991) and Lisbon (1992), and they read as follows:

1. *Respect for the international commitments of EU member states, in particular the sanctions decreed by the UN Security Council and those decreed by the Community, agreements on non-proliferation and other subjects, as well as other international obligations.*
2. *The respect of human rights in the country of final destination.*
3. *The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts.*
4. *Preservation of regional peace, security and stability.*
5. *The national security of the member states and of territories whose external relations are the responsibility of a Member State, as well as that of friendly and allied countries.*
6. *The behaviour of the buyer country with regard to the international community, as regards in particular to its attitude to terrorism, the nature of its alliances and respect for international law.*

¹ The OECD DAC list is a list of countries receiving international financial aid, drawn up by the Organisation for Economic Co-operation and Development (OECD). Part 1 of the list relates to developing countries.

7. *The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions.*
8. *The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion for armaments of human and economic resources.*

In June 1998 the member states of the European Union adopted the EU Code of conduct for arms exports, in which they agreed on a common interpretation of the criteria of the arms export policy. The Code also incorporates a mechanism for information exchange, notification and consultation in cases where one member state has an export licence under consideration for a destination for which a similar licence has previously been denied by another. The Code of Conduct sets minimum standards. The Code acknowledges the right of member states nationally to apply a more restrictive arms export policy than required by the Code. ²

4. Information on the arms export policy

In accordance with a pledge made by the Minister of Foreign Affairs in the course of a debate in December 1997 on the Foreign Affairs budget, the Government in February 1998 submitted a policy paper on greater transparency in the reporting procedure on exports of military goods (Parliamentary Proceedings 22 054, No. 30). The present report on the year 2002 is the sixth non-confidential report which has been issued since then. It is based on the value of the licences issued by category of military goods and by country of final destination. In order to further enhance the transparency of the figures, the relevant goods categories are also specified by country of final destination. For the purpose of reflecting the overall trend with clarity, it has been decided to present both the consolidated figures for 2002 as a whole, and the figures for the first half and the second half of 2002 separately. Furthermore, information is also included on licence denials reported to the EU partners in the context of the EU Code of Conduct (see Appendix 3).

In addition to this Government report on Netherlands exports of military goods in 2002, non-confidential information is also otherwise available on the arms export policy. For example, the Central Import and Export Service publishes the "*Strategic Goods Manual*" (*Handboek Strategische Goederen*). This manual is intended for persons, companies and organisations with professional interests in procedures governing imports and exports of strategic goods. It provides users with information on the policy objectives and relevant legislative measures and procedures, besides containing a wealth of practical information. In this way the manual increases user awareness of this

² The text of the EU Code of Conduct is available on the EU website:
<http://ue.eu.int.pesc/ExportCTRL/nl/index.htm>

specific area of policy. The manual is regularly updated in the light of national and international developments in this area.

In addition, comprehensive information regarding export and transit of strategic goods is available via www.exportcontrole.ez.nl The manual can also be inspected on that website. (Currently, the manual itself is available in Dutch only, but the website does provide general information in English as well.)

5. The Netherlands defence-related industry in 2002

With very few exceptions, the Netherlands defence-related industry consists above all of civil enterprises and research organisations with divisions specialising in military production. Although this sector is small in size, it is nevertheless characterised by high-tech production, ongoing innovation and highly skilled personnel. Within the bounds of a responsible foreign and security policy, the Government's policy is aimed at retaining this technologically valuable capability for the Netherlands. To this end, Netherlands companies are involved in national military tenders, either directly or indirectly through offset orders. Because the Netherlands market is clearly too small to maintain the available expertise, the Netherlands defence-related industry is also encouraged to take part in international joint ventures and co-operation in the field of defence equipment. This has led to the establishment of commercial relations with above all British, French, German and American enterprises, also involving joint commitments relating to systems maintenance and subsequent components delivery. This applies equally where systems produced by a joint venture are supplied to third parties. In that light, the scope for Netherlands companies to enter into long-term international joint ventures and co-operation arrangements depends in part on the transparency and the consistency of the Netherlands arms export policy.

The importance of the export activities of this sector is recognised as an essential condition for the continuity of the existing technological base. Equally, it is recognised that, in the interests of the international legal order and the safeguarding of peace and security, limits must be imposed on the export activities of the defence-related industry. Within those limits, however, in the Government's judgement the Netherlands industry should be able to meet other countries' legitimate needs for defence equipment. Bearing in mind the above-mentioned conditions and circumstances, the Netherlands defence-related industry has pursued a policy of increasing specialisation. Those companies with the largest export share in their military production manufacture principally high-tech components and sub-systems. Although the maritime sector in particular still has the capability to undertake all the production stages from drawing-board to launching-slip, Netherlands exports of complete weapons systems in recent years can be virtually entirely accounted for by disposals of surplus Netherlands defence equipment.

Information on the defence-related industry has been made available on a voluntary basis by the firms concerned. The information relates to production (civil/military), exports (as a share of total sales), manpower, etc. For a number of years between 150 and 200 companies have in some way been engaged in military production in the Netherlands. It should nevertheless be noted that military production is defined as production intended for domestic and foreign defence orders, and not as production of goods which are classified as military goods in accordance with the Strategic Goods

Import and Export Order.

Military production accounts for an average total Netherlands turnover of EUR 1.5 billion on an annualised basis. This represents an average share of 10% of the total turnover of the companies and organisations concerned, most of which also perform civil activities in addition to military production. Of the total exports by these companies and organisations, EUR 863 million is classified as military exports.

The development of advanced technology associated with military production enables these companies and organisations to accomplish product innovations and is in addition an important source of military spin-offs and civil spill-overs. Sectors in which the Netherlands defence-related industry operates include the development and production of maritime applications, aerospace technology and radar technology, as well as transport, infrastructure, and information and communication technology. Military production accounts for about 10,000 jobs.

6. Transparency in armaments and the UN Register on Conventional Arms

In 1991 the General Assembly of the United Nations passed Resolution 46/36 L concerning transparency in armaments. On the basis of that resolution the UN Register on Conventional Arms was established in 1992. The register discloses particulars about the imports and exports of seven categories of conventional heavy weapons, with the objective of thereby increasing trust among nations.

The register provides information on an annual basis on the source country of military goods exports, the transit country if any, and the importing country, together with the size of the goods flows classified in the following categories: tanks, armoured combat vehicles, heavy artillery systems, combat aircraft, combat helicopters, warships, and missiles and missile launch systems. In addition, there is a separate section for remarks, in which countries can give a more detailed description of the arms and comment on the specific transfer. Furthermore, countries are urged to provide information on their own military stocks and on acquisitions resulting from their own manufacturing production.³

Each year since 1991 the General Assembly has passed a resolution on transparency in armaments, together with a call to supply particulars to the register.

It has become the custom that the Netherlands takes the initiative in proposing this resolution. Traditionally, the resolution can count on the support of a large majority of the UN member states.

The year 2002 marked the tenth anniversary of the register's existence. Over the past decade, over 160 nations have participated in the register, including all the major arms-manufacturing, arms-importing and arms-exporting countries. The register is currently estimated to encompass over 95% of the world-wide trade in the above-mentioned seven categories of conventional arms. In recent years there has been a distinct

³ Information on the UN Register is available on the UN disarmament website: <http://disarmament.un.org:8080/cab/register.html>

increase in the number of participating countries (1999: 99, 2000: 118, 2001: 126). This increase is expected to continue in the years to come. No marked development is discernible in the number of countries that additionally provided information on their military stocks and on purchases from their own defence industry. In 2002 this total remained fairly constant relative to preceding years, amounting to one-third of all countries participating in the register.

The EU member states ensure that transparency in armaments and participation in the UN Register on Conventional Arms receives constant attention. For example, after the reporting date has passed, the EU urges those countries that have not presented any information as yet to do so. Furthermore, the Secretary General of the United Nations is notified on an annual basis of the European Union's position regarding transparency in armaments. Lastly, the data are also exchanged within the Organisation for Security and Co-operation in Europe (OSCE).

In order to further promote participation in the UN Register of Conventional Arms, the Netherlands has joined with Canada, Germany, Japan and the United Nations Department for Disarmament Affairs (UN-DDA) in an initiative to organise a number of (sub-)regional workshops on transparency in armaments. The organisation of such workshops was one of the recommendations of the Group of Government Experts which met in 2000. In the course of 2002 two workshops took place, organised in close co-operation with the host countries. The first workshop, which focused on the ECOWAS region, took place in March in Accra, Ghana. The second - sub-regional - workshop was held in June 2002 in Windhoek, Namibia. It focused on the countries forming the Southern African Development Community (SADC). The Netherlands was the main donor of these African workshops.

7. The Wassenaar Arrangement

On the multilateral level, developments surrounding arms exports are discussed in the framework of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (WA). Altogether 33 countries, including the United States, Russia and the EU member states, are party to this forum, which owes its name to the town where, under the presidency of the Netherlands, the negotiations were conducted on the founding of the arrangement. These countries together account for over 90% of total exports of military goods.

The goal of the WA, as stated in the Initial Elements⁴, is to contribute towards regional and international security and stability. This goal is pursued by means of information exchange relating to exports to third parties of arms and of goods that can be used for arms production. The intention is to promote a greater sense of responsibility in national assessments of applications for licences for exports of military goods. Clearly, more information will enable participant countries to identify at an early stage whether the arms build-up of certain countries exceeds their legitimate needs for defence equipment. If that is the case, this should result in participant countries becoming more cautious in their licence issuing policy towards such countries of final destination.

The Wassenaar Arrangement has a list of military goods which are deemed to be

⁴ The Initial Elements can be found on the website of the Wassenaar Arrangement, www.wassenaar.org

subject to export controls. In the Netherlands, this control list forms an integral part of the Strategic Goods Import and Export Order. Each revision of the WA list therefore automatically results in an amendment to the above-mentioned Import and Export Order.

In 2002 great attention was directed at the prevention of terrorism, specifically prevention of the acquisition of arms by terrorist groups. This has led to guidelines on effective controls on SALW exports. Furthermore a declaration was passed concerning intensification of the controls on arms brokering. Unfortunately the guidelines on SALW do not yet provide for compulsory reporting of such exports. The Netherlands will continue its efforts to achieve realisation of this goal in 2003.

A general review of the Wassenaar Arrangement is on the agenda for 2003. In that context the Netherlands is working among other things towards greater transparency in arms exports (such as inclusion of SALW under the reporting requirements) and towards a reassessment of the criteria for controls on dual-use goods.

8. EU co-operation

EU co-operation on arms exports is co-ordinated within COARM, the Working Group on Conventional Arms Exports. This working group consists of EU member state representatives with responsibility for their country's arms export policy. On behalf of the Netherlands, representatives of the Ministry of Foreign Affairs and the Ministry of Economic Affairs have a seat in COARM.

In COARM, within the framework of the Common Foreign and Security Policy (CFSP) the EU member states exchange information on their arms export policy and endeavour to improve the mutual co-ordination of these policies and the relevant procedures. The EU Code of Conduct referred to in Section 3 of this annual report forms the basis for this.

Within the working group, frequent information exchange between the member states took place during the year under review concerning the national arms export policies with regard to certain countries or regions where tensions or armed conflicts exist. Also, within COARM co-ordination took place of member states' standpoints in multilateral forums dealing with arms export issues, such as the Wassenaar Arrangement. Furthermore it is an important objective of the EU and its member states to promote observance of the principles and criteria of the Code of Conduct. In this respect, particular attention focuses on those countries associated with the EU that have endorsed the Code.

On the initiative of the Netherlands, in the year under review agreement was reached in COARM on a procedure for exchanging information with the future EU partners concerning licence denials issued by the member states. Information of this nature will provide those countries with improved insight into the operation of the Code, in particular as to the application of the assessment criteria it sets out. In addition, the member states considered a number of other subjects relating to arms export and reached understandings on them, such as controls on arms brokering, standardisation of end-user declarations, periodical updates of the EU list of military goods, and the

application of the criteria of the Code of Conduct to transit transactions subject to mandatory licensing.

December 2002 saw publication of the fourth EU annual report drawn up by COARM, reviewing the subjects discussed within COARM in 2001.⁵ The report furthermore contains statistical information on arms exports and application of the Code of Conduct by the member states in 2001. Further progress in the creation of a common standard was achieved in the year under review, and consequently greater clarity and transparency in the statistics included in the report. Besides general data on exports by individual member states, the report also includes data classified by geographical region and by individual member states, the number of licence denials issued by individual member states, and the total number of licence denials issued by the member states in respect of individual countries of final destination.

In order to increase transparency in the application of the Code, for the first time an annex was added to the EU annual report containing a full summary of the practices agreed by the member states since the Code was adopted in 1998 and which have been published in the successive annual reports. In 2003 the annex will be expanded with a practical guide on the operation of the Code of Conduct, among other things concerning the information and consultation procedure as laid down in the Code with regard to licence denials. In addition, the member states seek to create a central database of national denials, to be maintained by the EU Council Secretariat in Brussels. These initiatives are expected to lead to great efficiency in national decision-making and improved policy co-ordination among the member states. They will also contribute towards the smooth integration of the Code of Conduct practice in the ten new EU member states and towards the effective application by those countries of the criteria laid down in the Code.

The number of denial notifications and consultations is trending upwards, reflecting an intensification in the dialogue between the member states regarding interpretation of the Code of Conduct. In 2002 member states reported a total of 402 licence denials, of which seven by the Netherlands (see Appendix 3). Altogether 92 bilateral consultations took place between the partners concerning such denials.

It will be self-evident that there remains scope for improvement in the Code of Conduct, being as it is a product of an international compromise. For instance, the Code will only work effectively if decisions resulting from bilateral consultations are notified to all member states and not only to the country that previously denied a licence application. The Netherlands will continue to pursue this aim.

Besides COARM, the EU also has the ad-hoc POLARM working group, which concentrates on the promotion of a European defence equipment policy and the restructuring of the European defence industry. The deliberations within this group are progressing slowly in view of the subject matter, sensitive in nature as it is with regard to the national (defence) interests of the member states. In the year under review, matters discussed included simplification of intra-community transit procedures for military equipment, customs levies on imports of military equipment, defence-related R&D, and

⁵ The non-confidential part of the COARM annual report is available on the website of the Council of the EU: <http://ue.eu.int/pesc/ExportCTRL/nl/index.htm>.

defence equipment standardisation and supply security.

At year-end 2002, EU arms embargoes were in operation vis-à-vis the following countries: Afghanistan, Bosnia-Herzegovina, Burma (Myanmar), China, the Democratic Republic of Congo, Iraq, Liberia, Libya, Sierra Leone, Sudan, Somalia and Zimbabwe.

In addition, the following arms embargoes of the United Nations Security Council were in operation for: Afghanistan, Angola, Armenia (non-binding), Azerbaijan (non-binding), Iraq, Liberia, Libya, Rwanda, Sierra Leone, Somalia and Yemen (non-binding).

Finally, the Organisation for Security and Co-operation in Europe (OSCE) operated an embargo vis-à-vis Nagorno-Karabakh.

9. Small arms and light weapons

In order to counter the risk of SALW proliferation to conflict regions, criminal organisations and terrorist groups, implementation of the international understandings which have been made within EU, OSCE and UN frameworks in order to combat the illegal dealing in SALW is of great importance. The first biennial meeting of the UN on implementation of the UN Action Programme on SALW is to be held in New York in July 2003. The UN Action Programme (2001) includes politically binding measures providing among other things for the drafting of effective legislative and regulatory instruments governing the production of and trade in SALW, their marking, safe storage, transport, stock control, and the destruction of surplus.

The Netherlands has complied with all obligations arising from the UN Action programme. The Minister for Development Co-operation makes an annual appropriation of approx. EUR. 2.3 million to the Small Arms Fund (*Fonds Kleine Wapens*), which provides finance to projects intended to assist nations in implementing the UN Action Programme. In this way the Netherlands supports a two-year project to help countries in the Great Lakes Region and the Horn of Africa in setting up national action plans, in order to enable implementation of the international understandings to be undertaken in a co-ordinated and systematic way. This project arises directly from the results of the conference organised by the Netherlands in co-operation with Austria, Canada, Kenya, Mali, Nigeria, Norway, South Africa, Switzerland and the United Kingdom from 18 to 21 March 2002 in Pretoria, South Africa. Here the African nations defined their priorities with regard to implementation of the UN Action Programme and donor countries indicated the conditions on which they would provide assistance.

In 2002 the Netherlands also supported arms destruction projects among others in the Great Lakes Region, Cambodia and the Balkan. Furthermore the Netherlands government contributed to a follow-up to the training programmes that were organised in Central Asia in 2001 regarding implementation of the understandings set out in the OSCE document on SALW.

In the context of the Netherlands chairmanship of the OSCE, in November 2002 the Netherlands organised a seminar in Sofia on SALW Trafficking in Sofia, in preparation for the S.E. Europe Economic Forum in 2003. One of the achievements at this seminar was to lay the foundation for the Netherlands-Norwegian initiative aimed at curbing

illegal brokering in SALW. The Netherlands and Norway seek to achieve agreement within the OSCE and UN frameworks on creating an international instrument to control SALW brokering.

In conclusion, the Netherlands is participating in the UN group of experts which is to advise on the prospects for an international instrument for marking and tracing SALW. The report and recommendations of the experts group is to be presented at the biennial meeting of the UN in 2003.

10. Transit

On 27 April 2001 an amendment to the Import and Export Act came into force, creating the possibility for the classification and assessment system of the arms export policy to be extended in certain cases to the transit of strategic goods. Until that date, controls on the transit of weapons had been based on the Arms and Munitions Act, which had its own implementing authorities and was primarily focused on controlling the presence of arms on Netherlands territory. The transfer of transit control to the Import and Export Act implies that the primary focus of that control is now on maintaining the international legal order. It also implies that implementation and supervision of its enforcement have been assigned to those authorities responsible for performing those same tasks for export control purposes.

As was explained while the amendment to the act was before Parliament, the new administrative power was subsequently formulated in the Strategic Goods Import and Export order as a generic mandatory licence for cases where military goods in transit remain in the Netherlands for an extended period or where they undergo some processing operation in the course of transit. In addition, it also provides for the imposition of an *ad hoc* mandatory licence for transit consignments of military goods not covered by the generic mandatory licence. This latter possibility can be used in particular where there are indications that a consignment is not already subject to the effective export control of the country of origin or where it would appear that, in the course of its transit through Netherlands territory, a consignment may be redirected to a destination other than that intended upon the issuance of an export licence.

Besides a mandatory licence, formulation of the new administrative power was accompanied by the introduction of a mandatory notification for transit consignments of certain types of arms. These are the SALW categories of firearms and light weapons as set out in the Joint Action (1999/34/CFSP) of 17 December 1998 relating to the contribution of the European Union towards curbing the destabilising accumulation and proliferation of hand-held firearms and light weapons. These notifications also provide grounds for considering whether a reason may be present for instituting the *ad hoc* mandatory licence for specific consignments.

An initial evaluation of these transit regulations is to be submitted to Parliament in the course of 2003.

Appendix 1

Tables showing the value of licences for exports of military goods issued in 2002 by category of goods and the value of licences for exports of military goods issued in 2002 by country of final destination.

Introduction

The total value of licences for exports of military goods issued in 2002 amounted to EUR 450.3 million. That is slightly more than 0.22% of total Netherlands goods exports in that same year, which came to EUR 205.2 billion. For an international comparison of this percentage, it is important to take into consideration a number of specific aspects of Netherlands regulations in the field of military goods exports. In the Netherlands, it is not only exports of military goods manufactured by Netherlands industry that are subject to mandatory licence. As a matter of course that also applies to exports arising from trade transactions conducted from the Netherlands. Perhaps less as a matter of course but still of great importance to the Netherlands figures is the fact that the Government itself is also required to apply for licences to export military goods. Only the equipment of Netherlands military units accompanying those units on exercises or UN operations abroad is exempted from mandatory export licensing. Disposals of Netherlands defence equipment to third countries are therefore subject to mandatory licensing, and are included in the figures.

Methodology

The values reported below are based on the value of the licences for definitive export of military goods issued in the period under review. Licences for temporary export have been disregarded in the figures, in view of the fact that such licences are subject to mandatory re-import. These cases normally relate to consignments for demonstration or exhibition purposes. On the other hand, licences for trial or sample consignments are included in the figures in cases where no re-import obligation is attached to these exports in view of their nature.

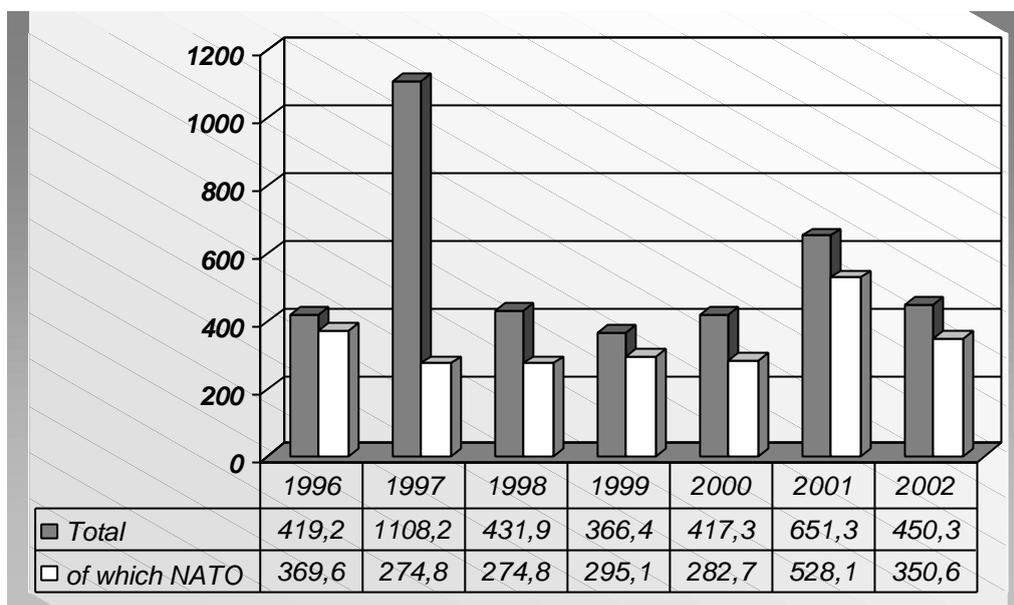
Licences for goods returned following repair in the Netherlands are similarly not included in the reported figures. However, in such cases the goods must have formed part of prior deliveries, the value of which will therefore have been included in a previous report. Inclusion of such "return following repair" licences would clearly lead to duplication of the figures. For the same reason, the value of licences for which the term of validity has been extended does not appear in the figures. Lastly, the same applies to licences that are replaced in connection, for example, with the recipient's change of address. If an extension or replacement licence with a higher value than the original licence is issued, the added value will of course be reported.

For the purpose of classifying the licence value for individual transactions in the table showing the value by category of military goods, it was in many cases necessary to include co-supplied parts and components and installation costs as part of the value of complete systems. The value of licences for the initial delivery of a system is effectively based on the contract value, which often comprises installation and a number of parts and components. The value of licences for the subsequent delivery of components is included in categories A10 or B10.

In conclusion, to compile the table showing the value of licences issued by category of

military goods a choice had to be made as to the classification of sub-systems. It was decided to apply a differentiation based on the criterion of the extent to which a sub-system can be regarded as standalone or multifunctional. This has a bearing in particular on the classification of licences for exports of military electronics. If such a product is suitable solely for a maritime application, for example, the associated sub-systems and their components are classed in category A10, as components for category A6, "warships". If such a product is not manifestly connected to one of the first seven sub-categories of main category A, it is classed in sub-category B4 or in sub-category B10.

Trend in arms exports, 1996 - 2002
(value of licences issued, in EUR million)



* The current 19 member countries of NATO are:

Belgium, Canada, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Iceland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Turkey, the United Kingdom and the United States. Because the Czech Republic, Hungary and Poland acceded to the alliance in March 1999, the value of the licences for definitive export of military goods to those countries has been included under the heading "of which NATO" with effect from that year.

2002 (I)

Table 1:
Value of licences issued for the definitive export of military goods in first-half 2002 by category¹

Main Category A, "Arms and Munitions"	2002 (I) EUR million
1. Tanks	-
2. Armoured vehicles	-
3. Large-calibre weapons (>12.7 mm)	-
4. Combat aircraft	-
5. Combat helicopters	-
6. Warships	59.55
7. Guided missiles	-
8. Small-calibre weapons (= 12.7 mm)	1.87
9. Ammunition and explosives	12.12
10. Parts and components for "other military goods" ²	90.02
Total Cat. A	163.56
Main Category B, "Other military goods"	2002 (I) EUR million
1. Other military vehicles	-
2. Other military aircraft and helicopters	-
3. Other military vessels	-
4. Military electronics	5.09
5. ABC substances for military use	-
6. Military exercise equipment	1.84
7. Armour-plating and protective products	-
8. Military auxiliary and production equipment	0.47
9. Military technology and software	0.28
10. Parts and components for "Other military goods" ³	101.81
Total Cat. B	109.49
Total Cat. A + B	273.05

Table 2:
**Value of licences issued for the definitive export of military goods
in first-half 2002 (I) by country of final destination**

2002 (I) EUR million ⁴					
Country of final destination	CAT. A	Specification	CAT. B	Specification	TOTAL
Angola	0.00	-	0.40	B8	0.40
Australia	0.02	A10	0.00	-	0.02
Austria	0.88	A8,A9,A10	0.00	-	0.88
Bahrain	0.15	A9	0.03	B10	0.18
Bangladesh	0.00	-	0.52	B10	0.52
Brazil	0.39	A10	0.00	-	0.39
Canada	0.87	A8,A9,A10	2.38	B4,B8,B10	3.25
Chile	0.50	A9,A10	0.01	B10	0.51
Denmark	0.51	A10	0.14	B10	0.65
Finland	0.54	A8,A10	0.00	-	0.54
France	3.85	A8,A9,A10	3.89	B4,B8,B10	7.74
Germany	13.33	A8,A9,A10	2.54	B4,B10	15.87
Greece	40.15	A6,A10	2.85	B4,B10	43.00
Indonesia	0.00	-	0.96	B10	0.96
Ireland	0.00	-	0.89	B4	0.89
Italy	2.66	A8,A10	1.48	B10	4.14
Japan	0.01	A10	0.00	-	0.02
Malaysia	1.82	A10	0.03	B4,B10	1.85
Morocco	0.00	-	0.10	B10	0.10
Norway	0.02	A9,A10	0.01	B4,B10	0.03

Portugal	0.00	-	0.32	B10	0.32
Qatar	0.00	-	1.06	B10	1.06
Saudi Arabia	20.98	A6	0.00	-	20.98
Singapore	0.00	-	0.03	B10	0.03
South Africa	0.04	A8,A9,A10	0.00	-	0.04
South Korea	0.50	A10	6.73	B10	7.23
Spain	0.50	A8,A9,A10	0.12	B4,B10	0.62
Taiwan	21.67	A10	3.22	B10	24.89
Thailand	0.00	-	2.32	B4,B6,B10	2.32
Turkey	0.88	A10	0.73	B10	1.61
United Arab Emirates	0.00	-	1.14	B10	1.14
United Kingdom	3.66	A8,A9,A10	3.17	B4,B10	6.83
United States of America	34.79	A8,A9,A10	74.21	B4,B8,B9,B10	109.00
Sweden	1.54	A9,A10	0.05	B4	1.59
Switzerland	0.90	A8,A9,A10	0.14	B10	1.04
Yemen	0.08	A10	0.00	-	0.08
Miscellaneous NATO countries ⁵	12.31	A10	0.00	-	12.31
<i>Countries accounting for export values below EUR 10,000:</i>					
Botswana, Czech Republic, Egypt, India, New Zealand, Oman, Peru, Rumania, ⁶	0.00	-	0.02	B4, B10	0.02
Total	163.56		109.49		273.05

Footnotes to tables 1 and 2, first-half 2002

¹ Rounding-off to two digits after the comma means in both Table 1 and Table 2 that sub-categories where the value remains below EUR 10,000 are not reported separately.

² The sub-category A10, parts and components for "Arms and munitions", consists largely of supplies arising out of compensation arrangements (offset) negotiated when the Netherlands purchased F-16 combat aircraft and AH 64 Apache combat helicopters. Under those arrangements, Netherlands manufacturing industry supplies parts and components for in particular the landing gear and the engines of these aircraft (including

an order worth EUR 20 million supplied to the USA). Military marine radar systems and most other marine subsystems are also included in this sub-category, in so far as they are counted as components for warships. Equipment supplied to Taiwan for maintenance of the Sea Dragons is also included in this item (EUR 22 million). Finally, supplies of components for tanks and armoured vehicles worth EUR 13 million were made to Germany.

³The sub-category B10, parts and components for “Other military goods”, includes an order worth EUR 74 million supplied to the USA. This order relates to a training simulator for an anti-tank weapon. The remaining amount relates to parts and components for radar systems supplied to a number of countries.

⁴The values stated in this table are calculated to the nearest Euro. After calculation the tables are rounded-off to two digits after the comma, so that addition of the rounded-off figures shown in Cat. A and Cat. B will not necessarily yield the rounded total reported in the ‘Total’ column. For example: Cat. A €16,000 + Cat. B €17,000 = total €33,000. Rounded-off to two digits after the comma that yields Cat. A 0.02 + Cat. B 0.02 = total 0.03.

⁵The item “Miscellaneous NATO countries” relates to export licences for components coming into sub-category A10, for the purpose of which a number of NATO countries (excluding Greece and Turkey) are licensed final destinations. In practice, this type of licence is used for the supply of components to manufacturers wishing to have the capability to make supplies out of stock to the NATO customers listed as end-users on the licence.

⁶In the Netherlands, an export licence is required for the export of most pistols or rifles for sporting or hunting purposes. If such firearms are to remain abroad for an extended period, even though they accompany the owner, a licence for definitive export must be applied for. A proportion of the exports to the countries of final destination shown in the table as accounting for total export licence values not exceeding EUR 10,000, relates to export transactions of this nature.

2002 (II)

Table 1:
Value of licences issued for the definitive export of military goods in second-half 2002 by category ¹

Main Category A, "Arms and Munitions"	2002 (II) EUR million
1. Tanks	0.91
2. Armoured vehicles	-
3. Large-calibre weapons (>12.7 mm)	-
4. Combat aircraft	0.04
5. Combat helicopters	2.00
6. Warships	-
7. Guided missiles	-
8. Small-calibre weapons (= 12.7 mm)	1.63
9. Ammunition and explosives	5.38
10. Parts and components for "Arms and Munitions" ²	49.39
Total Cat. A	59.35
Main Category B, "Other military goods"	2002 (II) EUR million
1. Other military vehicles	0.06
2. Other military aircraft and helicopters	2.00
3. Other military vessels	-
4. Military electronics	25.57
5. ABC substances for military use	-
6. Military exercise equipment	4.68
7. Armour-plating and protective products	-
8. Military auxiliary and production equipment	-
9. Military technology and software	0.05
10. Parts and components for "Other military goods" ³	85.56
Total Cat. B	117.93
Total Cat. A + B	177.28

Table 2:

Value of licences issued for the definitive export of military goods in second-half 2002 by country of final destination

2002 (II) EUR million ⁴					
Country of final destination	CAT. A	Specification	CAT. B	Specification	TOTAL
Argentina	0.00	A9	0.01	B4, B10	0.01
Australia	0.16	A10	0.00	-	0.16
Austria	0.15	A8, A9, A10	0.00	-	0.15
Bahrain	0.00	-	0.05	B10	0.05
Bulgaria	0.00	-	0.44	B4	0.44
Canada	1.57	A8, A9, A10	9.22	B10	10.78
Croatia	0.00	-	0.14	B4	0.14
Denmark	0.07	A10	0.12	B6, B10	0.19
Eritrea	0.00	-	0.06	B1	0.06
Finland	0.01	A8	0.01	B10	0.01
France	0.57	A8, A10	13.59	B4, B10	14.15
Germany	8.30	A8, A9, A10	51.18	B4, B9, B10	59.48
Greece	0.18	A10	3.59	B10	3.78
Hungary	0.01	A9	0.00	-	0.01
India	0.00	-	0.10	B10	0.10
Ireland	0.00	-	0.24	B10	0.24
Italy	0.14	A10	0.72	B10	0.86
Kuwait	2.17	A9	0.00	B10	2.17
Malaysia	0.25	A10	2.41	B4, B10	2.66
Norway	0.98	A1, A8, A9, A10	0.04	B6	1.01
Oman	0.00	-	2.58	B4, B10	2.58

Portugal	0.15	A10	0.00	-	0.15
Qatar	0.00	-	0.53	B10	0.53
Singapore	0.00	-	0.51	B10	0.51
Slovakia	0.00	-	0.03	B4	0.03
Spain	0.07	A8, A10	0.26	B10	0.33
Taiwan	13.48	A10	0.00	-	13.48
Turkey	0.41	A9, A10	19.81	B4, B10	20.22
United Arab Emirates	0.00	-	2.25	B10	2.25
United Kingdom	3.03	A8, A9, A10	0.82	B4, B10	3.85
United States of America	20.63	A5,A8, A9,A10	2.95	B2, B4, B10	23.58
South Korea	0.00	-	0.74	B4, B10	0.74
Sweden	0.85	A10	0.26	B4	1.11
Switzerland	0.08	A4, A9, A10	4.49	B6, B10	4.57
Yemen	0.08	A10	0.00	-	0.08
Miscellaneous NATO countries ⁵	6.02	A5, A10	0.79	B2, B6, B10	6.81
<i>Countries accounting for export values below EUR 10,000:</i>					
Brunei, Czech Republic, Kenya, Morocco, South Africa, Poland ⁶	0.00	A8, A9, A10	0.02	B4, B10	0.02
Total	59.35		117.93		177.28

Footnotes to tables 1 and 2, first-half 2002

¹ Rounding-off to two digits after the comma means in both Table 1 and Table 2 that sub-categories where the value remains below EUR 10,000 are not reported separately.

² The sub-category A10, parts and components for "Arms and munitions", consists largely of supplies arising out of compensation arrangements (offset) negotiated when the Netherlands purchased F-16 combat aircraft and AH 64 Apache combat helicopters. Under those arrangements, Netherlands manufacturing industry supplies parts and components for in particular the landing gear and the engines of these aircraft (including an order worth EUR 20 million supplied to the USA). Military marine radar systems and most other marine subsystems are also included in this sub-category, in so far as they are counted as components for warships. Equipment supplied to Taiwan for maintenance of the Sea Dragons are also included in this item (EUR 22 million).

³ The sub-category B10, parts and components for "Other military goods", includes an order worth EUR 47 million supplied to Germany. This order relates to parts and components for a frigate. The remaining amount

relates to parts and components for radar systems supplied to a number of countries.

⁴The values stated in this table are calculated to the nearest Euro. After calculation the tables are rounded-off to two digits after the comma, so that addition of the rounded-off figures shown in Cat. A and Cat. B will not necessarily yield the rounded total reported in the 'Total' column. For example: Cat. A €16,000 + Cat. B €17,000 = total €33,000. Rounded-off to two digits after the comma that yields Cat. A 0.02 + Cat. B 0.02 = total 0.03.

⁵The item "Miscellaneous NATO countries" relates to export licences for components coming into sub-category A10, for the purpose of which a number of NATO countries (excluding Greece and Turkey) are licensed final destinations. In practice, this type of licence is used for the supply of components to manufacturers wishing to have the capability to make supplies out of stock to the NATO customers listed as end-users on the licence.

⁶ In the Netherlands, an export licence is required for the export of most pistols or rifles for sporting or hunting purposes. If such firearms are to remain abroad for an extended period, even though they accompany the owner, a licence for definitive export must be applied for. A proportion of the exports to the countries of final destination shown in the table as accounting for total export licence values not exceeding EUR 10,000, relates to export transactions of this nature.

2002 (total)

Table 1:
Value of licences issued for the definitive export of military goods in 2002 by category¹

Main Category A, "Arms and Munitions"	2002 EUR million
1. Tanks	0.91
2. Armoured vehicles	-
3. Large-calibre weapons (>12.7 mm)	-
4. Combat aircraft	0.04
5. Combat helicopters	2.00
6. Warships	59.55
7. Guided missiles	-
8. Small-calibre weapons (= 12.7 mm)	3.50
9. Ammunition and explosives	17.50
10. Parts and components for "Arms and Munitions" ²	139.41
Total Cat. A	222.91
Main Category B, "Other military goods"	2002 (I) EUR million
1. Other military vehicles	0.06
2. Other military aircraft and helicopters	2.00
3. Other military vessels	-
4. Military electronics	30.66
5. ABC substances for military use	-
6. Military exercise equipment	6.52
7. Armour-plating and protective products	-
8. Military auxiliary and production equipment	0.47
9. Military technology and software	0.33
10. Parts and components for "Other military goods" ³	187.37
Total Cat. B	227.42
Total Cat. A + B	450.33

Table 2:
Value of licences issued for the definitive export of military goods in 2002 by country of final destination

2002 EUR million ⁴					
Country of final destination	CAT. A	Specification	CAT. B	Specification	TOTAL
Angola	0.00		0.40	B8	0.40
Argentina	0.00	A9	0.01	B4,B10	0.01
Australia	0.18	A10	0.00	B4	0.18
Austria	1.03	A8,A9,A10	0.00		1.03
Bahrain	0.15	A9	0.08	B10	0.24
Bangladesh	0.00		0.52	B10	0.52
Brazil	0.39	A10	0.00		0.39
Bulgaria	0.00		0.44	B4	0.44
Canada	2.43	A8,A9,A10	11.60	B4,B8,B10	14.03
Chile	0.50	A9,A10	0.01	B10	0.51
Croatia	0.00		0.14	B4	0.14
Denmark	0.58	A10	0.26	B6,B10	0.84
Eritrea	0.00		0.06	B1	0.06
Finland	0.54	A8,A10	0.01	B10	0.55
France	4.41	A8,A9,A10	17.48	B4,B8,B10	21.89
Germany	21.63	A8,A9,A10	53.72	B4,B9,B10	75.35
Greece	40.34	A6,A10	6.44	B4,B10	46.78
Hungary	0.01	A9	0.00		0.01
India	0.00		0.10	B10	0.10
Indonesia	0.00		0.96	B10	0.96
Ireland	0.00		1.13	B10	1.13
Italy	2.80	A8,A10	2.20	B10	4.99
Japan	0.02	A10	0.00		0.02
Kuwait	2.17	A9	0.00	B10	2.17

Malaysia	2.07	A10	2.44	B4,B10	4.52
Morocco	0.00		0.10	B10	0.10
Norway	1.00	A1,A8,A9,A10	0.05	B4,B6,B10	1.05
Oman	0.00		2.58	B4,B10	2.58
Portugal	0.15	A10	0.32	B10	0.47
Qatar	0.00		1.58	B10	1.58
Saudi Arabia	20.98	A6	0.00		20.98
Singapore	0.00		0.53	B10	0.53
Slovakia	0.00		0.03	B4	0.03
South Africa	0.04	A8,A9,A10	0.00		0.04
South Korea	0.51	A10	7.46	B4,B10	7.96
Spain	0.58	A8,A9,A10	0.37	B4,B10	0.95
Taiwan	35.14	A10	3.23	B10	38.37
Thailand	0.00		2.32	B4,B6,B10	2.32
Turkey	1.29	A9,A10	20.54	B4,B10	21.83
United Arab Emirates	0.00		3.39	B10	3.39
United Kingdom	6.69	A8,A9,A10	3.99	B4,B10	10.69
United States of America	55.42	A5,A8,A9,A10	77.17	B2,B4,B8,B9,B10	132.58
Sweden	2.40	A10	0.30	B4	2.70
Switzerland	0.98	A4,A8,A9,A10	4.64	B6,B10	5.61
Yemen	0.15	A10	0.00		0.15
Miscellaneous NATO countries ⁵	18.33	A5,A10	0.79	B2,B6,B10	19.12
Countries accounting for export values below EUR 10,000:					
Brunei, Botswana, Czech Republic, Egypt, Kenya, Morocco, New Zealand, Peru, Poland, Rumania, South Africa ⁶	0.01	A8,A9,A10	0.03	B4,B10	0.04
Grand total	222.91		227.42		450.33

Footnotes to tables 1 and 2, first-half 2002

¹ Rounding-off to two digits after the comma means in both Table 1 and Table 2 that sub-categories where the value remains below EUR 10,000 are not reported separately.

² The sub-category A10, parts and components for "Arms and munitions", consists largely of supplies arising out of compensation arrangements (offset) negotiated when the Netherlands purchased F-16 combat aircraft and AH 64 Apache combat helicopters. Under those arrangements, Netherlands manufacturing industry supplies parts and components for in particular the landing gear and the engines of these aircraft (including an order worth EUR 20 million supplied to the USA). Military marine radar systems and most other marine subsystems are also included in this sub-category, in so far as they are counted as components for warships. Equipment supplied to Taiwan for maintenance of the Sea Dragons is also included in this item (EUR 22 million). Finally, components for tanks and armoured vehicles worth EUR 13 million were supplied to Germany.

³ The sub-category B10, parts and components for "Other military goods", includes an order worth EUR 74 million supplied to the USA. This order relates to a training simulator for an anti-tank weapon. The remaining amount relates to parts and components for radar systems supplied to a number of countries.

⁴ The values stated in this table are calculated to the nearest Euro. After calculation the tables are rounded-off to two digits after the comma, so that addition of the rounded-off figures shown in Cat. A and Cat. B will not necessarily yield the rounded total reported in the 'Total' column. For example: Cat. A € 16,000 + Cat. B € 17,000 = total € 33,000. Rounded-off to two digits after the comma that yields Cat. A 0.02 + Cat. B 0.02 = total 0.03.

⁵ The item "Miscellaneous NATO countries" relates to export licences for components coming into sub-category A10, for the purpose of which a number of NATO countries (excluding Greece and Turkey) are licensed final destinations. In practice, this type of licence is used for the supply of components to manufacturers wishing to have the capability to make supplies out of stock to the NATO customers listed as end-users on the licence.

⁶ In the Netherlands, an export licence is required for the export of most pistols or rifles for sporting or hunting purposes. If such firearms are to remain abroad for an extended period, even though they accompany the owner, a licence for definitive export must be applied for. A proportion of the exports to the countries of final destination shown in the table as accounting for total export licence values not exceeding EUR 10,000, relates to export transactions of this nature.

Appendix 2.

Licences issued for transit of military goods in 2002 by country of final destination

2002 value in EUR million					
Country of final destination	CAT. A	Specification	CAT. B	Specification	TOTAL
Andorra	0.10	A10			0.10
Czech Republic	0.02	A10			0.02
Estonia	0.05	A10			0.05
Hungary	0.07	A10			0.07
Israel	1.46	A2			1.46
Latvia	0.03	A10			0.03
Lithuania	0.07	A10			0.07
Norway	0.25	A10			0.25
Poland	0.03	A10			0.03
Rumania	0.02	A10			0.02
Russia	0.15	A10			0.15
Slovakia	0.10	A10			0.10
Slovenia	0.06	A10			0.06
South Africa	0.25	A10			0.25
Switzerland	0.03	A10			0.03
Ukraine	0.15	A10			0.15
TOTAL	2.84	A2, A10			2.84

Appendix 3.

Denial notifications made under the EU Code of Conduct in 2002

Date of denial	Denial number	Destination country	Short description of equipment	Proposed consignee	Proposed end-user (if different)	Reason for refusal
Jan. 2002	NL 01/2002	Angola	Military transport vessels (Common List item 9)	Ministry of Public Affairs		Criteria 3 and 6, where Angola's participation to the UN Arms register was taken into consideration
Feb. 2002	NL 02/2002	India	Modification kits (Common List item 5.2)	Bharat Electronics Ltd, Bangalore	Ministry of Defence	Criteria 3 and 4
March 2002	NL 03/2002	Bulgaria	Lead batteries (Common List item 4.1)	Arcus Ltd, Lyaskovetz		Criteria 7
April 2002	NL 04/2002	Israel	Smokeless Gunpowder (Common List item 8.1.6)	Israel Military Industries Ltd, Nazareth		Criteria 3, 4, and 6
April 2002	NL 05/2002	Israel	Simulation grenades (Common List item 14)	Hakiryra, Tel Aviv	Ministry of Defence	Criteria 3, 4, and 6
July 2002	NL 06/2002	South Africa	Rifles (Common List item 1)	New Generation Ammunition		Criteria 7
Sept 2002	NL 07/2002	Pakistan	Mine demolition charges with explosive material	Societe ECA, Toulon	Ministry of Defense, Navy, Rawalpindi	Criteria 4