

***The Netherlands arms
export policy in 1998***

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1. Introduction

In 1998 a number of important developments took place in the sphere of the Netherlands arms export policy. In February 1998 Parliament received the 'Policy paper on greater transparency in the reporting procedure on exports of military goods' (Parliamentary Proceedings 22 054, No. 30), in which the Government stated its intention to provide Parliament with public information on arms exports on two occasions each year, one being in the form of an annual report. Subsequently, in June 1998 the General Council of the European Union adopted the EU Code of Conduct on Arms Exports, in which the EU agreed on a common interpretation of the criteria of the arms export policy as previously established by the European Councils of Luxembourg (1991) and Lisbon (1992).

Furthermore the coalition agreement of the present Government gave a few directives for the arms export policy. These directives were elaborated in December 1998 in the policy paper submitted to Parliament entitled 'The Coalition Agreement: New accents in the arms export policy' (Parliamentary Proceedings 22 054, No. 40). Lastly, in May 1998 the Government decided to suspend the issue of arms export licences for India and Pakistan, after both countries had carried out nuclear tests in the same month.

The present report on the Netherlands arms export policy in 1998 is the second annual report drawn up in accordance with the policy paper on greater transparency and the understandings included in the coalition agreement of the present Government. In Appendix 1 to the report, the Government informs Parliament of

the value of licences for exports of military goods issued in 1998 by category of goods and by country of final destination. The Government points out that the licence value indicates the maximum export value, although as at the time of publication that value need not necessarily have been reached in the exports realised.

The value of the licences issued in 1998 amounted to NLG 951.7 million (1997: NLG 2,438.0 million). For reporting purposes it has been decided to state the figures for the first half and second half of 1998 separately as well. This breakdown broadly corresponds with the formation of the second Cabinet headed by Prime Minister Kok, in July 1998. Appendix 2 lists the denial notifications made to the EU member states in accordance with the EU Code of Conduct.

The report further presents summaries of the principles and procedures of the Netherlands arms export policy, developments in the EU context in the course of 1998, the UN Register on Conventional Arms, and the Wassenaar Arrangement, in addition to a number of other developments.

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 that appear on the list of military goods pertaining to the Annex to the Strategic Goods Export

Order 1963, 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 member states and equated-status countries (the EU member states Austria, Finland, Ireland, and Sweden, together with Australia, Japan, New Zealand and Switzerland) are in principle dealt with 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 by the Ministry of Economic Affairs. 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 DAC list, the Minister of Foreign Affairs takes advice from the Minister for Development Co-operation. That advice will then carry weight in the advice given by the Minister of Foreign Affairs to the Minister of Economic Affairs.

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 matériel as well.

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 criteria of the arms export policy with due consideration for the nature of the product and its country of final destination and end use. 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 international 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.*
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 the course of its EU presidency in 1997, the Netherlands raised the matter of the desirability of harmonised application of the eight criteria for the arms export policy. In the spring of 1998, this was followed by initiatives originating from the United Kingdom and France proposing to establish an EU Code of Conduct on Arms Exports. In the discussions on this proposal,

the Netherlands urged that priority attention be focused on illicit arms trafficking, human rights, and harmonised application of the eighth criterion. At the same time, the Netherlands did not wish to see mandatory references to the interests of the defence industry,

because the Code is presumed to reflect principally the responsibilities relating to arms exports in terms of foreign policy. Lastly, in the negotiations the Netherlands urged the production of a public annual report on European arms exports.

The discussions on this subject were completed in June 1998, resulting in a Code of Conduct in which the EU member states agreed a common interpretation of the eight criteria at high normative level. In addition, the Code embodies a mechanism for information exchange, notification and consultation where one country has an export licence under consideration for a destination for which another member state has previously denied a similar application. The Code of Conduct acknowledges the power of member states nationally to conduct a more restrictive arms export policy than prescribed by the Code.

Also relevant in this context is the Coalition Agreement of the present Netherlands Government dated July 1998. It states among other things that the Cabinet seeks the introduction of a new criterion for the arms export policy, preferably with the largest possible number of relevant EU partner states, namely to deny export licences to countries unwilling to participate in the UN Register on Conventional Arms. In the letter to Parliament dated 4 December 1998 (Parliamentary Proceedings 22 054, No. 40), the Government wrote that the logical move was to seek support for this initiative first of all among the EU partner states. Should support not be forthcoming, the Government will review the assessment of the question of non-participation by the country of final destination in the UN Register on Conventional Arms in the light of the sixth criterion of the arms export policy.

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 submitted, in February 1998, a policy paper on greater transparency in the reporting procedure on exports of military goods (Parliamentary Proceedings 22 054, No. 30). In that paper, the Government stated its intention to issue a public report in May each year listing actual exports to each country of final destination during the preceding calendar year. In addition, the Government pledged to provide information on a confidential basis to Parliament in October each year about the value of actual exports during the first six months of the year. However, the coalition agreement of the present Government states that the Cabinet is to issue a public report on granted arms export licences twice a year.

In practice, this means that each year in May a public annual report is presented with data on the export licences issued during the preceding year and that consequently in October an additional report is presented on the export licences granted during the first six months of the current year.

The present report relates to the year 1998 and is based on the value of the licences issued by category of military goods and by country of final destination. In order to represent the trend with clarity, it has been decided to present both the consolidated

figures for 1998 as a whole, and the figures for the first half and the second half of 1998 separately.

Besides these data on the export licences issued, information is also included on licence denials notified to the EU partner states in the context of the EU Code of Conduct (see Appendix 2. N.B. this refers to denials notified since the date when the EU Code of Conduct was adopted in June 1998).

In addition to this Government report on Netherlands exports of military goods in 1998, public 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 institutes 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 specific area of policy. The manual is regularly updated in the light of national and international developments in this area.

5. The Netherlands defence related industry in 1998

With a very few exceptions, the Netherlands defence related industry consists above all of civil enterprises and research institutes with divisions specialising in military production.

Although this sector is small in size, nevertheless it is 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 in the field of defence equipment. This can lead to long-term relations arising between Netherlands companies and, for example, British, German, French and American enterprises, also involving joint commitments relating to systems maintenance and subsequent components delivery. This applies equally where the systems produced by the joint venture are supplied to third parties. In that light, the scope for Netherlands companies to enter into long-term international joint venture 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.

The results of an annual survey held in the Netherlands trade and industry sector, in which among other things information is disclosed on a voluntary basis concerning production intended for defence orders at home and abroad, broadly indicate that in the Netherlands some 150 companies are in some way engaged in military production.

For the period 1992 - 1996 the average total annual turnover of those companies was NLG 46.0 billion, of which about NLG 3.0 billion was attributable to military production. The main sub-sectors of that military production, in declining order of importance, consisted of 'maritime applications', 'infrastructure', 'electronics and information technology' and 'aerospace technology'. It should nevertheless be noted that for the purpose of these surveys military production was 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 Export Order 1963 and

which are therefore subject to a mandatory licence when exported. The annualised average total exports by the companies concerned in the period 1992-1996 was about NLG 12.7 billion, of which about NLG 1.2 billion was classified as military exports. The total number of employees working for the companies concerned averaged 143,000, of which according to the survey on average 12,000 were assigned to military production.

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, thus introducing the UN Register on Conventional Arms. 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 contains information 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 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 transfer. Furthermore, countries are urged to provide information on their own military stocks and on acquisitions resulting from their own manufacturing production.

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 for the Netherlands to take the initiative in proposing this resolution. Traditionally, the resolution can count on the support of a large majority of the UN member states.

Each year the register can count on inputs from some 90 countries. Since its inception, altogether 138 countries have provided returns once or several times. The 1998 report (containing the figures for 1997) stated the figures for no fewer than 95 countries. Of these, 36 countries provided information on their military stocks and on purchases from their own defence industry.

In 1996 a group of experts was appointed to evaluate the results of the register and investigate possibilities to broaden its scope. For the time being, however, the present register appears to be the maximum attainable in the field of transparency in armaments. In 1999, the Netherlands will once again seek to consolidate what has been achieved hitherto, and will refrain from urging scope enlargement in view of the appointment once more of the group of experts in the year 2001. By urging, within the EU, acceptance of participation in the UN Register on Conventional Arms as a criterion for the arms export policy, the Netherlands – as already set out in the above-mentioned Parliamentary Proceedings (22054 No. 40) – seeks to promote participation in the register.

The EU member states ensure that transparency in armaments and participation in the UN Register on Conventional Arms

receive 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 of the European Union's position regarding transparency in armaments. Lastly, the data are also exchanged within the OSCE.

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 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 Elements, is to contribute towards regional and international security and stability. The WA pursues this goal by increasing mutual transparency surrounding exports to third parties of arms and of goods that can be used for arms production, and also by promoting a greater sense of responsibility in the case of national assessments of applications for licences for exports of military goods. The increase in transparency is intended to 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 also has a list of military goods, which forms the basis for the national export-monitoring activities of participant countries. In the Netherlands, this control list forms an integral part of the Strategic Goods Export Order 1963. Each revision of the WA list therefore automatically results in an amendment to the above-mentioned Export Order.

The process of implementing and elaborating the principles as formulated in the Initial Elements of the WA was further continued in 1998. All the participant countries were prepared and able to take part in the previously agreed mutual exchange of information, and in addition a number of participants, including the Netherlands, exchanged information on a voluntary basis concerning denied licence applications for military goods exports. In addition, the political and military developments in a number of countries and regions were studied and, as the first step towards a common set of assessment criteria as exists within the EU, a document was produced listing factors that can be used in the evaluation of potentially destabilising arms accumulations. In point of fact, this document can also assist the national export-monitoring authorities in each of the WA participant countries in the assessment of licence applications. In that light, the Netherlands concentrated its effort among other things on the inclusion of participation in the UN Register on Conventional Arms as an element of the assessment procedure. More information on the Wassenaar Arrangement is available on the WA website (www.wassenaar.org).

8. *EU co-operation*

EU co-operation on arms exports takes place within what is known as the COARM working group on arms export policy. In this group, within the framework of the Common Foreign and Security Policy (CFSP) the EU member states exchange details on arms exports. In addition, certainly since the realization of the EU Code of Conduct mentioned in Section 4, there is an increasing degree of policy co-ordination among the member states with regard to the member states' arms export policy. An example of this is the debate – which was opened at the end of 1988 on Netherlands initiative – on the formulation of a political declaration on arms exports to Sub-Saharan Africa, in particular the Great Lakes Region. With this declaration, work on which had not been completed by year-end 1998, the Netherlands sought to direct political attention in the CFSP context to the problem of arms flows to this region.

The co-ordination of policy within COARM, however, has not always led to immediately identifiable results. For instance, in 1998 no agreement was reached between the member states on the arms export policy to be applied towards India and Pakistan after the nuclear tests of May 1998. The Netherlands was one of the few member states to cease all processing of arms export licence applications following these tests. A majority of member states, however, preferred to treat the applications to both countries on the basis of a strict interpretation of the Code of Conduct. This led to neither country receiving an unequivocal signal from the European Union. On 23 November 1998 the

Government informed Parliament that, for that reason, it wished to realign the measures more into line with those of other (European) countries. However, in the Apostolou motion of 17 December 1998 Parliament asked the Government to maintain the licensing stop.

In addition, within COARM the Government has raised the matter of the export policy towards China. This was occasioned by the varying interpretations placed by the EU member states on the arms trade ban vis-à-vis that country imposed by the European Council on 27 June 1989. The Netherlands advocated an unequivocal interpretation of this embargo, but received little support. Thereupon the Netherlands applied a strict interpretation of the embargo and allowed supplies of electro-optical equipment only.

Besides the COARM group, the EU also has the ad-hoc POLARM working group, which concentrates on the policy relating to the restructuring of the European defence industry. Since 1997, this group has been addressing the European Commission's report 'Implementing European Union strategy on defence related industries' (COM(97)583 def.). In this report, the Commission proposes a set of measures designed to assure an efficient defence industry structure. It regards this as including measures in the area of arms export policy. The Commission envisages proposals to simplify export procedures for products assembled from components produced in various EU member states, by reference to the export regulations of the country where the lead contractor is established or of the country where the final assembly and actual export take place. In 1998 the Commission's

proposal failed to result in consensus on the measures to be taken.

In 1998, EU arms embargoes were in operation vis-à-vis the following countries: Afghanistan, Burma, China, Iraq, Libya, Nigeria, Sudan, former Yugoslavia (Federal Republic of Yugoslavia, Bosnia-Herzegovina, Croatia and the former Yugoslav Republic of Macedonia¹), Sierra Leone and the Democratic Republic of Congo (formerly Zaïre). In addition, the following embargoes of the United Nations Security Council were in operation for: Afghanistan, Angola, Iraq, Liberia, Libya, Rwanda, Sierra Leone, Somalia and the Federal Republic of Yugoslavia. Finally, the OSCE operated an embargo vis-à-vis Nagorno-Karabakh.

It should be noted that embargoes may vary in their scope. Since 1991 the EU has applied an embargo list that differentiates between lethal arms and munitions, arms platforms, non-arms platforms and other equipment. Embargoes declared before 1991 are of a *sui generis* nature.

9. Other developments

(i) Small arms

In 1998 the Netherlands undertook a wide range of initiatives aimed at combating the spread of small arms, one of today's largest threats to human safety. In view of the scale and nature of

¹ With regard to Macedonia, under Common Position 96/184/GBVB applications are considered on a case-by-case basis and the member states will adopt a cautious stance.

the problem, the scope of the initiatives and the relevant pledge made to Parliament by the Minister of Foreign Affairs during the General Consultation on arms exports in December 1998, it has been decided to elaborate this subject in a separate policy statement to Parliament.

(ii) *Recommendations of the Advisory Council on International Issues*

In May 1997 the Government asked the Advisory Council on International Issues (Adviesraad Internationale Vraagstukken, AIV) to issue recommendations on the future of conventional arms control. These recommendations were forthcoming in April 1998. With regard to arms exports, the Advisory Council recommended among other things that the Government should consider making a country's participation in the UN Register on Conventional Arms a criterion for the future authorisation of arms exports to that country. This recommendation was appreciated by the Government, and it was incorporated in the coalition agreement of the present Cabinet.

The Advisory Council also proposed the formulation, in the EU context, of policy regarding arms exports to specific countries or regions. This concept was adopted in the policy paper 'The Coalition Agreement: new accents in the arms export policy' (Parliamentary Proceedings 22 054, No. 40). As set out above, the Government has focused its efforts on a regional approach to exports to India and Pakistan following the nuclear tests of May 1998. As a result of the national economic interests of the member states, this has not produced the desired effect. The debate – likewise initiated by the Netherlands – on a political

declaration on arms exports to Sub-Saharan Africa, specifically to the Great Lakes Region, clearly held out greater prospects, but it was not possible to complete this debate in 1998.

Another suggestion by the Advisory Council was to place the arms export policy on the transatlantic agenda with a view to gaining the broadest possible support for the arms export policy. In its reply, the Government accepted this suggestion. Nevertheless there is a complication here in that trade policy interests also play a part in the arms export policy, certainly at the global level. This is an area with many divergent interests, where the above-mentioned restructuring process in the European defence industry is a factor not to be overlooked. In the United States, the process of restructuring is in a more advanced stage than in the EU, which further complicates the transatlantic dialogue on arms exports.

Appendix 1 Statistics

Tables showing the value of licences for exports of military goods issued in 1998 by category of goods and the value of licences for exports of military goods issued in 1998 by country of final destination.

Introduction

The total value of licences for exports of military goods issued in 1998 amounted to just over NLG 950 million. That is just over 0.24% of total Netherlands goods exports in that same year, which came to NLG 393.2 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 licences. Disposals of Netherlands defence equipment to third countries are therefore subject to mandatory licence, and are included in the figures. In the year 1998 under review, over 15% of the total value of issued licences was related to such disposal activities.

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 because 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.

1998 (I)¹

Table 1:
**Value of licences issued for the definitive export
of military goods in first-half 1998, by category**

Main category A, "Arms and Munitions"	NLG million
1. Tanks	96.4
2. Armoured vehicles	-
3. Large-calibre weapons (>12.7 mm)	0.7
4. Combat aircraft	-
5. Combat helicopters	-
6. Warships	-
7. Guided missiles	-
8. Small-calibre weapons (\leq 12.7 mm)	0.7
9. Ammunition and explosives	14.5
10. Parts and components for "Arms and Munitions" ²	242.2
Total Cat. A	354.5

Main category B, "Other military goods"	NLG million
1. Other military vehicles	0.2
2. Other military aircraft and helicopters	-
3. Other military vessels	-
4. Military electronics	20.4
5. ABC substances for military use	-
6. Military exercise equipment	14.3
7. Armour-plating and protective products	72.0
8. Military auxiliary and production equipment	3.6
9. Military technology and software	-
10. Parts and components for "Other military goods"	184.9
Total Cat. B	295.4
Total Cat. A + B	649.9

Table 2:
**Value of licences issued for the definitive export
of military goods in first-half 1998,
by country of final destination**

1998 (I) NLG million			
Country of final destination	CAT. A	CAT. B	TOTAL
Australia	0.2	-	0.2
Austria	1.4	-	1.4
Brazil	0.3	-	0.3
Canada	1.6	-	1.6
Chile	114.8	9.2	124.0
China	-	1.2	1.2
Colombia	-	7.1	7.1
Denmark	13.0	-	13.0
Egypt	0.4	0.1	0.5
Finland	0.2	-	0.2
France	0.9	7.4	8.3
Germany	26.8	44.1	70.9
Greece	6.6	1.8	8.4
India	-	1.8	1.8
Indonesia	-	9.6	9.6
Israel	-	71.7	71.7
Italy	3.2	-	3.2
Japan	-	0.9	0.9
Macedonia	-	0.6	0.6
Norway	4.2	0.2	4.4

Oman	-	0.1	0.1
Peru	-	0.7	0.7
Poland	-	0.7	0.7
Portugal	0.6	-	0.6
Qatar	0.3	3.2	3.5
Saudi Arabia	-	4.8	4.8
Singapore	1.0	0.3	1.3
Slovenia	-	0.1	0.1
South Africa	-	0.4	0.4
South Korea	0.4	6.5	6.9
Spain	0.3	-	0.3
Sweden	4.8	-	4.8
Switzerland	1.3	5.8	7.1
Taiwan	23.0	-	23.0
Thailand	-	2.8	2.8
Turkey	1.1	80.3	81.4
United Arab Emirates	-	4.6	4.6
United Kingdom	11.2	4.1	15.3
United States of America	119.2	6.6	125.8
Venezuela	-	1.4	1.4
Misc. NATO countries ³	17.5	17.3	34.8
Countries accounting for export values below NLG 100,000:			
Bahrain, Eritrea, Ghana, Ireland, Iraq, Lebanon, Malaysia, Morocco, Netherlands Antilles and Romania ⁴	0.2	-	0.2
Total	354.5	295.4	649.9

Footnotes to Tables 1 and 2

Note 1:

The figures for first-half 1998 were already reported to Parliament on 2 October 1998 (Parliamentary Proceedings 22 054, No. 38).

Note 2:

The subcategory 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 combat helicopters. Under those arrangements, Netherlands manufacturing industry supplies parts and components for in particular the landing gear and the engines of these aircraft. Military marine radar systems and most other marine subsystems are also included in this subcategory, because they were counted as components for warships.

Note 3:

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.

Note 4:

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 NLG 100 000, relates to export transactions of this nature.

1998 (II)

Table 3:
Value of licences issued for the definitive export of military goods in second-half 1998, by category

Main category A, "Arms and Munitions"	NLG million
1. Tanks	-
2. Armoured vehicles	-
3. Large-calibre weapons (>12.7 mm)	-
4. Combat aircraft	1.5
5. Combat helicopters	-
6. Warships	-
7. Guided missiles	-
8. Small-calibre weapons (\leq 12.7 mm)	1.1
9. Ammunition and explosives	42.7
10. Parts and components for "Arms and Munitions" ¹	95.5
Total Cat. A	140.8
Main category B, "Other military goods"	NLG million
1. Other military vehicles	-
2. Other military aircraft and helicopters	-
3. Other military vessels	-
4. Military electronics	80.0
5. ABC substances for military use	-
6. Military exercise equipment	20.0
7. Armour-plating and protective products	-
8. Military auxiliary and production equipment	0.1
9. Military technology and software	3.0
10. Parts and components for "Other military goods"	57.9
Total Cat. B	161.0
Total Cat. A + B	301.8

Table 4:
**Value of licences issued for the definitive export of
military goods in first-half 1998,
by country of final destination**

1998 (II) NLG million			
Country of final destination	CAT. A	CAT. B	TOTAL
Australia	-	0.3	0.3
Austria	3.1	-	3.1
Canada	1.8	1.8	3.6
China	-	4.1	4.1
Denmark	0.4	19.7	20.1
Estonia	0.3	-	0.3
Finland	0.1	0.2	0.3
France	1.3	18.4	19.7
Germany	45.3	8.4	53.7
Greece	0.3	2.0	2.3
Ireland	-	2.0	2.0
Israel	1.2	1.4	2.6
Japan	-	0.5	0.5
Lebanon ²	-	0.2	0.2
Malaysia	-	2.8	2.8
New Zealand	-	0.3	0.3
Norway	-	0.4	0.4
Oman	-	5.1	5.1

The Philippines	0.3	-	0.3
Poland	-	1.4	1.4
Portugal	-	0.5	0.5
Romania	-	0.7	0.7
Singapore	0.6	0.1	0.7
South Africa	-	0.2	0.2
South Korea	-	2.5	2.5
Spain	0.3	0.7	1.0
Sweden	3.9	0.6	4.5
Switzerland	2.1	14.7	16.8
Taiwan	0.2	-	0.2
Thailand	-	3.1	3.1
Turkey	2.1	51.3	53.4
United Arab Emirates	11.4	-	11.4
United Kingdom	12.1	10.5	22.6
United States of America	51.7	4.2	55.9
Venezuela	-	0.6	0.6
Misc. Nato countries ³	2.1	2.2	4.3
<i>Countries accounting for export values below NLG 100,000:</i>			
Argentina, Bahrain, Brazil, Chile, Egypt, Hungary, Italy, Kenya, Mozambique, Peru, Czech Republic ⁴	0.2	0.1	0.3
Total	140.8	161.0	301.8

Footnotes to Tables 3 and 4

Note 1:

The subcategory 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 combat helicopters. Under those arrangements, Netherlands manufacturing industry supplies parts and components for in particular the landing gear and the engines of these aircraft. Military marine radar systems and most other marine subsystems are also included in this subcategory, because they were counted as components for warships.

Note 2:

The reported export to the country of final destination Lebanon related to supplies made by order of the United Nations and was intended for UN operations in that country.

Note 3:

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.

Note 4:

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 NLG 100 000, relates to export transactions of this nature.

1998 (total) ¹

Table 5:

Value of licences issued for the definitive export of military goods in 1998, by category

Main category A, "Arms and Munitions"	NLG million
1. Tanks	96.4
2. Armoured vehicles	-
3. Large-calibre weapons (>12.7 mm)	0.7
4. Combat aircraft	1.5
5. Combat helicopters	-
6. Warships	-
7. Guided missiles	-
8. Small-calibre weapons (\leq 12.7 mm)	1.8
9. Ammunition and explosives	57.2
10. Parts and components for "Arms and munitions" ²	337.7
Total Cat. A	495.3

Main category B, "Other military goods"	NLG million
1. Other military vehicles	0.2
2. Other military aircraft and helicopters	-
3. Other military vessels	-
4. Military electronics	100.4
5. ABC substances for military use	-
6. Military exercise equipment	34.3
7. Armour-plating and protective products	72.0
8. Military auxiliary and production equipment	3.7
9. Military technology and software	3.0
10. Parts and components for "Other military goods"	242.8
Total Cat. B	456.4
Total Cat. A + B	951.7

Table 6:
**Value of licences issued for the definitive export of
military goods in 1998,
by country of final destination**

1998 NLG million			
Country of final destination	CAT. A	CAT. B	TOTAL
Australia	0.2	0.3	0.5
Austria	4.5	-	4.5
Brazil	0.3	-	0.3
Canada	3.4	1.8	5.2
Chile	114.8	9.2	124.0
China	-	5.3	5.3
Colombia	-	7.1	7.1
Denmark	13.4	19.7	33.1
Germany	72.1	52.5	124.6
Egypt	0.4	0.1	0.5
Estonia	0.3	-	0.3
Finland	0.3	0.2	0.5
France	2.2	25.8	28.0
Greece	6.9	3.8	10.7
India	-	1.8	1.8
Indonesia	-	9.6	9.6
Ireland	-	2.0	2.0
Israel	1.2	73.1	74.3

Italy	3.2	-	3.2
Japan	-	1.4	1.4
Lebanon ³	-	0.2	0.2
Macedonia	-	0.6	0.6
Malaysia	-	2.8	2.8
New Zealand	-	0.3	0.3
Norway	4.2	0.6	4.8
Oman	-	5.2	5.2
Peru	-	0.7	0.7
The Philippines	0.3	-	0.3
Poland	-	2.1	2.1
Portugal	0.6	0.5	1.1
Qatar	0.3	3.2	3.5
Romania	-	0.7	0.7
Saudi Arabia	-	4.8	4.8
Singapore	1.6	0.4	2.0
Slovenia	-	0.1	0.1
South Africa	-	0.6	0.6
South Korea	0.4	9.0	9.4
Spain	0.6	0.7	1.3
Sweden	8.7	0.6	9.3
Switzerland	3.4	20.5	23.9
Taiwan	23.2	-	23.2
Thailand	-	5.9	5.9
Turkey	3.2	131.6	134.8

United Arab Emirates	11.4	4.6	16.0
United Kingdom	23.3	14.6	37.9
United States of America	170.9	10.8	181.7
Venezuela	-	2.0	2.0
Misc. NATO countries ⁴	19.6	19.5	39.1
<i>Countries accounting for export values below NLG 100,000:</i>			
Argentina, Bahrain, Eritrea, Ghana, Hungary, Iraq, Kenya, Morocco, Mozambique, Netherlands Antilles, Czech Republic ⁵	0.4	0.1	0.5
Total	495.3	456.4	951.7

Footnotes to Tables 5 and 6:

Note 1:

The figures for first-half 1998 as consolidated in this full-year summary were already reported to Parliament on 2 October 1998 (Parliamentary Proceedings 22 054, No. 38).

Note 2:

The subcategory 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 combat helicopters. Under those arrangements, Netherlands manufacturing industry supplies parts and components for in particular the landing gear and the engines of these aircraft. Military marine radar systems and most other marine subsystems are also included in this subcategory, because they were counted as components for warships.

Note 3:

The reported export to the country of final destination Lebanon related to supplies made by order of the United Nations and was intended for UN operations in that country.

Note 4:

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.

Note 5:

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 NLG 100 000, relates to export transactions of this nature. The reported export to the country of final destination Iraq related to supplies made by order of the United Nations and was intended for UN operations in that country.

Appendix 2 Denial notifications

Introduction

Within the framework of the EU Code of Conduct as well as within the framework of the voluntary information exchange of the Wassenaar Arrangement (WA) the Netherlands offers its partners information on denied licence applications for export of military goods. These denial notifications do not just contain a description of the goods concerned but also contain information such as the intended consignee and end user. Furthermore, to provide the partners with an insight into the Netherlands motivation behind a denial, a notification will also identify which of the criteria of the arms export policy as described in the Code of Conduct are the main cause for rejection of a particular application.

The first and foremost aim of the provision of data on denials is to inform the export control authorities of the partners within the EU and WA about the Netherlands security policy concerns regarding deliveries of particular military items to particular end users. At the same time the format of the denial notifications provides the possibility for partners to enter into further consultations in the case they are confronted with a similar licence application. Although arms export policy, certainly within the WA but to date also within the EU, is acknowledged as being a policy area for national discretion, the Netherlands government does consider the exchange of denial notifications as a step towards increased harmonisation. Because of this, the Netherlands strongly supported the inclusion of such an information exchange as an integral part of the EU Code of Conduct. Furthermore, for lack of consensus on such a formal expansion of the information

exchange within the framework of the Wassenaar Arrangement, the Netherlands was one of the first to offer its WA partners denial notifications on a voluntary basis.

Thus the primary purpose of denial notifications is to inform the export control authorities of other countries and to promote further arm export policy harmonisation within the EU and amongst partners within the Wassenaar Arrangement. At the same time the Netherlands government realises that the provision of data on denials offers a possibility to enhance the transparency of the implementation of the Netherlands arms export policy. Because the security policy, commercial and legal limitations that argue against publishing specific information on individual export transactions are less relevant in case of denied applications, the denial notifications that have been presented by the Netherlands within the framework of the EU Code of Conduct since its adoption in June 1998 can now be included in this public report.

It is pointed out that in the Netherlands a formal denial can only be the result of a formal licence application and that one of the prerequisites for such an application is the existence of a signed contract. Negative advice by the export control authorities on pre contract enquiries (“sondages”) is not considered to constitute a formal denial and is therefore not included in the list of Netherlands denial notifications. Of particular relevance to the 1998 annual report is the fact that the Netherlands has suspended the processing of licence applications for military export to either India or Pakistan in reaction to the nuclear tests conducted there in May. In most cases this resulted in suspension of applications instead of formal denials of such applications.

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

M-65 Tow Missile System, M-97 Universal Turret Subsystem and Sight Helicopter Heads Up Subsystem as spare parts for armed helicopter (WA ML 2 and ML 5)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi, for the Pakistan Air Force

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/1

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The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

M-65 Tow Missile System and Sight Helicopter Heads Up Subsystem as spare parts for armed helicopter (WA-ML 5)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi, for the Pakistan Air Force

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/2

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

M-147 Rocket Management System, M-26 Computer Fire Control, Air Data Subsystem, Laser Range Finder and Air Borne Laser Tracker as spare parts for attack helicopter (WA ML 5)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi, for the Pakistan Air Force

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/3

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

M-147 Rocket Management System, M-26 Computer Fire Control, Air Data Subsystem, Laser Range Finder and Air Borne Laser Tracker as spare parts for attack helicopter (WA ML 5)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi, for the Pakistan Air Force

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/4

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

parts of attack helicopters (WA ML 10)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi,
of the Pakistan Ministry of Defence

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/5

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

M-97 Universal Turret Subsystem as spare parts for attack helicopter (WA ML 2)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi, for the Pakistan Air Force

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/6

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

parts of attack helicopter (WA ML 10)

Proposed consignee:

Central Ordnance Aviation Depot, Dhamial Rawalpindi,
of the Pakistan Ministry of Defence

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/7

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Pakistan

Short description of equipment, including quantity and where appropriate, technical specifications:

Turbojet engine for training aircraft, adjusted for military use (WA ML 10)

Proposed consignee:

Pakistan Air Force

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

19 June 1998

Denial number:

NL/8

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

India

Short description of equipment, including quantity and where appropriate, technical specifications:

optical components, specially designed for military use, for the construction of Hand Held Laser Range Finder (WA ML 5)

Proposed consignee:

Bharat Electronics Ltd., Bangalore, for the Ordnance Services, MGO Branch

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

17 July 1998

Denial number:

NL/9

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

India

Short description of equipment, including quantity and where appropriate, technical specifications:

power generators for ground based anti aircraft weapon control systems (WA ML 5)

Proposed consignee:

Bharat Electronics, Bangalore, for the DDG OS*L and DTE General of Ordnance Services of the Indian Army

Proposed end-user (if different):

Reason for refusal:

criteria 4 + 6

Date of denial:

17 August 1998

Denial number:

NL/10

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Uganda

Short description of equipment, including quantity and where appropriate, technical specifications:

second generation Image Intensifier Tubes (WA ML 15)

Proposed consignee:

Ministry of Defence

Proposed end-user (if different):

Reason for refusal:

criterion 4

Date of denial:

11 September 1998

Denial number:

NL/11

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Cyprus

Short description of equipment, including quantity and where appropriate, technical specifications:

smokeless gunpowder (WA ML 8)

Proposed consignee:

O.G. Chakarian Limited, Nicosia

Proposed end-user (if different):

Reason for refusal:

criteria 3 + 5

Date of denial:

10 December 1998

Denial number:

NL/12

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Tunisia

Short description of equipment, including quantity and where appropriate, technical specifications:

rounds of calibre 50 mm ammunition (WA ML 3)

Proposed consignee:

Ministry of Interior

Proposed end-user (if different):

Reason for refusal:

criterion 2

Date of denial:

11 December 1998

Denial number:

NL/13

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

India

Short description of equipment, including quantity and where appropriate, technical specifications:

second generation Image Intensifier Tubes (WA ML 15)

Proposed consignee:

Bharat Electronics - Delft Ltd, Pune

Proposed end-user (if different):

Ministry of Defense

Reason for refusal:

criteria 4 + 6

Date of denial:

24 December 1998

Denial number:

NL/14

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Turkey

Short description of equipment, including quantity and where appropriate, technical specifications:

cartridge links for calibre 5,56 mm ammunition (WA ML 3)

Proposed consignee:

Ministry of Interior, Directorate General for Security,
Ankara

Proposed end-user (if different):

Reason for refusal:

criteria 2, 3 + 4

Date of denial:

12 November 1998

Denial number:

NL/15

The Netherlands has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country:

Turkey

Short description of equipment, including quantity and where appropriate, technical specifications:

periscopes for armoured vehicles (WA ML 6)

Proposed consignee:

FMC-Nurol Savunma Sanayii AS, Ankara

Proposed end-user (if different):

Ministry of Defense

Reason for refusal:

criteria 2, 3 + 6

Date of denial:

2 December 1998

Denial number:

NL/16