

# Government Communication

## 2001/02:114

### Report on Sweden's Export Control Policy and Exports of Military Equipment in 2001

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The Government hereby presents this Communication to the Riksdag.

Stockholm 14 March 2002.

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#### Brief summary of the Communication

In this Communication the Swedish Government reports on Sweden's exports of military equipment in 2001. The Communication also contains a concise account of significant developments in the field of export controls and briefly describes cooperation in various international forums, including the EU, on matters relating to military equipment and dual-use items, as well as the international rules that are applied in this sector. As regards export controls of dual-use items, the Communication includes a presentation of the Swedish legislation that entered into force on 1 January 2001 as a complement to the EC Regulation that was adopted the year before.

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# 1 Introduction

Every year since 1985 the Government has presented a Communication to the Riksdag (the Swedish parliament) with an annual report on Swedish exports of military equipment. Its purpose is, with reference to the conditions applying to exports of military equipment and dual-use items, to report openly on the previous year's exports and to provide material for a broader discussion on matters related to this subject.

From Sweden's point of view it is important to maintain development and production capacity in the defence industry, since this is crucial to a credible policy of non-participation in military alliances. Some exports are necessary in order to meet Swedish defence needs in the long term. Controls of these exports are necessary in order to ensure that the products exported from Sweden go to pre-approved countries, regimes and entities. Exports of military equipment are thus only permitted if they are justified for security or defence reasons and do not conflict with Sweden's foreign policy.

The purpose of export controls is to regulate arms exports and prevent the proliferation of products that can be used to produce weapons of mass destruction. Export controls are therefore an important element of Sweden's security and defence policy. Since many products that are manufactured today can be used both for civil and military uses, effective export controls contribute significantly to the proper functioning of the international trade system. One fundamental objective of export controls is to prevent exports that might have a destabilising effect in other countries.

Developments in this area are increasingly affected by the ongoing globalisation of issues relating to both exports of military equipment and dual-use items. Participation in international cooperation in this field, primarily determined by our national legislation, lies in Sweden's own interests. The terrorist attacks in the USA on 11 September 2001 have sharpened the focus on export controls and given rise to explicit demands for restrictions with respect to both dual-use items and military equipment. These events, together with the increasing globalisation of the world economy, also demonstrate the need for closer cooperation across national boundaries.

International cooperation on export controls of dual-use items takes place mainly through a number of arrangements and regimes. There is still considered to be a significant risk of proliferation of weapons of mass destruction. Within the framework of these arrangements a continuous cooperation takes place between the participating countries in order to decide which products and technologies should be controlled and which states may be sensitive destinations from a non-proliferation perspective. During the past year the work within these arrangements has focused increasingly also on non-governmental entities, including the risk of terrorists gaining access to sensitive products that could be used for the manufacture of weapons of mass destruction.

The transnational consolidation of the defence industry continues in the military equipment sector. This trend is accelerated by shrinking resources, together with new threats and a sharp increase in development costs for new generations of defence systems. Sweden takes an active part in international efforts to address this situation.

In the spring of 2001 the Riksdag approved the Framework Agreement negotiated between France, Italy, Spain, the United Kingdom, Sweden and Germany with a view to facilitating restructuring of the defence industry. The agreement has entered into force in the five countries that have ratified it so far. Italy's ratification is expected this year.

An agreement between Denmark, Finland, Norway and Sweden on support for industrial cooperation in the field of military equipment was signed on 9 June 2001. The agreement has been approved by the Riksdag.

Sweden held the presidency of the EU during the first six months of 2001. Relations with the candidate countries were a priority issue, and areas were identified in which the EU can help to strengthen these countries' national export control capacity. The work done within the framework of the EU Code of Conduct on Arms Exports continued in 2001. The ultimate aim of the reporting that takes place within the framework of the Code is to achieve a greater degree of restrictiveness and responsibility, as well as agreement as to potential recipients of military equipment. Sweden's efforts to increase the transparency of the annual report that is compiled by the EU in accordance with the provisions of the Code of Conduct met with success during the presidency. As a result, the statistics in this year's report are much more detailed than in previous years and include tables reporting the value of licences for exports to specific destinations. As regards cooperation in the multilateral export control arrangements, the Swedish presidency sought to improve coordination between the Member States' positions in international forums. In 2000 the Swedish Government arranged an international seminar in Stockholm in order to combat corruption in the international arms trade. This seminar was followed up in 2001, and the work continuous in order to prepare a programme of action against this type of corruption.

Export controls within the framework of IT systems are ever more important as open, modern societies become increasingly dependent on information technology. Regardless of their whereabouts, small and relatively weak entities now have considerable potential for influencing large, powerful states. Since IT systems are often interdependent, an attack on one element of such a system can cause serious damage and disrupt essential functions. Against this background, the ongoing work on export controls of intangible transfers is increasingly important.

A report on Sweden's exports of military equipment is presented in part I of the Communication and in the annexes. The value of actual deliveries of military equipment for export decreased in 2001. Their value totalled MSEK 3,060, which is 30% less than the figure for 2000, which was MSEK 4,371.

The total value of export licences granted for sales of exports increased sharply in 2001 compared with 2000, from MSEK 4,640 to MSEK 23,900. The explanation for this is the export licences granted during the

year for exports of the JAS 39 Gripen combat aircraft to South Africa and of Combat Vehicle 90 to Switzerland. These exports are governed by project licences, with deliveries spread over a number of years.

The Swedish Government aims to present reports on exports of military equipment that are as transparent as possible and has continuously sought to improve its reporting in order to promote increased transparency. For the first time, this year's statistics include the total value of the export licences granted to each recipient country. In addition, clearer diagrams and tables, which contain more detailed information, are included in order to make the Communication easier to understand.

# Part I – Export controls and exports of military equipment

## 2 Exports of military equipment in 2001

Every year since 1985 the Government has presented a Communication to the Riksdag with an annual report on Swedish exports of military equipment. These reports provide the Riksdag with consolidated information about exports of military equipment and a factual basis for broader public debate. Some caution is called for in attempting to identify trends in this material. Sweden is not a major exporter of military equipment and therefore individual sales of large systems cause considerable fluctuations in the annual totals which cannot be linked to long-term trends.

The information in the annual report is based on the reports that manufacturers of military equipment are required to submit by law. The National Inspectorate of Strategic Products (ISP) collated the reports and submitted documentation for the statistical data on exports of military equipment in 2001 that are presented in Annex 1.

The value of the Swedish defence industry's invoiced sales of military equipment (both in Sweden and abroad) in 2001 totalled MSEK 10,011.1, which represents a decrease of about 10% compared with 2000. The value of deliveries for export in 2001 was MSEK 3,060, a decrease of 30% at current prices compared with the previous year. Exports thus accounted for just over 30% of the defence industry's total invoiced sales of military equipment during the year. Exports of military equipment as a percentage of Sweden's total exports dropped in 2001 from 0.55% to 0.40%.

The value of the exports for which licences were granted in 2001 increased from MSEK 4,640 last year to MSEK 23,900 (an increase of 415%). The explanation for this is the export licences granted during the year for exports of the JAS 39 Gripen aircraft to South Africa and exports of Combat Vehicle 90 to Switzerland.

The Military Equipment Act (1992:1300) divides military equipment into two categories: Military Equipment for Combat Purposes (MEC) and Other Military Equipment (OME). The Military Equipment Ordinance (1992:1303) specifies the material included in each category. The MEC category consists of destructive equipment, including sights, and firing control equipment. The OME category consists of parts and components for military equipment for combat purposes and equipment that is not directly destructive in a combat situation.

Since the JAS 39 Gripen aircraft and Combat Vehicle 90 are classified as military equipment for combat purposes, the main increase was in this category (MEC). Compared with 2000, the total value of MEC export licences increased from MSEK 2,369 to MSEK 21,228 in 2001 (an increase of 796%). The value of the export licences granted for OME increased from MSEK 2,271 in 2000 to MSEK 2,672 in 2001 (or just under 18%).

As can be seen from the diagram in figure 1, Annex 1, the value of authorised exports has varied considerably in recent years while there has been very little variation in the value of actual exports. This is because deliveries related to a single export licence are often spread over several years.

### 3 The Military Equipment Act

The manufacture and exportation of military equipment are governed by the Military Equipment Act (1992:1300, last amended by 2000:1248) and the corresponding Ordinance (1992:1303, last amended by 2000:64). Both these statutory instruments entered into force on 1 January 1993, replacing the Control of the Manufacture of Military Equipment etc. Act (1983:1034), the Prohibition of Exports of Military Equipment etc. Act (1988:558) and the corresponding ordinances.

The present Act is essentially based on the previous legislation and previous practice. However, it applies a broader definition of military equipment and simplifies, clarifies and updates the provisions relating to the control of manufacturing and cooperation on military equipment with foreign partners.

The Military Equipment Act stipulates that military equipment must not be manufactured without a licence. Licences are also required for all types of defence industry cooperation with foreign partners. The term 'cooperation with foreign partners' covers both export sales and other arrangements for supplying military equipment (for instance transfer of ownership or brokerage). It also includes transfers of manufacturing rights, agreements with a party in another country on development of military equipment or production methods for such equipment together with or on behalf of that party, and agreements on joint manufacture of military equipment. Lastly, licences are required, with certain exceptions, for the provision of military-oriented training.

The Act divides military equipment into two categories: Military Equipment for Combat Purposes (MEC) and Other Military Equipment (OME). The Military Equipment Ordinance contains provisions specifying the types of equipment that are assigned to the two categories.

Under the EC Regulation on the control of exports of dual-use items that entered into force in September 2000, export licences are required in some cases for items that do not fall within the definition of military equipment but are associated with military equipment that is exported. Further information on the new rules in this respect will be found in section 17 of this Communication.

Until 31 January 1996 decisions on export licences were taken by the Government. Licences that did not involve large-scale exports or matters of principle were delegated to the minister responsible for applications for export licences with respect to military equipment. 98% of the total value of licences granted in 1995 were based on non-delegated government decisions. As of 1 February 1996, decisions relating to exports of military equipment are normally taken by the ISP except in cases that are deemed to be of interest from the point of view of principle



or of particular importance for other reasons, which are referred to the Government for decisions.

## 4 Guidelines for exports of military equipment

Under section 1 (2) of the Military Equipment Act (1992:1300) licences may only be granted if the export transaction in question is justified for security or defence reasons and does not conflict with Sweden's foreign policy. The principles applied when examining applications have been established by government practice and are described in the Government's Guidelines for Exports of Military Equipment and Other Forms of Cooperation with Foreign Partners, which have been approved by the Riksdag (cf. Gov. Bill 1991/92:174, p. 41 ff., Gov. Bill 1995/96:31, p. 23 ff. and Report 1992/93:UU1). The Guidelines are attached to this report as Annex 3.

The Guidelines are interpreted on the basis of broad parliamentary support and are applied by the ISP in connection with the processing of applications for export licences under the Military Equipment Act and the Military Equipment Ordinance.

The guidelines contain two general criteria for the granting of licences under the Act, namely that cooperation with foreign partners is considered necessary to meet the Swedish armed forces' need of defence equipment or know-how or is otherwise desirable for reasons of national security, and that collaboration does not conflict with the principles and objectives of Swedish foreign policy. These general criteria may be regarded as a clarification of section 1 (2) of the Military Equipment Act.

The guidelines also specify the factors that should be taken into account in connection with the consideration of individual applications. One basic condition is that all the relevant circumstances in a particular case must be considered, whether or not they are explicitly mentioned in the guidelines. These criteria also apply to collaboration with persons or enterprises in other countries on the development or manufacture of military equipment. Sweden is one of the few EU Member States that has enacted legislation that contains provisions relating to arms brokerage.

The guidelines emphasise in particular the importance that should be attached, in connection with the assessment of the foreign policy aspects of each application, to the human rights situation in the recipient country. The human rights criterion must always be taken into account, even in cases involving exports of equipment which in itself cannot be used to violate human rights.

The guidelines specify three types of absolute obstacles which, if they exist, are deemed to rule out the possibility of exports. These are: decisions by the UN Security Council, international agreements to which Sweden has acceded (e.g. EU sanctions), and bans imposed under international law on exports from neutral states during war.

The definition of military equipment was extended in 1993 to include some equipment for civilian or partly civilian uses. As a result of this extension of the definition, previously unregulated exports are now subjected to political scrutiny and appear in the statistics on exports of

military equipment. The extension of the definition was accompanied by a division of military equipment into two categories, which are treated slightly differently in the guidelines concerning exports.

In the case of military equipment for combat purposes (MEC) the Government should not grant licences for exports to a state that is involved in an armed conflict with another state or in an international conflict that may lead to an armed conflict, a state in which internal armed disturbances occur or a state in which widespread and serious violations of human rights occur. These conditions are the same as those applied before 1993, except that previously it was only necessary to take violations of human rights into account if the equipment itself could be used to violate human rights. Sweden differs from some other EU Member States in this respect.

In the case of exports of Other Military Equipment (OME), which consists largely of items that were not subject to control prior to 1993 (such as reconnaissance radar and simulators for training purposes), licences should be granted for exports to countries that are not involved in armed conflicts with other states and in which internal armed disturbances and widespread and serious violations of human rights do not occur. The risk of armed conflict is not applied as a criterion in assessments of exports of other military equipment.

Owing to the differences in the guidelines for MEC and OME, a larger number of countries may be considered as potential recipients of OME, i.e. equipment that is non-destructive, than of MEC.

As regards follow-on deliveries, the guidelines state that “licences should be granted for exports of spare parts for equipment exported previously under a licence, unless an absolute obstacle exists. The same applies to other deliveries, for example of ammunition, linked to previous exports of equipment, or otherwise in cases where it would be unreasonable to deny permission”.

With respect to cooperation with foreign partners, exports to third countries should be assessed in accordance with the Swedish guidelines if the identity of the item is a predominantly Swedish. If its identity is predominantly foreign, or if Sweden has a strong defence policy interest in cooperation, the export rules of the cooperating country may be applied to exports from that country.

## 5 The National Inspectorate of Strategic Products (ISP)

The National Inspectorate of Strategic Products (ISP) was established on 1 February 1996 as the authority responsible for implementing the controls laid down in the Military Equipment Act and the corresponding Ordinance. The Inspectorate thus assumed responsibility for most of the matters previously decided by the Government following preparation by the Inspectorate-General of Military Equipment and the department within the Ministry for Foreign Affairs that was responsible for exports of strategic products. The ISP was also assigned responsibility for controls under the Control of Dual-Use Items and Technical Assistance

Act (2000:1064) and the corresponding Ordinance. In addition, the ISP has been designated the competent national authority within the framework of the UN Chemical Weapons Convention (CWC).

The Director-General of the ISP previously had the title Inspector-General of Military Equipment. In the summer of 2001 the Government decided to change the previous title in order to make it clear that the ISP's area of responsibility had been extended to include to an increasing extent not only export controls of military equipment but also export controls of dual-use items and tasks related to the ISP's function as the competent national authority under the Chemical Weapons Convention.

The ISP is thus responsible for matters relating to licences and exports of both military equipment and products with both civil and military uses (dual-use items). Under section 1a of the Military Equipment Act and section 5 of the Strategic Products Act the Inspectorate is, on its own initiative, to refer matters that are deemed to be of interest from the point of view of principle or of particular importance for other reasons to the Government for a decision. The ISP works in close consultation with the Ministry for Foreign Affairs and the Ministry of Defence.

The ISP maintains regular contacts with the companies whose exports are the subject of its control activities. Companies are required to provide the ISP with quarterly reports on their marketing of military equipment in other countries. These reports form the basis for the ISP's periodic briefings with the companies regarding their export activities. Besides processing applications for licences, the ISP reviews the notifications that companies are required to submit at least four weeks before submitting tenders or signing contracts for exports of military equipment or other cooperation with foreign partners in this field. Finally, exporters of military equipment must notify the deliveries of military equipment that are made under the export licences issued to them.

The ISP is financed by annual fees paid by the manufacturing companies. The fees are assessed on the basis of the total invoiced value of controlled products delivered in excess of 2.5 MSEK a year. Since the fees are calculated on the basis of deliveries both in Sweden and abroad, there is no direct connection between the size of the fees and export orders. The fees are paid to the Ministry of Finance and not to the ISP, in order to avoid any direct connection between the Inspectorate's operations and the payments made by the industry. The Inspectorate's current activities are financed by a budget appropriation in the normal way and its costs are covered by annual fees paid by the industry in arrears, when the actual cost of operations and the value of companies' invoiced deliveries is established.

The number of applications for export licences received by the ISP in 2001 totalled 1,421. 245 of these related to dual-use items. The corresponding figures for 2000 were 1,571 and 231 and for 1999 1,751 and 380, respectively. One explanation for the declining trend is that the Inspectorate increasingly makes use of project licences with more detailed specifications and a longer period of validity. General licences have also been introduced for military equipment belonging to Swedish or foreign armed forces. 125 industry declarations were submitted by the industry to the ISP within the framework of the Chemical Weapons Convention, compared with 145 in 2000. The corresponding number of

industry declarations submitted to the OPCW secretariat in the Hague was 38, compared with 39 in 2000. Industry declarations are statements about the operations carried on at companies or plants that use, import and export certain sensitive chemicals on a professional basis. One Swedish plant was inspected by the OPCW under the verification provisions of the Chemical Weapons Convention in both 2001 and 2000.

The ISP continued its efforts to rationalise licensing procedures during the year in order to simplify the administrative process for routine applications. The Inspectorate's aim is to process applications for export licences within a month of receipt, and eventually within two weeks. A system for secure electronic communication between the ISP and, at the initial stage, the larger exporters of military equipment will be introduced this year.

## 6 The Export Control Council

Under chapter 10, section 6 of the Instrument of Government the Government must, wherever possible, consult the Advisory Council on Foreign Affairs before taking decisions on important matters relating to foreign affairs. Under this provision, some matters relating to exports of military equipment call for consultation with the Council. However, it has also been considered desirable to achieve a broader political consensus in connection with other matters relating to such exports that are of interest from the point of view of principle. The Riksdag therefore passed a Bill (1984/85:82) in 1984 that proposed greater transparency and consultation in matters relating to exports of military equipment and the establishment of an Advisory Board on Exports of Military Equipment. The Board was reorganised on 1 February 1996 in connection with the establishment of the National Inspectorate of Strategic Products (ISP), and was renamed the Export Control Council. At the same time its composition was broadened to reflect the broader composition of the Advisory Council on Foreign Affairs today. All the political parties in the Riksdag are therefore represented on the Export Control Council, which has ten members. An up-to-date list of the members of the Council is available on the ISP's website [www.isp.se](http://www.isp.se).

The Council is convened by the Director-General of the ISP who also chairs the meetings. The Export Control Council is consulted before decisions are taken on important licensing applications. The Ministry for Foreign Affairs participates in the meetings, presenting assessments of the recipient countries under consideration, and the Ministry of Defence contributes assessments of the defence policy aspects. The Council seeks to interpret the guidelines in a consistent manner in order to provide further guidance for the Inspectorate.

The members have unrestricted access to the documentation of all export licence application procedures since all decisions on export sales are presented on a continuous basis. This also ensures that the Riksdag is kept informed of the application of the Military Equipment Act (1992:1300) and has a say before important decisions are taken. The Director-General can also consult the Council when necessary on matters

concerning the application of the Strategic Products Act (1998:397) and technical assistance. The purpose of the Swedish system, which has no counterpart elsewhere, is to build a broad consensus on export control policy and promote continuity in the conduct of that policy.

The Advisory Council on Foreign Affairs, and not the Export Control Council, is still consulted in cases where this is prescribed by the Instrument of Government.

Ten meetings of the Export Control Council were held in 2001, compared with nine in 2000.

## 7 The Technical and Scientific Council

The Technical and Scientific Council, which consists of representatives of several institutions with expertise in technological applications for both civilian and military uses, was established in 1984 to assist the Director-General of the National Inspectorate of Strategic Products in connection with decisions concerning the classification of military equipment. The Council held three meetings in 2001, the same number as in 2000 and 1998.

Following the establishment of the ISP, the field of activities of the Technical and Scientific Council has been extended to include dual-use items where the need arises.

## 8 Dissemination of information concerning export policies

Sweden actively encourages increased transparency in the trade in military equipment at the international level. Efforts are also made at the national level to disseminate information in this area. The Government's annual report on Swedish exports of military equipment is published in the context of its efforts to achieve greater openness. The annual report is published in Swedish and English and is available on the websites [www.ud.se](http://www.ud.se) and [www.regeringen.se](http://www.regeringen.se), as well as in Rixlex ([www.riksdagen.se](http://www.riksdagen.se)).

The annual report that is issued within the framework of the EU Code of Conduct for Arms Exports is an important instrument for increasing transparency at the European level. Sweden has called for continuous improvement and expansion of this report. The Code of Conduct will be found in Annex 4 to this Communication. As a further measure to promote information access in this area internationally the Government has continued to provide funding for the Internet database managed by the Stockholm International Peace Research Institute (SIPRI) ([www.sipri.se](http://www.sipri.se)), which contains information on national and international export control arrangements and some statistics on holdings and exports.

An important task for the ISP is to disseminate information about export controls, both to the general public and to the companies concerned. In 1998 the ISP published a revised edition of the handbook

last published by the former Inspectorate-General in 1993. The handbook is chiefly intended for the defence industry and government agencies that deal with the manufacture and exports of military equipment. It describes current legislation, the regulatory framework and the application processing procedure. A similar handbook concerning strategic products was published for the first time in 1998. As usual, the ISP arranged seminars and information meetings in 2001 on its activities primarily for personnel in the industry. The Agency also took part in a number of seminars arranged by non-governmental organisations (NGOs) both in Sweden and in other countries. The Inspectorate opened a comprehensive website on the Internet in 1998 ([www.isp.se](http://www.isp.se)). The website was translated into English in 2000 and was expanded in 2001. In 2001 the ISP also published a yearbook, which was translated into English. This is a more popular version of the ISP's annual report and also contains some information that is supplied in the Government's annual Communication to the Riksdag.

## 9 The UN Arms Registry and other international reporting on arms transfers

In December 1991 the United Nations General Assembly adopted a resolution urging Member States to report both their imports and exports of major conventional weapons to a Registry of Conventional Arms. Trade in the following seven categories of weapons is reported: tanks, armoured combat vehicles, heavy artillery, combat aircraft, attack helicopters, warships and missiles/missile launchers. In consultation with defence agencies and the ISP, the Ministry for Foreign Affairs compiles annual information which is submitted to the UN in accordance with the above-mentioned resolution.

In 2000, the ninth year of the UN Registry, 112 of the UN's 189 Member States (including Switzerland which has observer status) submitted information about their exports and imports of these seven categories of heavy weapons by the end of 2001. Since all the major exporters with the exception of North Korea and all the major importers except some countries in the Middle East report to the Registry, it is estimated that over 90% of the legal world trade in these weapons is covered by the Registry. Sweden only participates to a limited extent in the world trade in the relevant types of heavy weaponry.

In 2000, which is the most recent year for which information has been submitted, Sweden reported exports of 40 CV 9030 combat vehicles to Norway and of a combat ship, submarine *Sjöormen*, to Singapore. Sweden reported no imports in any of the seven arms categories. The report to the UN Registry for 2001 will be compiled after the publication of this Communication.

Sweden continues to actively encourage increased reporting to the UN Registry. These efforts are part of Sweden's endeavours to increase transparency in this area and thus strengthen confidence between nations and improve the factual basis for implementation of responsible export controls.

The 55 Member States of the Organisation for Security and Cooperation in Europe (OSCE) have agreed in the Security Forum to observe certain principles concerning transfers of weapons, including annual exchanges of information of various kinds on the trade in military equipment in the OSCE and by submitting information to the UN Registry.

Consultations on reporting to the UN Registry have regularly been held with the other EU Member States since 1995. In order to strengthen the Registry the EU sent a communication to the UN Secretary-General urging other members of the UN to provide information on their weapon holdings as well as on their own production of the equipment covered by the Registry. Sweden submitted this type of information to the Registry for the first time in 1997.

Since 1990 the Government has, in the context of Sweden's efforts to promote greater transparency in this area, presented the English translation of its annual report to the Riksdag on exports of military equipment to the United Nations. Since the autumn of 1996 the information submitted to the UN Registry has been available on the United Nations website ([www.un.org](http://www.un.org))

The Wassenaar Arrangement's reporting mechanism for military equipment (see section 17 in this Communication) is based on the seven categories reported to the UN Registry, although some categories are reported in greater detail by being broken down into subcategories. The 33 Member States have agreed to report twice yearly in accordance with an agreed procedure and to include further information on a voluntary basis. The purpose of this agreement is to bring destabilising accumulations of weapons to the notice of the Member States at an early stage. Exports of dual-use items and technology are also reported to the Wassenaar Arrangement twice a year.

## 10 Cooperation on export controls in the EU

Military equipment has been identified as an area for cooperation within the framework of the EU Common Foreign and Security Policy (CFSP).

The fifteen Member States regularly discuss various issues related to arms exports in the Council Working Group on Conventional Arms Exports (COARM). For example, they exchange information about their views on individual export destinations or take part in joint discussions on ways of developing national systems of rules to take account of new circumstances. In addition to the Working Group there is an ad hoc Working Party on European Armaments Policy (POLARM), one of whose tasks under its mandate from 1995 is to analyse the options for European defence industry policy and propose measures within the framework of Community law.

The Code of Conduct on Arms Exports that was adopted by the Council of Ministers on 8 June 1998 is based on and further defines the common criteria for exports of military equipment which the European Council adopted in Luxembourg in 1991 and Lisbon in 1992. The text of the Code is attached as Annex 4 to this Communication. The Code

specifies various criteria that are to be applied for the purposes of national assessments of export applications. These are consistent in all essentials with the Swedish guidelines on exports of military equipment. The Code represents a lowest common denominator in the area of export controls and there is nothing to prevent individual Member States from pursuing a more restrictive policy. It is an expression of the intention of the Member States to strengthen exchanges of relevant information in order to achieve greater mutual understanding and gradually move towards a convergence of export policies between Member States. The Code requires Member States, *inter alia*, to notify each other of export transactions which are denied in accordance with the criteria established in the Code of Conduct on Arms Exports. A Member State that has notified an application must be consulted where another Member State is considering granting a licence for an essentially identical transaction.

The Code requires Member States to present an annual report. Each Member State therefore prepares a report on its exports of military equipment and its application of the Code. The reports are collated by the presidency and are discussed and adopted by COARM. In accordance with the operative provisions of the Code of Conduct, EU Member States should encourage other arms-exporting countries to subscribe to the principles laid down in the Code. So far, the majority of the EU's neighbours have adopted these principles, and, by signing a joint declaration in 2000, the EU and the USA agreed to promote increased transparency and a responsible export control policy in the framework of international cooperation.

### **The Swedish presidency and activities during the year**

Sweden held the presidency of the EU during the first six months of 2001. Relations with the candidate countries were an important issue during the Swedish presidency. A series of meetings were held with these countries for the purpose of identifying areas in which the EU can help to strengthen national export control capacity. One of the results of these efforts was a continuation of the expert seminars that were previously held. The work will continue in 2002.

Sweden's efforts to increase general transparency and the level of detail in the statistics presented in COARM's annual reports were crowned with success during the presidency. The statistics in the 2001 report were much more detailed than in previous years and included, for example, tables on licences for exports to specific destinations. The ambition among the Member States is to continue to seek to establish a harmonised framework for national reports, *inter alia*, in order to facilitate comparisons between countries. For example, prior to the reporting exercise in 2002 a standard form was adopted for the selection of statistical data to be included from the national reports.

The EU's efforts to build a consensus on export control policy continue in a number of areas. This applies not least to the question of controls of arms brokerage and the harmonisation of end user certificates. This work is being done in the light of the need of simplified procedures due to the ever freer flows of classified products, semi-finished products and components between the Member States' increasingly integrated



defence industries. To meet this need there must be a consensus on the criteria to be fulfilled by end users outside the Community.

The question of arms brokerage has been discussed by COARM on several occasions. These discussions became even more intense during the year, and a number of concrete results were achieved. For example, the Member States have now agreed on a number of guidelines which could be used as a starting-point for national legislation with a view to achieving increased controls of arms brokerage. One objective in this area is to make it impossible for individuals and bodies in the EU to evade national embargoes or embargoes imposed by the UN, the EU or the OSCE. Another reason is to establish necessary instruments for information exchange on arms brokerage. One method of improving control might be to set up a register listing agents and specify their obligation to obtain written permission to carry on their activities. Sweden will continue to devote particular attention to these aspects, and also to the question of increased information exchange between Member States as regards national legislation etc. in this area. The aim of these efforts is the eventual adoption of common legislation in this area by the Member States. The EU's strong support for a legally binding instrument concerning arms brokerage in accordance with the UN Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects also illustrates the EU's commitment to this issue.

In order to deepen and further develop information exchange the Member States agreed during the Swedish presidency to continue to seek a consensus concerning the work on denials, i.e. negative decisions by authorities response to companies' export licence applications. Apart from these denials, which are primarily issued to the exporter, notifications are issued to the bodies in the Member States that are responsible for export controls of military equipment. Notifications are more detailed than denials, include a number of parameters and conform to a fairly consistent format.

It was thus decided in 2001 to strengthen the rules of the Code of Conduct in this area. Now, the state that opens consultations (consulting state) with the state that has submitted a notification of denial (the notifying state) must inform the latter of its final decision, whether this is positive or negative. The Member States also agreed that all Member States must be notified of positive decisions. In addition, all Member States are to be notified in cases where consultations show that two apparently similar transactions turn out, on closer inspection, not to be essentially identical.

Sweden received 318 notifications of denials from 11 Member States in 2001. Sweden submitted 16<sup>1</sup> notifications of denials, most of which related to Criterion 2 (respect for human rights in the recipient country) and Criterion 4 (risks to regional peace, security and stability) in the Code of Conduct. See Annex 4 for the complete list of the eight criteria of the Code.

COARM has pointed out that it must be possible to carry out effective checks, at the national level, of transfers of software and technology that

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<sup>1</sup> Due to the ISP's continuous contacts with the industry, the number of notifications is relatively small.

are directly related to classified products specified in the current list of military equipment. In-depth studies will be undertaken in this area. It may be mentioned that Sweden already requires licences for such transfers (see also section 19).

In 2001 COARM started discussing a future common approach to criteria to be met when applications for licences are processed in connection with transfers of manufacturing rights under licence in other countries.

A list of civilian equipment that can be used to violate human rights was compiled in 2000, and the European Commission has been instructed to elaborate a control mechanism for it under the first pillar.

During its presidency Sweden initiated a discussion between the Member States on ways and means of preventing corruption in the international arms trade. One aim is to achieve a consensus on an instrument that an importing country can use unilaterally in order to prevent corruption. Sweden is also pursuing this issue in other forums (see section 15).

The third annual report required under the Code of Conduct was adopted by the Council in December 2000 and was, like the previous annual reports, published in the Official Journal of the European Communities (OJ). One novelty in this year's report is a considerably more detailed report on the Member States' exports of conventional arms (see above).

The work in the ad hoc Working Party on a European Armaments Policy (POLARM) was revitalised during the Swedish presidency, and it prepared a plan of work. Transfers of, and transit procedures for, military equipment in the EU, customs or other duties on military equipment – whether to be determined on the basis of national sovereignty or by the Community – and reliability of supplies are examples of matters that are now being discussed by POLARM. Competition, public procurement and market access (removal of obstacles – offsets) are other examples. As regards transfers and transit, agreement was reached in principle on the drafting of supporting documentation for a common Community position.

## 11 International arms embargoes

An arms embargo decreed by the UN Security Council is an absolute obstacle to Swedish exports under the guidelines on exports of military equipment. Binding embargoes decreed by the UN Security Council applied for all or part of 2001 to Afghanistan, Angola (UNITA), Ethiopia, Eritrea, the Federal Republic of Yugoslavia, Iraq, Liberia, Rwanda, Sierra Leone and Somalia. In addition, non-binding embargoes were imposed by the UN on Armenia, Azerbaijan, and Yemen.

The EU's Member States comply fully with the UN Security Council's decisions on arms embargoes. The Security Council's recommendations on restrictiveness (i.e. the non-binding embargoes mentioned above) are, since they are not binding, considered on a case-by-case basis. Within the framework of the Common Foreign and Security Policy certain arms

embargoes are unanimously decided and are applied in addition to those decreed by the Security Council. This may be regarded as an expression of the Member States' resolve to adopt common responses to various security policy issues. An arms embargo imposed by the EU is implemented by application of the national export control rules in each Member State. In 2001, the EU maintained embargoes for the whole or part of the year against Afghanistan, Bosnia and Herzegovina, Burma/Myanmar, the Democratic Republic of the Congo, Ethiopia, Eritrea, the Federal Republic of Yugoslavia, Iraq, China, Liberia, Libya, Sierra Leone and Sudan.

In addition, EU Member States continued to apply an arms embargo against Nagorno-Karabakh imposed by the OSCE in 1992.

See Annex 6 for a more detailed list of the embargoes that were in force in 2001.

## 12 International efforts to prevent and combat destabilising accumulations and the uncontrolled spread of small arms and light weapons

Together with other countries Sweden is seeking to take effective measures against the proliferation and use of small arms and light weapons. The term 'small arms and light weapons' basically means small arms and other weapons intended to be carried and used by one or two persons, although a uniform definition has yet to be established.

Various international forums have for several years been engaged in efforts to prevent and combat the destabilising accumulation and spread of small arms and light weapons. Sweden encourages the implementation in all countries of responsible export policies, supported by a comprehensive regulatory framework, effective enforcement systems and an efficient administration that supervises manufacturers, buyers, sellers, agents and intermediaries.

Sweden attaches particular importance to the control of arms dealers and to increased transparency in the arms trade. Sweden's legislation, which also applies to persons or legal entities acting as intermediaries in arms transactions, is often referred to in the context of international cooperation.

The Organisation for Security and Co-operation in Europe (OSCE) adopted a Document on Small Arms and Light Weapons in November 2000 which contains standards, principles and measures relating, inter alia, to the manufacture and labelling of small arms, registration, export controls and export criteria, transparency, safe storage and surplus military equipment.

Sweden will sign the Protocol on the Illicit Manufacture of, and Trafficking in, Firearms, which is the third additional protocol to the UN Convention on Transnational Organised Crime.

In July 2001 the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons adopted a politically binding action

programme to combat this trade. Sweden took an active part in the preparations for the adoption of this document. The three abovementioned documents were circulated in the autumn of 2001 to the authorities and organisations that deal with the small arms sector. A national action plan for light arms will be drafted in the spring of 2002 on the basis of these organisations' submissions. This will be used as the basis for the Government's efforts in this area in the next few years.

The EU Programme for Preventing and Combating Illicit Trafficking in Conventional Arms (1997), the EU Joint Action on Combating the Destabilising Accumulation and Spread of Small Arms and Light Weapons (1998) and the EU Code of Conduct on Arms Exports (1998) are important instruments in this connection.

### 13 The Swedish defence industry and international cooperation on military equipment

In *Renewal of Sweden's Total Defence* (Gov. Bill 1996/97:4) and the Bill *The New Defence* (Gov. Bill 1999/2000:30) it was established that in the light, inter alia, of diminishing appropriations for defence equipment for Sweden's armed forces and the contracting international market, closer international cooperation seems crucial to the survival of Sweden's defence industry and the future adaptability of its armed forces. The first of these Bills also stated that it is important for the Government and the Swedish authorities to support the defence industry's export efforts in an active and structured manner, provided that they are consistent with the existing guidelines for Swedish exports of military equipment.

The Parliamentary Standing Committee on Defence urged the Government in its report 1998/99:FöU1 to take further measures in order to promote export successful major defence equipment projects, such as the JAS 39 Gripen aircraft. The Defence Committee too has emphasised the importance of active government measures to support exports.

There are several reasons for the Government to involve itself in export support activities, and these are summarised in the Bill *Continued Renewal of the Total Defence* (Gov. Bill 2001/02:10). For example, exports help to lay a sustainable technological and industrial foundation for new development, as well as to maintain and further develop existing equipment systems. Furthermore, exports are an important element in strengthening the international competitiveness of the domestic industry. It is also an advantage to broaden the customer base for equipment that is used by the Armed Forces, since this offers opportunities for sharing development costs, coordinating training and maintenance and exchanging experience concerning the use of the equipment. Naturally, an essential condition for government support for exports is that the equipment in question is approved from the point of view of export controls.

The Government's view in this connection is, in brief, that exports of major Swedish equipment systems will continue to be very important from the point of view of Swedish defence policy. Exports help to maintain and develop domestic expertise and capacity and also help to

enhance the Swedish defence industry's status as an attractive partner in international cooperation projects in this field.

As regards the globalisation of the Swedish defence industry, and the related restructuring measures, this is likely to continue for a number of years. There is still considerable excess capacity, particularly in the European defence industries.

As was mentioned in last year's Communication (2000/01:114), the Government informed the Riksdag of the Framework Agreement between France, Italy, Spain, the United Kingdom, Sweden and Germany that was negotiated by these countries as a result of the Letter of Intent (LoI) – the Six-State Initiative – adopted by the countries' defence ministers in July 1998, which was followed by the Framework Agreement signed in July 2000 on measures to facilitate the restructuring and operation of the European defence industry.

The relevant working groups continued their work in 2001 and presented reports at regular intervals to the Executive Committee that was set up in 1998. As regards export controls, it concentrated during the year on elaborating principles for licences for projects which would in future be eligible for 'LoI status' and on procedural matters relating to the consultation mechanism for the industry's inquiries about potential export destinations in the various projects. The Framework Agreement was ratified in 2001 by all the six LoI states except Italy. An important issue that will require more study in 2002 is the conditions on which a seventh country might be allowed to participate in a project. The other EU Member States were informed about the work of the LoI group on several occasions, in particular in the Council ad hoc working party POLARM.

In *Continued Renewal of the Total Defence* (Gov. Bill 2001/02:10) the Government presented a general agreement on aid for industrial cooperation in the defence equipment sector between Denmark, Finland, Norway and Sweden, which was signed on 9 June 2001, for the approval of the Riksdag. The agreement, which as regards export controls is largely modelled on the Framework Agreement between the LoI states, is a confirmation of the process of change in the defence industry in the Nordic countries that has been under way for several years. Cooperation on the defence industry between the Nordic ammunition company NAMMO AS, which was formed in 1998 out of parts of the Norwegian company Raufoss ASA, the Finnish company Patria Industries Oy and the former Swedish company Celsius AB was the subject of a first annex to the general agreement. Cooperation in the gunpowder and explosives sector between Finland and Sweden through the company NEXPLO AB, which was also established in 1998 out of parts of Patria Industries Oy and the former Celsius AB, will be the subject of a second annex in 2002. The Riksdag approved the general agreement on 11 December 2001.

Ever since the Letter of Intent was adopted in July 1998 there has been growing American interest in facilitating the possibility of increased international and transatlantic defence industry cooperation. Following a first agreement with Canada, the USA continued to discuss the principles for and content of a Framework Agreement, called a Declaration of Principles (DoP), with basically the same content as the European LoI,

but shorter and more general, with the United Kingdom, Australia, the Netherlands and Norway. Framework agreements have already been negotiated and signed with the United Kingdom and Australia. Discussions on a framework agreement with Sweden were opened in the latter half of 2001.

Apart from the discussions on a framework agreement, the USA has also conducted 'globalisation talks' with a somewhat larger circle of countries, including the other LoI countries. The ultimate objective of these talks is to create better conditions on both sides for increased cooperation in an increasingly globalised defence industry sector, while national instruments and controls are retained. A number of Swedish working groups have been set up for the purposes of these talks, and introductory talks started in 2001. The subjects of the talks correspond broadly to those covered by the European Framework Agreement.

Sweden is also taking part in another American initiative, the Defense Trade Security Initiative (DTSI), which was launched in 2000. The purpose of this initiative is to improve the effectiveness of the American licensing procedure, to encourage interoperability and standardisation between the USA and countries closely associated with the USA, to facilitate transatlantic industrial joint ventures and to raise the common level of technology production between the collaborating countries. Following a decision on the part of the USA, Sweden joined this initiative in the summer of 2001. The previous partners were the NATO states, Japan and Australia. One aim of the initiative is eventually to open negotiations between the USA and Sweden on a general exemption from the provisions of the International Traffic in Arms Regulations (ITAR). Similar negotiations are already under way between the USA and the United Kingdom and Australia. The previous agreement between the USA and Canada in this area serves as a model in this context too. In the Government's view, Sweden's participation in international cooperation on defence equipment will safeguard Sweden's long-term foreign, security and defence policy interests.

## 14 Developments in the international trade in military equipment

The Stockholm International Peace Research Institute (SIPRI) compiles statistics on the trade in military equipment in its Yearbook and in a database. According to the most recent information available from SIPRI, the previous decline in transfers of major conventional weapons was reversed, a small increase in sales from USD 15,168 million to USD 16,231 million being reported in 2001. During the five-year period 1997-2001 Sweden came in 11th place in SIPRI's list of exporters of major conventional weapons (aircraft, warships, artillery, armoured vehicles, missiles, target acquisition and radar systems) with 1.12% of world exports, which during the same period totalled USD 100,734 million. The largest exporter, the USA, accounted for about 44% of total exports during that period, followed by Russia (17%), France (10%), the UK (6.7%) and Germany (4.8%).

The leading importer of major conventional weapons during the period 1997-2001 was Taiwan, which accounted for 11%, followed by China (7%), Saudi Arabia (6.7%), Turkey (5%) and India (4.7%). Sweden was in 32nd place during the period with 0.8% of total imports of major conventional weapons.

## 15 Corruption in the international arms trade

Sweden is actively engaged in combating corruption in the international arms trade. In connection with these efforts Sweden initiated a cooperation in the summer of 1999 with the British section of the international non-governmental organisation Transparency International. A first meeting with participants from public administration, the military sector, the defence industry and academia was held in Stockholm in 2000. The participants represented both exporting and importing countries, all at different various levels of economic development. The aim was to offer the participants an opportunity to meet and conduct an open and constructive dialogue. Further meetings are now being held, where among other topics the possibility of introducing the concept of an Integrity Pact Arms Trade is being discussed. The fundamental principle of this concept is to establish the conclusion of an agreement between the buyer and bidder providing guarantees that no bribes or undue benefits will be demanded or given. The question of corruption in the international arms trade was raised for the first time in the EU by the Swedish presidency. The cooperation with Transparency International and other bodies was officially named Corruption in the Official Arms Trade (COAT) in the spring of 2001. Sweden will continue to pursue this issue actively and the result of these efforts will be reported in next year's Communication.

## Part II – Export controls of dual-use items

### 16 International cooperation on export controls

During the late 1980s and throughout the 1990s the issue of non-proliferation of weapons of mass destruction has been high on the international agenda. There are several reasons why this issue has attracted such attention: indications that certain countries in unstable regions have displayed an interest in acquiring weapons of mass destruction, revelations of Iraq's programme for weapons of mass destruction and of how close the country was to developing nuclear weapons, and signs of growing interest among non-governmental entities in acquiring weapons of mass destruction. The latter issue has become

increasingly urgent following the terrorist attacks on 11 September 2001 (see below).

The term 'weapons of mass destruction' means nuclear weapons as well as chemical and biological weapons. Efforts to prevent the proliferation of weapons of mass destruction usually also include weapon carriers such as long-range ballistic missiles and cruise missiles. 'Non-proliferation' is understood to mean multilateral measures designed to prevent the spread of weapons of mass destruction. These measures are mainly embodied in a number of multilateral conventions and several informal export control arrangements.

As regards the first category, special mention may be made of the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (NPT), the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (BTWC) and the 1993 Convention on the Prohibition of the Production, Development, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC). Sweden is a party to all three conventions (see Sweden's Agreements with Foreign Powers 1970:12, 1976:18 and 1993:28).

Under the 1968 NPT, non-nuclear-weapon states undertake not to receive or manufacture nuclear weapons, and the nuclear-weapon states commit themselves to disarmament. Under Article III, the parties also undertake not to provide source or special fissionable material, or equipment or material especially designed or prepared for the processing, use or production of special fissionable material, unless the source or special fissionable material is subject to International Atomic Energy Agency (IAEA) safeguards. Under Article III of the 1972 BTWC the parties undertake not to transfer, either directly or indirectly, equipment that can be used for the production of biological weapons. Similarly, Article I of the 1993 CWC lays down a general obligation upon the parties not to transfer, either directly or indirectly, chemical weapons to another state.

It should be emphasised that although the primary objective of these international agreements is disarmament and prevention of the proliferation of weapons of mass destruction, all three agreements mentioned above contain provisions encouraging the parties to promote trade for peaceful purposes. The reason for this is that a substantial proportion of the products and technologies concerned are dual-use items, i.e. they can be used for both civilian and military purposes.

For the purpose of facilitating international cooperation on non-proliferation of weapons of mass destruction, about thirty countries have joined a number of multilateral export control arrangements: the Zangger Committee (ZC), the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Missile Technology Control Regime (MTCR) and the Wassenaar Arrangement (WA). Details of the memberships of these export control arrangements can be found in Annex 4. The purpose of these arrangements is to promote exchanges of information on proliferation risks between the members and to identify products and technologies that can be used to produce weapons of mass destruction, exports of which should therefore be subject to coordinated control. Generally speaking, it may be said that a considerable proportion of the



work carried out by these arrangements consists in keeping the product lists up to date in the light of technological developments. The export control arrangements differ, however, from the relevant conventions in that they are not based on binding agreements under international law. Cooperation on multilateral arrangements is based, rather, on national legislation, which provides for export controls for products and technologies that are identified as strategic products. Consequently, participation in these export control arrangements may be regarded as a means of facilitating fulfilment of the obligation under international law laid down in the abovementioned conventions to refrain from assisting other states, either directly or indirectly, to acquire weapons of mass destruction.

Two key concepts in multilateral cooperation are 'denials' and 'no undercut'. A member of an arrangement which denies an export licence for a specific transaction with reference to the objectives of the arrangements (denial) is expected to inform the other members of its decision. The other members of the arrangement are expected to consult the state that has issued this denial before deciding whether to grant an export licence for a similar transaction. This consultation procedure is referred to as the principle of "no-undercut". The system of issuing denials is used within the NSG, the AG, the MTCR and the WA. The 'no undercut' consultation procedure is used within the NSG, the MTCR and the AG.

### **Export control arrangements after 11 September 2001**

The terrorist attacks in New York and Washington on September 11th caused mass destruction without the use of weapons of mass destruction in the conventional sense. The circulation of anthrax bacteria in the USA during the autumn of 2001 demonstrated that biological material that can be used in biological weapons had fallen into the wrong hands. In the light of these events, cooperation in the multilateral export control arrangements has focused on the issue of how to develop cooperation so as to make it even more effective as an instrument against international terrorism.

The international efforts being made to prevent proliferation have focused mainly on preventing states from gaining access to weapons of mass destruction. Export controls as an instrument are, however, of a general nature, since they relate to all exports of controlled products regardless of who is the recipient. This means in turn that cooperation may already be said to include non-governmental entities. But to make multilateral cooperation even more effective, the existing arrangements need to be supplemented in certain respects. A first step towards this end is an explicit statement in the arrangements' basic documents that one of their aims is to combat the proliferation of dual-use items to terrorists. Such an amendment was adopted in 2001 in the Wassenaar Arrangement and will probably be adopted by the other arrangements in 2002. Another measure is to attach even more importance to the risk of proliferation to non-governmental entities in the information exchanges that take place within the frameworks of these arrangements.

## **The Zangger Committee**

The Zangger Committee, which deals with export control matters within the framework of the Nuclear Non-Proliferation Treaty (NPT), was formed in 1974. Sweden has taken part in the Committee's work ever since the 1970s. The rationale behind this cooperation is application of Article III of the NPT. As mentioned above, parties must not transfer equipment or material especially designed for the production of special fissionable material unless it is subject to International Atomic Energy Agency safeguards. Quite soon after the entry into force of the NPT it became apparent that interpretations differed as to what equipment or material was referred to in Article III. In order to find a common solution to this problem, a committee consisting of representatives of the signatories of the NPT was formed in 1971. Three years later, the committee had produced two memoranda: one defining source and special fissionable material (Memorandum A) and one defining "equipment or material especially designed or prepared for the processing, use or production of special fissionable material" (Memorandum B, also referred to as 'the trigger list' since exports of the specified equipment would require or 'trigger' IAEA safeguards). Sweden has taken part in the work of the Zangger Committee from the start. In 1990, the members agreed to merge the two lists into a consolidated trigger list. Over the years, the Zangger Committee has concentrated on keeping the consolidated list up to date in the light of technological developments. The Zangger Committee's control list, with related explanations, is included in the IAEA's information circular no. 209 (INFCIRC/209/Rev. 2). In 2001 the members collaborated with a view to promoting openness on the work of the Committee and sought to explain the role of export control within the framework of the NPT. Belarus took part as an observer to the meeting in May 2001.

## **The Nuclear Suppliers Group**

Cooperation within the Zangger Committee during the early 1970s included those countries that had signed the NPT. At that time, however, several important countries had not acceded to the treaty. In order to include these countries in the efforts to stem the proliferation of nuclear weapons, the Nuclear Suppliers Group was formed in 1974 (the 'London Club', later renamed the Nuclear Suppliers Group). A contributing reason was also India's explosion of a nuclear device in 1974. In 1976 the members of the NSG agreed on more extensive controls of exports of products that could be used to produce nuclear material for use in weapons. These guidelines are included in the IAEA information circular INFCIRC/254/Rev. 5/Part 1.

Sweden joined this regime at an early stage and took part in the drafting of the guidelines. Cooperation within the NSG revived in the early 1990s following revelations of how close Iraq had come to developing nuclear weapons and how exports of nuclear-related

materials had contributed to this. The members decided at a meeting in the Hague in March 1991 to update the guidelines and to consider extending export controls from products and materials related mainly to the nuclear fuel cycle to dual-use items that can be used to make nuclear weapons. One year later the Guidelines for Transfers of Nuclear-Related Dual-Use Equipment, Material and Related Technology (reproduced in INFCIRC/254/Rev. 4/Part 2) were adopted at the plenary meeting in Warsaw. These guidelines lay down that equipment that is not directly related to nuclear material but can be used to produce a nuclear device is to be controlled. Continuous discussions are in progress in the NSG concerning possible amendments to the guidelines in the light of technological developments.

An organisational change was made in 2001 for the purpose of rationalising the work of the arrangement. The decision taken in 1992 to require complete control of nuclear material under the supervision of the IAEA in connection with exports of nuclear products was also discussed and confirmed. Slovenia took part as a full member of the NSG at the plenary session in Aspen, Colorado. As holder of the presidency, Sweden spoke for the EU at the meeting. The NSG has also registered two domain names that it plans to start using in 2002: [www.nuclearsuppliersgroup.org](http://www.nuclearsuppliersgroup.org) and [www.NSG-online.org](http://www.NSG-online.org).

### **The Australia Group**

The Australia Group, which is concerned with export controls of products that can be used for the manufacture of chemical and biological weapons, was formed in 1985. One of the immediate reasons for establishing this export control arrangement was the conflict between Iran and Iraq in the 1980s. During the war it became known that Iraq had acquired substantial national capacity for producing chemical weapons, which it has later used. Iraq was able to acquire both knowledge and materials for these activities through the ordinary international trade channels. As a result, several countries tightened their export controls of chemicals and certain chemical production equipment. However, these national measures were not coordinated and as a result the degree of control varied from one country to another.

In 1985, a meeting was convened on an initiative made by Australia for the purpose of discussing the possibility of harmonising national controls. The Australian initiative resulted in the drafting of a list of chemicals that should be subject to national export controls. Several of these chemicals also have legitimate peaceful uses. In June 1990, the members of the Australia Group decided to extend its remit to microorganisms, toxins and certain production equipment for biological weapons. Sweden joined the Australia Group in 1991. The view of the Swedish Government is that our participation in the Australia Group may be seen as a measure that is necessary for the fulfilment of our international obligations both under BTWC and CWC, i.e. to prevent the proliferation of biological and chemical weapons.

Cooperation in the Australia Group has recently been criticised by countries on the grounds that retaining export controls in relation to other parties to BTWC and CWC is discriminatory. The majority of these

countries are members of the Non-Aligned Movement group. For their part, the members of the Australia Group consider such export controls necessary in order to fulfil the undertakings made by the parties to the two conventions. Export controls are, after all, carried out on a national basis and do not prevent legitimate trade in these products. In recent years the Group has launched a large-scale information programme in order to explain its activities and objectives. Among other things, the Australia Group has opened a website on the Internet: [www.australiagroup.net](http://www.australiagroup.net). In 2001 the group continued to develop its website and its external activities; in particular, the group is preparing more detailed documentation on transparency. Publication is expected in 2002.

The events of 11 September 2001 in the USA have resulted in more intensive efforts to strengthen cooperation on export controls with a view to limiting the risks of terrorism using biological and chemical weapons. The Australia Group was the first of the export control regimes to meet after September 11th, and it was evident during this plenary session that all the Member States, the USA in particular, intend to make every effort to strengthen export controls with regard to B and C weapons. During the plenary session in October 2001 the Australia Group also decided to hold an intersessional meeting before next year's plenary in order to continue the important discussion on what the Group should do to strengthen and increase the effectiveness of export controls with respect to B and C weapons.

### **The Missile Technology Control Regime**

On a USA initiative a number of countries commenced discussions on export controls for missiles and missile technologies in 1982. On 16 April 1987 it was announced that these discussions had led to the adoption of guidelines for exports of missile technologies which the individual countries each intended to implement through their national legislation. An Equipment and Technology Annex was attached to these guidelines, in which the products to be subject to national export controls were identified. This cooperation became known as the Missile Technology Control Regime (MTCR). The MTCR's control lists include complete missile systems (including ballistic missiles, space launch rockets and missiles and sounding rockets) and other unmanned aircraft systems (including cruise missiles and target and reconnaissance platforms) with a payload of at least 500 kg and a range of 300 km or more. Controls also extend to components of such systems and other products that can be used to produce such missiles. The MTCR export control regime was originally aimed at impeding the proliferation of missiles that could be used to deliver nuclear weapons. In 1993 the guidelines were amended to extend export controls to carriers for chemical and biological weapons too. Sweden has participated in this cooperation since 1991, when it incorporated export controls consistent with the MTCR guidelines into its national export control legislation.

There is at present no multilateral instrument covering the possession and proliferation of ballistic missiles. At the same time, the question of

the proliferation of ballistic missiles is now high on the agenda, in particular owing to the American plans to establish a national missile defence. A draft international code of conduct on missile proliferation, which is open for all states, was prepared within the NTCR framework in 2001. The draft contains a series of principles, commitments and confidence-building measures whose purpose is to limit the proliferation of ballistic missiles. At the plenary meeting in Ottawa in September 2001 the partners agreed that the MTCR had concluded its work on the code and that its universalisation should take place through a process open to all states. The Republic of Korea was admitted as a member of the Regime in 2001.

### **The Wassenaar Arrangement**

The Wassenaar Arrangement was formed in 1996 as a successor to the multilateral export control cooperation that had previously taken place within the framework of the Coordinating Committee on Multilateral Export controls (COCOM). It became increasingly apparent after the end of the cold war that cooperation within the COCOM framework must be extended to include former Eastern bloc countries. In November 1993 the members therefore decided to replace COCOM by a New Forum, and on 31 March 1994 COCOM ceased to exist, giving way to the new export control arrangement. Sweden took part in these negotiations on the establishment of the new forum from December 1994. In July 1996 a consensus was reached on the basic document for this new forum, which was named after the town in the Netherlands where a large part of the negotiations had taken place – Wassenaar.

Unlike its predecessor COCOM, the Wassenaar Arrangement is based on the principle that trade in products mentioned in the control lists should be permitted, but must be monitored in order to avoid destabilising accumulations and must not focus on certain states identified in advance. Furthermore, the Wassenaar Arrangement is not directed at particular pre-identified states. According to the Initial Elements, the basic document, the purpose of the arrangement is to contribute to regional and international security and stability by promoting transparency with regard to transfers of conventional weapons and dual-use items and thus helping to avoid destabilising accumulations.

The Wassenaar Arrangement targets a different and broader product portfolio than the other export control arrangements. Two control lists are attached to the basic document: the Munitions List, which covers conventional military equipment, and the List of Dual-Use Goods and Technologies, which covers technologies with civilian and military uses that are not included in the control lists of the other control arrangements. As regards controls of the latter category, it is expressly stated in the Initial Elements that the arrangement is intended to complement and strengthen cooperation in the abovementioned arrangements without duplicating their work. Examples of product categories appearing on the list of dual-use items are special types of material, propulsion systems, sensors, lasers, computers, certain crypto products and special equipment for telecommunications, information safety, electronics, navigation, avionics, materials processing and certain types of marine equipment.

The new computer system for secure electronic internal communication – the Wassenaar Arrangement Information System (WAIS) – was taken into trial operation in 2001. The Group also decided, as the first export control arrangement, to mention the fight against terrorism in its basic document, the Initial Elements. Moreover, in 2001 the EU's Member States strengthened their cooperation in certain important Wassenaar areas; for example, they presented their first joint proposal on one of these issues. Further information about the arrangement is available at [www.wassenaar.org](http://www.wassenaar.org).

## 17 EC Regulation on the control of exports of dual-use items

In 2000 the Council of the European Union issued a new Regulation, Council Regulation (EC) No 1334/2000 setting up a Community regime for the control of exports of dual-use items and technology (OJ No L 159, 30.6.2000, p. 1). The new Regulation entered into force on 28 September 2000, replacing Council Regulation (EC) No 3381/94 setting up a Community regime for the control of exports of dual-use goods, which entered into force on 1 July 1995. Unlike the multilateral export control arrangements that were described in previous sections, the Regulation is legally binding on Sweden. Its purpose is to establish free movement for controlled items within the internal market while strengthening and harmonising the various national export control systems. The previous Regulation proved too complex for, amongst other things, routine application by customs officers at national frontiers.

The Regulation combines the Member States' undertakings within the framework of the multilateral export control arrangements with the freest possible trade in the internal market. Developments in the arrangements (NSG, MTCR, AG and WA) are taken into account by continuous alterations and updates of the lists of items annexed to the Regulation.

The annexes to the new Regulation are adopted within the framework of Community cooperation under the first pillar, which means that they become directly applicable at the national level. These annexes were updated in 2001.

The new Regulation introduced a general Community authorisation for exports of specific products to certain third countries. However, general licences were issued at the national level even before the entry into force of the new EC regulation. The new Community authorisation has simplified matters for the exporting companies since one and the same authorisation can be referred to regardless of the EU country from which the products are exported. The new authorisation is also an expression of the consensus that prevails between the Member States as regards exports to certain third countries.

The licensing procedure has been facilitated since the new Regulation also includes common criteria that must be taken into account by the Member States in connection with the processing of applications. A common set of criteria has also contributed to the harmonisation of

policy in this area and a sounder export control system in the EU as a whole.

### **Swedish legislation**

The Swedish Control of Dual-Use Items and Technical Assistance Act (2000:1064) and the associated Ordinance (2000:1217) complement the Council Regulation at the national level. Both the Act and the Ordinance entered into force on 1 January 2001 and replaced the Strategic Products Act (1998:397) and the Strategic Products Ordinance (1998:400).

Licences must be obtained for exportation and transfer of dual-use items, and the granting authority is the ISP. However, in the case of nuclear material and materials etc. listed in Annex 1 to the Council Regulation, licences are granted by the Swedish Nuclear Power Inspectorate. Data on the number of export applications concerning dual-use items that were submitted to the ISP will be found in Annex 2.

Unlike the legislation on military equipment, in which export licences represent exemptions from a general prohibition of exports, the reverse applies under the rules for control of dual-use items. In such cases export licences are granted unless they are prejudicial to foreign or security interests within the meaning of the EC Regulation.

Licences may also be required for exports of items not included in the annexes to Council Regulation (EC) No 1334/2000 if the exporter has been informed by the ISP that the item is or may be intended for use in connection with weapons of mass destruction or missiles that are capable of delivering such weapons (cf. Article 4 (1) of the Regulation). The Regulation also contains requirements for licences in certain cases for exports related to military end use or military equipment. Article 4 (2) of the new Regulation contains directly applicable provisions requiring licences for exports of items that are not listed in the annexes, but which are or may be intended for military end use in a country that is subject to a UN, EU or OSCE embargo.

The new Regulation also contains a provision based on Swedish legislation that has now been incorporated into Community law. The provisions of section 7 of the previous Strategic Products Act have been used as a model for Article 4 (3) of the new Regulation, which lays down that export licences must be obtained for items not listed in the annexes that are or may be intended for use as parts or components for military equipment that has been exported illegally. Under paragraphs 1, 2 and 3 of Article 4 the competent authority (in Sweden the ISP) must inform exporters about the use of the item. However, under Article 4 (4) exporters are also obliged to inform the competent authority if they are aware that an item is or may be intended for any of the uses referred to in paragraphs 1, 2 and 3. In that case the competent authority must decide whether or not a licence is required for exports of the items in question.

The mechanism that enable control of non-listed items is called "catch-all". Catch-all clauses have been added to ensure that the objectives of the legislation are not circumvented due to the fact that, on account of technological developments, the lists of items are seldom all-inclusive (cf. Article 4 of the Council Regulation). Statistics on catch-all procedures during the period 1999-2001 will be found in Annex 2.

It is the Government's ambition to ensure that the routines applied in connection with export controls are rational and efficient in order not to place an unnecessary burden on both the export control authorities and the exporting companies.

Like the previous legislation, the Dual-Use Items and Technical Assistance Act does not include any provisions concerning the possibility of obtaining advance notification of whether an export licence will be granted in the event of exportation of dual-use items to a specific destination. However, in practice the ISP gives companies advance notifications nonetheless. The main reason for this is that exporters are obviously keen to know whether it will be possible to carry out a transaction with a 'risk country' before the tender procedure starts. 25 advance notifications were issued in 2001.

## 18 Cryptography

The Government presented its views on certain aspects of the use and control of crypto products in its Communication to the Riksdag on cryptography (1998/99:116).

The question of the extent to which export controls should apply to crypto products has attracted considerable attention both in Sweden and elsewhere. Account must be taken of the important role of these products in the development of electronic commerce and electronic government at both the national and international levels, of the judicial authorities' possibilities when it comes to fighting crime, including 'cyber crime', and of the need – for reasons of national security – to prevent access to powerful cryptographic tools, for example for users who are associated with the development or production of weapons of mass destruction or with terrorism.

The main forum for international discussions in this field is the Wassenaar Arrangement, which adopted major changes of its list for information security products in December 1998. The requirements were relaxed somewhat in December 2000 by abolishing the requirement relating to the maximum length of keys for encryption and decryption for mass market products (see the Cryptography Note). The reason given for the latter alteration is the need to revise the list in the light of rapid technological developments in this area.

The Swedish Government's view on this matter is that there remain security reasons for preventing the dissemination of certain crypto products to unsuitable recipients in some countries. The trade in crypto products in the EU's single market should be as free as possible in order to promote electronic commerce and government services and the development of IT in the EU as a whole, including Sweden.

The revision of the Regulation on the control of exports of dual-use items and technology described in the preceding section has led to a situation where Swedish suppliers can sell almost all types of crypto products in the EU and in about ten other countries, including the USA, as freely as on the Swedish domestic market.



Sweden also advocates freer trade in crypto products with third countries, taking into account the importance of electronic communication and crime prevention and security concerns. A consensus must be reached in the EU, in particular with respect to the Member States' controls of crypto product exports to third countries. If these countries' policies are not coordinated, the controls will in practice be ineffective and distort competition in the industries concerned. The need to avoid a situation in which Sweden would apply less stringent controls than other important exporting countries is another argument for achieving a consensus. Otherwise those countries might impose export restrictions on Sweden.

The limited export controls of crypto technology that are appropriate should be maintained by means of prompt and unbureaucratic procedures in order to avoid any competitive disadvantage for Swedish industry in relation to the control procedures applied by other countries, and preferably to give Swedish industry a competitive advantage.

The general licences that were introduced in 1999, including licences for exports of mass market crypto products to all the significant export markets, and a time-saving control procedure in other respects, have eased the burden for companies.

In the Government's opinion, the policy on crypto products should be flexible and supportive in order to meet the growing need for secure communications and to respond to changes in other countries' policies and future technological developments in this area.

Following the events of 11 September 2001 several countries have re-examined their policy on cryptography. There is a growing opinion in favour of giving countries' judicial authorities and security organs access, in connection with criminal investigations, to a clear-text version of transmitted information, for example by making available the appropriate crypto keys that are used. There are also demands for greater transparency as regards the construction of crypto products in order to provide wider access to transmitted information in clear text. Such demands may influence export control policies.

Against this background, a review is being planned in the Government Offices in 2002 of the content in the Government's Communication to the Riksdag on cryptography (Comm. 1998/99:116).

## 19 Intangible transfers

The question of controls of intangible transfers, i.e. transfers of software or technology, is a subject that has exercised most of the export control arrangements and the EU, particularly in 2000 and 2001. Transfers between countries are made mainly via electronic media (computer networks and the Internet). Technology can also be transferred orally and by telefax.

Council Regulation 1334/2000 defines 'software' as 'a collection of one or more "programmes" or "microprogrammes" fixed in any tangible medium of expression'. 'Technology' means specific information

necessary for the 'development', 'production' or 'use' of goods. This information takes the form of 'technical data' or 'technical assistance'.

This section will focus on electronic transfer by means of computer networks and the Internet.

Electronic transfer of software and technology is one of the more neglected areas in the field of export controls, and in the light of recent developments there is a risk of its becoming the weak link in the export control chain. There are enormous numbers of potential transmitters and receivers, and for non-state actors electronic transmission is a simple, cheap and safe method. This makes it easier for terrorists to use such transmission for their purposes. There is a greater risk that terrorists will use the transmitted information in order to produce weapons of mass destruction and it will be easier for them to carry out information operations designed to paralyse essential functions ('cyber terrorism').

It is particularly important to take measures to prevent illicit electronic technology transfer (as defined above). Transfer of technology is carried out by all kinds of exporters, both for military equipment and dual-use items. Exporters can use input components in their solutions delivered by suppliers in other countries. Such process chains can be long and complex, and it is difficult to identify where export-controlled components are developed and incorporated into the final product.

The subject is complicated, and efforts in this field have met with little success so far.

Sweden is making active efforts to achieve effective export controls in the field of electronic transfer of technology by means of computer networks. Among other things, much better data and descriptions of this area are needed. The work of broadening and deepening knowledge is being undertaken at a national level and in collaboration with other countries. The next step in the ongoing process is to present proposals for policy and measures in this area.

Sweden is also working on the question of electronic transfer of software via computer networks. This question is being considered both by Sweden and the EU, and by the export control arrangements.

### **Software and technology in connection with military equipment and dual-use items**

Military equipment is physical by nature and requires physical transportation. Software that is used in weapons systems is stored electronically and can be transferred, for example by the Internet. The technology related to military equipment is often stored in electronic media too and can thus be transferred electronically too.

The proportion of software and technology is greater for dual-use items than for military equipment. Software is mentioned in many of the sections in the controlled products listed in the Annexes to Regulation 1334/2000. Technology is obviously frequently existing in all arrangements and regimes.

The Wassenaar Arrangement plenary decided on 6-7 December 2001 to adopt a Statement of Understanding for controls of software and technology, according to which it is important to have comprehensive

controls on listed software and technology, including controls on intangible transfers. Countries will continue to mutually exchange experience and to take new developments into account in order to meet all risks connected with this issue.

There is a general consensus in the arrangements and regimes that all electronic transfer must be made subject to control in order to ensure that the aims of export controls are not undermined by evasion of physical controls.

The discussion is mostly about practical ways and means of checking compliance with the requirements attached to licences for electronic exports and how to prevent electronic transfer of software and technology falling into the wrong hands.

Another important demand that is made in the discussions is the need to maintain protection of fundamental civil liberties and rights.

### **Exports and exporters, the EC Regulation**

The EU is reviewing the definition of 'exports' and 'exporter' in Regulation 1334/2000. The Regulation's definition of 'exports' covers both physical and intangible transfers.

One problem in the context of export controls is that the recipient is not necessarily a resident of the EU but may be from a third country, and strictly speaking a licence should be obtained for such transfers, which are initiated by the recipient. However, the sender may have intended to make the software or technology available only in the EU where the rules do not require a licence.

Under Article 21 (7) of the Regulation, "relevant commercial documents relating to intra-Community transfers of dual-use items listed in Annex I shall indicate clearly that those items are subject to controls if exported from the Community." This means that a recipient who downloads the software or technology from a database should be informed that a licence must be obtained for some types of transfers. This obligation on the part of the sender/supplier has not been clarified in connection with the implementation of the EU rules in the Member States. In the USA, enterprises must comply with such a requirement when applying the American export control rules. Sweden continues to make efforts to achieve joint practical solutions to this problem in the EU.

According to the existing Swedish rules, the customs authorities only exercise supervision of the physical transfer and exportation of products. This is consistent with the corresponding EU rules. For this reason, the supervision of electronic transfers and electronic exports has been assigned to the ISP in the new Swedish Ordinance. However, experience has shown that there is a need throughout the EU to improve this supervision. Sweden intends to raise this issue in the EU.

## **Swedish initiatives in the EU in 2001**

The Government has taken initiatives leading to cooperation between the Commission and the Member States on the complex issue of electronic transfers and exports in order to promote the development of uniform national control mechanisms. One important reason for this is that a certain degree of harmonisation reduces the risk of fast-moving electronic exports finding the 'easiest' way out of the EU's internal market to third countries.

The Swedish initiatives have been dealt with both by the coordination group that takes part in implementation of the EC Regulation (1334/2000) and by the Council Working Party COARM. The work within the EU framework is expected to continue for several years.

## 20 Annex 1: Swedish exports of military equipment in 2001

### 20.1 Introduction

The Swedish Government aims to present reports on exports of military equipment that are as transparent as possible. The main novelty in this year's Communication is that the total value of the export licences granted is reported for each country for which exports of military equipment were authorised in 2001. In order to protect commercial interests and defence secrets, an approximate value is given in the case of countries for which only one or two licences were granted. In the tables in which equipment exported to individual countries was previously only reported by means of a classification code, texts have been added this year specifying the type of equipment for which Sweden granted export licences or the type of equipment that was exported.

The National Inspectorate of Strategic Products (ISP) continuously monitors Swedish companies' marketing and exports of military equipment, and it supplies the Government with the statistical data for this report on exports of Swedish military equipment. The 120 or so enterprises that are authorised to manufacture military equipment (excluding about 50 'hand loaders', private individuals who manufacture hunting and sporting ammunition), some 40 of which are active exporters, are required by law to submit various kinds of information about their operations to the ISP. The Government declared its intention, in the Bill *Greater Transparency and Consultation in Matters Relating to Exports of Military Equipment* (1984/85:82), of submitting an annual report to the Riksdag on Swedish exports of military equipment. The subject of the present report is Swedish exports of military equipment in 2001.

## 20.2 Export licences granted

**Table 1. Export licences granted for sales of military equipment during the period 1997-2001 at current prices**

Year	Value in MSEK at current prices			Change in %		
	Total	MEC	OME	Total	MEC	OME
1997	<b>5 061</b>	2 481	2 580	<b>+77.0</b>	274.8	+17.4
1998	<b>3 273</b>	1 449	1 824	<b>-35.3</b>	-41.6	-29.3
1999	<b>7 153</b>	1 082	6 071	<b>+118.5</b>	-25.3	+232.8
2000	<b>4 640</b>	2 369	2 271	<b>-35.1</b>	+118.9	-62.6
2001	<b>23 900</b>	21 228	2 672	<b>+415</b>	+796	+18

The value of the export licences is reported under two main categories: Military Equipment for Combat Purposes (MEC) and Other Military Equipment (OME). The MEC category consists of destructive equipment, including sights, and firing control equipment. The OME category consists of parts and components for equipment for combat purposes and equipment that is not directly destructive in a combat situation.

Compared with 2000, when the value of export sales for which licences were granted was near the average for the last ten years, the value in 2001 increased from MSEK 4,640 to MSEK 23,900 (an increase of 415%). The explanation for this sharp increase is the export licences granted during the year for exports of the JAS 39 Gripen aircraft to South Africa and of Combat Vehicle 90 to Switzerland. Consequently, the 2001 statistics show a large increase in the value of exports of MEC, i.e. from MSEK 2,369 to MSEK 21,228 (an increase of 796%). The value of the export licences granted for OME increased during the same period from MSEK 2,271 to MSEK 2,672 (an increase of just under 18%).

Export licences are granted, on the one hand, for many small transactions involving items such as spare parts or ammunition, and on the other hand for a small number of very large transactions involving major systems that are delivered over a period of several years. A few large transactions, which do not necessarily occur every year, can thus have a very significant effect on the results in a given year. As can be seen from figure 1 below, there are considerable differences in the statistics on export licences from one year to another, and this is particularly true of this year's statistics due to the great impact made by the export licences for JAS 39 Gripen. However, these variations in the value of export licences make little impact on actual exports of Swedish military equipment, which do not vary greatly from one year to the next. The reason for this is that the exports associated with a major export licence are usually spread over several years.

**Figure 1. Value of export licences and actual exports of military equipment in MSEK, 1997-2001**

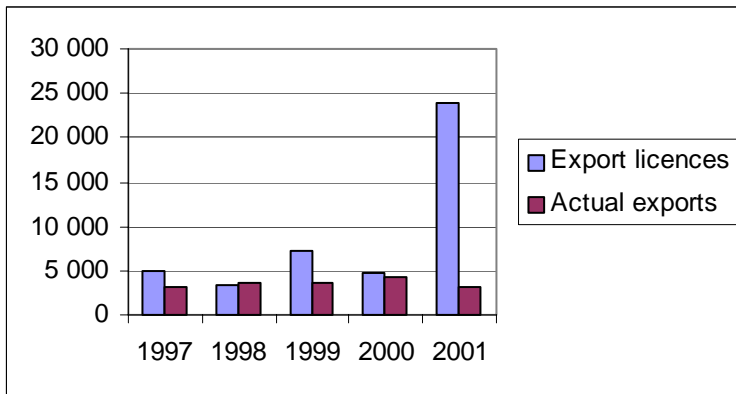


Table 2 shows the destinations for which export licences were granted, the total value of the licences for each country and the categories of equipment covered by the licences. The categories of equipment are the main categories specified in the Military Equipment Classification (MEC 1-11, OME 21-37), which are listed in table 4. More detailed information on the content of each category will be found in Annex 1 to the Military Equipment Ordinance (1992: 1303). The main types of products in the respective categories of equipment are listed in the table. This means that export licences were granted for one or more of the products, or related subcomponents, in an equipment category. But it does not mean that export licences were granted for all the products in each category.

In cases where only one or two licences were granted, an approximate value is given in order to protect commercial interests or defence secrets. The various subcategories of equipment in the MEC and OME categories may have the same designation; the designations are generic and relate to the type of equipment system. The MEC category consists of destructive equipment, including sights, and firing control equipment. The OME category consists of parts and components for military equipment for combat purposes and equipment that is not directly destructive in a combat situation.

**Table 2. Export licences granted and their total value in 2001 by countries and main categories specified in the Military Equipment Classification\***

\* The table lists the main types of products in the respective categories of equipment, which does not, however, mean that export licences were granted for all the products. For illustrative purposes, specific equipment information is given instead of the standardised main category descriptions in the case of a small number of countries.

Country	No. of licences granted	Main category in which export licences were granted (category numbers and types of products)		Value of licences granted <sup>1</sup>
		MEC	OME <sup>2</sup>	
Argentina	3	3 Ammunition	22,23 Cannons, anti-tank guns, parts etc., training ammunition etc.	0.6
Australia	26	2,3,7 Cannons, anti-tank guns, ammunition, gunpowder and explosives	21,22,23,24,25,28,37 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., surveillance vessels etc., software	73
Austria	11	7 Gunpowder and explosives	22,23,29 Cannons, anti-tank guns, parts etc., training ammunition etc., aircraft designed for military use etc.	48
Bahrain	2	2 Anti-tank guns	22 Spare parts for anti-tank guns	<25
Belgium	10	3,7 Ammunition, gunpowder and explosives	23,24 Training ammunition etc., training rockets, sweeping equipment etc.	49
Brazil	11	2,3,4,5 Cannons, anti-tank guns, ammunition, missiles, rockets, torpedoes, bombs, firing control equipment	22,23,25,35,37 Cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., training equipment, software	525
Bulgaria	2	3 Ammunition	23 Training ammunition etc.	<1
Canada	11	3,7 Ammunition, gunpowder and explosives	22,23,35 Cannons, anti-tank guns parts etc., training ammunition etc., training equipment	90
Chile	1	7 Gunpowder and explosives		<5

<sup>1</sup> The values are rounded to the nearest million Swedish kronor (in some cases to one decimal place). In cases where only one or two licences were granted, an approximate value is given.

<sup>2</sup> The various subcategories of equipment in the main categories MEC and OME may have the same designation; the designations are generic and relate to the type of equipment system.

**MEC:** Military equipment for combat purposes consists of destructive equipment, including sights for such equipment, and firing control equipment.

**OME:** Other military equipment includes parts and components for military equipment for combat purposes and equipment that is not directly destructive in a combat situation.



Country	No. of licences granted	Main category in which export licences were granted (category numbers and types of products)		Value of licences granted <sup>1</sup>
		MEC	OME <sup>2</sup>	
Czech Republic	5	7 Gunpowder and explosives	21,29 Small-calibre barrel weapons, parts etc., aircraft designed for military use etc.	2
Denmark	18	3,7,8 Ammunition, gunpowder and explosives, warships	22,23,24,35 Cannons, anti-tank guns, parts etc., training ammunition etc., training rockets, sweeping equipment etc., training equipment	503
Estonia	3	3 Ammunition	22,23 Cannons, anti-tank guns, parts etc., training ammunition etc.	13.5
Finland	39	3,5,7 Ammunition, firing control equipment, gunpowder and explosives	23,24,25,35 Training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., training equipment	234
France	19	2,3,7 Cannons, anti-tank guns, ammunition, gunpowder and explosives	21,22,23,33,35 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., electronic equipment for military use, training equipment	749.5
Germany	47	3,6,7,10 Ammunition, ABC weapons (components for tear-gas products), gunpowder and explosives, combat vehicles	23,24,25,30,35,36,37 Training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., vehicles designed for military use etc., training equipment, manufacturing equipment, software	108
Greece	5		23,25 Training ammunition etc., reconnaissance and measurement equipment etc.	96
Hungary	4	3 Ammunition	23 Training ammunition etc.	2
Iceland	2	3 Ammunition	23 Training ammunition etc.	<1
India	3	4 Fuses	24,36 Control equipment and gyros	30.5
Indonesia	1		22 Spare parts for anti-aircraft artillery	<1
Ireland	5		24, 35 Training rockets, sweeping equipment etc., training equipment	11
Italy	11	7 Gunpowder and explosives	23, 30, 35 Training ammunition etc., vehicles designed for military use etc., training equipment	21
Japan	18	7 Gunpowder and explosives	21,22,23,24,26,37 Small-calibre barrel weapons, cannons, anti-tank guns parts etc., training ammunition etc., training rockets, sweeping equipment etc., protective equipment etc., software	27

Country	No. of licences granted	Main category in which export licences were granted (category numbers and types of products)		Value of licences granted <sup>1</sup>
		MEC	OME <sup>2</sup>	
Latvia	1		23 Training ammunition etc.	<1
Lithuania	4	3 Ammunition	21,22,23 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc.	8
Malaysia	10	8 Warships	21,22,25,26,28 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., reconnaissance and measurement equipment etc., protective equipment etc., surveillance vessels etc.,	196
Mauritius	2	3 Ammunition	23 Training ammunition etc.	<1
Mexico	6	2,3,5 Naval anti-aircraft artillery, naval anti-aircraft ammunition, naval firing control equipment		191
Namibia	1		23 Training ammunition etc.	<1
Netherlands	14	3 Ammunition	21,22,23,25,29,30,35 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., aircraft designed for military use etc., vehicles designed for military use etc., training equipment	129
New Caledonia (France)	1		23 Training ammunition etc.	<1
New Zealand	5		21,22,25 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., reconnaissance and measurement equipment etc.	3
Norway	56	3,4,7 Ammunition, missiles, rockets, torpedoes, bombs, gunpowder and explosives	21,23,24,25,26,28,29,30, 35,36,37 Small-calibre barrel weapons, parts etc., training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., protective equipment etc., surveillance vessels etc., aircraft designed for military use etc., vehicles designed for military use etc., training equipment, manufacturing equipment, software	119
Oman	2		25 Reconnaissance and measurement equipment etc.	<10
Pakistan	3	4 Anti-aircraftmissiles	24,25 Spare parts for radar equipment	18

Country	No. of licences granted	Main category in which export licences were granted (category numbers and types of products)		Value of licences granted <sup>1</sup>
		MEC	OME <sup>2</sup>	
Peru	3		23 Training ammunition etc.	<1
Poland	4	3,7 Ammunition, gunpowder and explosives	23 Training ammunition etc.	1
Portugal	1		22 Cannons, anti-tank guns, parts etc.	<1
Romania	1	7 Gunpowder and explosives		<1
Russia	6		21,23 Small-calibre barrel weapons, parts etc., training ammunition etc.	1,5
Singapore	61	3,4 Ammunition, missiles, rockets, torpedoes, bombs	22,24,25,26,28,35 Cannons, anti-tank guns, parts etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., protective equipment etc., surveillance vessels etc., training equipment	133
Slovenia	2		23,26 Training ammunition etc., protective equipment etc.	<4
South Africa	8	9 Combat aircraft	21,23,29 Small-calibre barrel weapons, parts etc., training ammunition etc., aircraft designed for military use etc.	15001
Spain	11	3,7 Ammunition, gunpowder and explosives	23,25,26,30 Training ammunition etc., reconnaissance and measurement equipment etc., protective equipment etc., vehicles designed for military use etc.	57
Switzerland	25	5,7,10 Firing control equipment, gunpowder and explosives, combat vehicles	22,23,25,30,33,35 Cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., vehicles designed for military use etc., electronic equipment for military use, training equipment	4598
Thailand	4		22,23 Cannons, anti-tank guns, parts etc., training ammunition etc.	2
Trinidad and Tobago	1	2 Cannons, anti-tank guns		<2
Tunisia	4	7 Gunpowder and explosives	24,37 Training rockets, sweeping equipment etc., software	4
Turkey	2		23 Ammunition for shooting competitions	<3
UN and other international organisations	1		30 Vehicles designed for military use etc.	<2

Country	No. of licences granted	Main category in which export licences were granted (category numbers and types of products)		Value of licences granted <sup>1</sup>
		MEC	OME <sup>2</sup>	
United Arab Emirates	2		21,25 Parts for small-calibre barrel weapons, spare parts for radar equipment	<1
United Kingdom	18	7,10 Gunpowder and explosives, combat vehicles	23,24,25,30,33 Training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., vehicles designed for military use etc., electronic equipment for military use	311
USA	60	2,3,4,5,7 Cannons, anti-tank guns, ammunition, missiles, rockets, torpedoes, bombs, firing control equipment, gunpowder and explosives	21,22,23,24,25,26,29,30,35 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc., protective equipment etc., aircraft designed for military use etc., vehicles designed for military use etc. training equipment	473
Venezuela	2		25 Reconnaissance and measurement equipment etc.	<25

### 20.3 Actual deliveries

The ISP's export statistics are based on the statements on the invoiced value of equipment supplied that the export companies are required to submit. As can be seen in table 3 below, Swedish exports of military equipment dropped in 2001 from MSEK 4,371 to MSEK 3,060, which represents 30 % at current prices. The decrease in exports of MEC was greater than the decrease in exports of OME: 43% compared with 17%. Exports of military equipment as a percentage of total exports dropped too, from 0.55% to 0.40%.

**Table 3. Value of exports of Swedish military equipment during the period 1997-2001 at current prices**

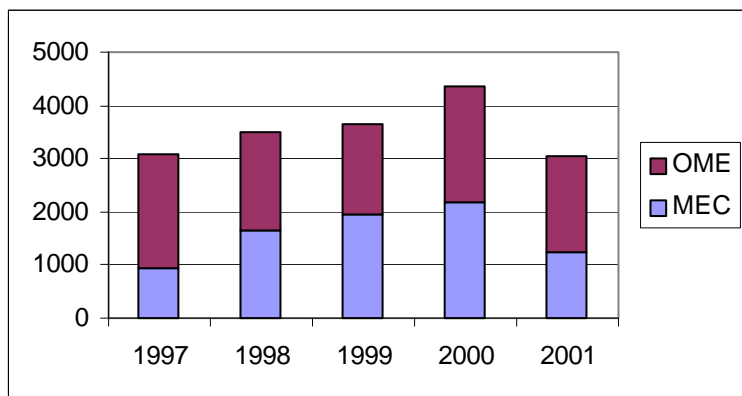
Year	Sweden's total exports of goods (curr.prices) MSEK	Exports of military equipment						
		Share of total exports %	Current prices, MSEK			Change in %		
			Total MEC	OME		Total MEC	OME	
1997	632 709	0.49	<b>3 101</b>	939	2 162	<b>+0.5</b>	-17.3	+10.8
1998	673 091	0.52	<b>3 514</b>	1 662	1 852	<b>+13.3</b>	+77.0	-14.3
1999	700 945	0.52	<b>3 654</b>	1 954	1 700	<b>+4.0</b>	+17.6	-8.2
2000	796 673	0.55	<b>4 371</b>	2 189	2 182	<b>+19.6</b>	+12.0	+28.4
2001	780 594	0.4	<b>3 060</b>	1 247	1 813	<b>-30</b>	-43	-17

Changes in the above statistics from one year to another cannot be used as a basis for long-term assessments of export trends. Individual sales of large systems give rise to substantial fluctuations.

The end of the cold war, which caused many military powers to reduce their appropriations for defence equipment, has left its mark on export markets in the last ten years. The decline of the export market has also affected Swedish exports of military equipment

Figure 2 shows the value of Sweden's exports of military equipment during the period 1997-2001 by the two categories Military Equipment for Combat Purposes (MEC) and Other Military Equipment (OME).

**Figure 2. Value of Swedish exports of military equipment in MSEK during the period 1997-2001, divided into Military Equipment for Combat Purposes (MEC) and Other Military Equipment (OME)**



Swedish exports of military equipment are also recorded in the general foreign trade statistics which are based on information supplied by the customs authorities to Statistics Sweden (SCB). However, SCB statistics include civilian products to which the Military Equipment Act is not applicable. These figures cannot be compared with ISP statistics and are not included in this report. The breakdown of the trade statistics was explained in Communication 1996/97:138.

#### 20.4 Breakdown of exports by types of equipment

In table 4 exports of military equipment are broken down into the main categories specified in the Military Equipment Classification. This breakdown of the data gives some idea of the structure of military equipment exports as regards equipment categories. As with other types of export statistics, they should not be used to draw far-reaching conclusions about export trends, since the volume of exports is not sufficiently large to ensure even equipment flows in all the categories produced in Sweden; rather, the figures indicate a random emphasis that shifts over time depending on the export contracts won by the industry.

During the period in question, i.e. 2000-2001, small-calibre barrel weapons (MEC 1), the most important part of the category 'small arms and light weapons', apparently played a negligible role in Swedish exports. This is worth bearing in mind in the light of Sweden's active participation in the preparations for the UN Conference on the Illicit Trade in Small Arms and in the conference itself in July 2001. The small-calibre barrel weapons mentioned under OME 21 are hunting and sporting weapons, exports of which are controlled in order to avoid large shipments of such weapons, which might be used for military purposes.

**Table 4. Value of Swedish exports of military equipment during the period 2000-2001 (MSEK) in accordance with the main categories specified in the Military Equipment Classification**

		2000	2001
<i>Military Equipment for Combat Purposes (MEC)</i>			
MEC1	Small-calibre barrel weapons	0	0
MEC2	Cannons, anti-tank guns	67	46
MEC3	Ammunition	143	306
MEC4	Missiles, rockets, torpedoes, bombs	144	72
MEC5	Firing control equipment	522	155
MEC6	ABC weapons	0.8*	0.7*
MEC7	Gunpowder and explosives	115	117
MEC8	Warships	535	488
MEC9	Combat aircraft	0	0
MEC10	Combat vehicles	663	62
MEC11	Directed energy weapon systems	0	0
<b>TOTAL MEC</b>		<b>2 190</b>	<b>1 247</b>
* The exports under MEC6 consist of components for tear-gas products to countries in Western Europe			
<i>Other Military Equipment (OME)</i>			
OME21	Small-calibre barrel weapons, parts etc.	6	5
OME22	Cannons, anti-tank guns, parts etc.	153	180
OME23	Ammunition for training purposes etc.	316	258
OME24	Training rockets, sweeping equipment etc.	36	39
OME25	Reconnaissance and measurement equipment	798	539
OME26	Protective equipment etc.	21	11
OME27	Gunpowder and explosives components	0.0008	0
OME28	Surveillance vessels etc.	81	58
OME29	Aircraft designed for military use etc.	50	83
OME30	Vehicles designed for military use etc.	231	155
OME31	Directed energy weapon systems	0	0
OME32	Fortifications	0	0
OME33	Electronic equipment for military use	59	50
OME34	Photographic and electro-optical equipment	0.5	0.3
OME35	Training equipment	407	418
OME36	Manufacturing equipment	23	13
OME37	Software	1	3.5
<b>TOTAL OME</b>		<b>2 182</b>	<b>1 813</b>

## 20.5 Geographical distribution of exports

A total of 55 countries received deliveries of Swedish military equipment in 2001, compared with 52 in 2000 and 49 in 1999. The regional distribution of exports, as shown in tables 5a and 5b indicates the normal pattern, i.e. the largest share of Swedish exports of military equipment is destined for the Nordic countries, other Western European countries, North America, and Australia and New Zealand. These destinations accounted for about 72% of total exports in 2001; the corresponding figure for 2000 was 64% and for 1999 it was 76%.

**Table 5a. Exports of military equipment by regions in MSEK\***

REGION	VALUE OF EXPORTS OF MILITARY EQUIPMENT (MSEK)		
	MEC	OME	TOTAL
European Union	507.9	673.6	1 181.5
North America	157.8	362.8	520.7
Non-EU Europe	162.6	281.7	444.2
Southeast Asia	178.5	138	316.5
South America	58.9	207.5	266.3
South Asia	43.4	98.3	141.6
Oceania	57.4	18.3	75.7
Central America and Caribbean	55	0	55
Middle East	23.1	6.3	29.3
Northeast Asia	0.4	23.6	24
North Africa	2.4	2.4	4.9
Sub-Saharan Africa	0.26	0.4	0.7

*Since all the figures are given to one decimal place there may in some cases be a discrepancy between the aggregate amounts and the totals of the MEC and OME amounts.*

\* The regional division has been changed this year to be consistent with the regional division adopted by the EU Council Working Party on Arms Exports in order to make it easier to compare the Member States' statistics. Sweden exported military equipment to the following countries in the respective regions: **EU** (Austria, Belgium, Denmark, Finland, France incl. New Caledonia, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, United Kingdom) **North America** (USA, Canada) **Non-EU Europe** (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Iceland, Latvia, Lithuania, Norway, Poland, Romania, Russia, Slovenia, Switzerland, Turkey) **Southeast Asia** (Indonesia, Malaysia, Singapore, Thailand) **South America** (Argentina, Brazil, Chile, Peru, Venezuela) **South Asia** (India, Pakistan) **Oceania** (Australia, New Zealand) **Central America and Caribbean** (Mexico) **Middle East** (Bahrain, Oman, Saudi Arabia, United Arab Emirates) **Northeast Asia** (Japan, Republic of Korea) **North Africa** (Tunisia) **Sub-Saharan Africa** (Mauritius, Namibia, South Africa)



**Table 5 b****Exports of military equipment by regions as a percentage of the value in 2001\***

REGION	DISTRIBUTION OF EXPORTS OF MILITARY EQUIPMENT AS A PERCENTAGE OF THEIR VALUE		
	MEC	OME	TOTAL
European Union	40.71	37.16	38.61
North America	12.65	20.01	17.01
Non-EU Europe	13.03	15.54	14.52
Southeast Asia	14.31	7.61	10.34
South America	4.72	11.44	8.70
South Asia	3.48	5.42	4.63
Oceania	4.60	1.01	2.47
Central America and Caribbean	4.41	0	1.80
Middle East	1.85	0.35	0.96
Northeast Asia	0.04	1.30	0.78
North Africa	0.19	0.13	0.16
Sub-Saharan Africa	0.02	0.02	0.02

\* See the note under table 5a for an explanation of the regional division.

The following tables show the proportion of exports of military equipment to recipient countries. Table 6 includes all countries where exports of military equipment exceeded MSEK 1 in any year during the period 1999-2001.

The largest individual recipient of Swedish military equipment in 2001 was the USA (MSEK 433), followed by Norway (MSEK 357), Denmark (MSEK 335), Germany (MSEK 236) and Brazil (MSEK 221). These five destinations accounted for about 52% of total Swedish exports of military equipment.

**Table 6. Exports of military equipment by countries 1999-2001 (MSEK)**

	<b>1999</b>			<b>2000</b>			<b>2001</b>		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
Austria	79.1	84.4	<b>163.5</b>	69.3	24.7	<b>94.0</b>	3.4	111.1	<b>114.4</b>
Australia	21.0	31.4	<b>52.4</b>	83.6	16.8	<b>100.4</b>	54	16.2	<b>70.2</b>
Bahrain	0.0	0.1	<b>0.1</b>	-	1.1	<b>1.1</b>	23.1	1.5	<b>24.6</b>
Belgium	0.1	17.6	<b>17.6</b>	0.09	85.0	<b>85.09</b>	0.0	10.2	<b>10.2</b>
Brazil	201.1	161.3	<b>362.4</b>	5.6	242.8	<b>248.4</b>	16	205	<b>221</b>
Canada	25.6	31.6	<b>57.2</b>	18.3	49.7	<b>68.0</b>	2.3	85.2	<b>87.4</b>
Chile							4	0.2	<b>4.2</b>
Croatia							-	5.4	<b>5.4</b>
Czech Republic	1.5	0.8	<b>2.3</b>	2.2	0.5	<b>2.7</b>	1.5	0.08	<b>1.6</b>
Denmark	89.8	68.2	<b>158.0</b>	6.2	37.9	<b>44.1</b>	314.2	20.6	<b>334.8</b>
Estonia	0.0	2.8	<b>2.8</b>	0.07	0.07	<b>0.14</b>	0.0	4.4	<b>4.4</b>
Finland	1.7	19.1	<b>20.8</b>	34.9	62.0	<b>96.9</b>	22.9	32.6	<b>55.5</b>
France	125.4	77.1	<b>202.5</b>	0.6	81.5	<b>82.1</b>	1.3	85.5	<b>86.9</b>
Germany	30.1	313.1	<b>343.2</b>	24.6	255.3	<b>279.9</b>	10.2	225.5	<b>235.7</b>
Greece	0.0	0.2	<b>0.2</b>	59.4	0.8	<b>60.2</b>	116.9	5.6	<b>122.4</b>
India	0.0	5.0	<b>5.0</b>	1.7	119.2	<b>120.9</b>	37.5	88.6	<b>126.1</b>
Indonesia							-	2.3	<b>2.3</b>
Ireland	6.0	3.7	<b>9.7</b>	16.7	12.3	<b>29.0</b>	5.5	12	<b>17.5</b>
Italy	4.2	40.3	<b>44.5</b>	3.6	74.4	<b>78.0</b>	5.2	11.2	<b>16.4</b>
Japan	0.2	19.5	<b>19.7</b>	0.3	10.5	<b>10.8</b>	0.4	23.3	<b>23.8</b>
Latvia	0.0	2.0	<b>2.0</b>	4.0	1.0	<b>5.0</b>	-	0.4	<b>0.4</b>
Lithuania	4.9	6.1	<b>10.9</b>	23.8	0.1	<b>23.9</b>	0.0	7.3	<b>7.3</b>
Malaysia	30.7	3.9	<b>34.6</b>	80.5	0.3	<b>80.8</b>	120.3	15.8	<b>136.1</b>
Mexico	63.2	1.0	<b>64.1</b>	202.7	29.1	<b>231.8</b>	55	-	<b>55</b>
Netherlands	-	9.4	<b>9.4</b>	0.1	10.5	<b>10.6</b>	0.0	32.2	<b>32.2</b>
New Zealand	-	0.7	<b>0.7</b>	2.5	0.8	<b>3.3</b>	3.4	2.1	<b>5.5</b>
Norway	676.3	355.9	<b>1 032.2</b>	877.8	274.0	<b>1 151.8</b>	122.9	234.4	<b>357.3</b>
Oman	-	3.6	<b>3.6</b>	-	0.4	<b>0.4</b>	-	1.7	<b>1.7</b>
Pakistan	-	5.1	<b>5.1</b>	-	0.3	<b>0.3</b>	5.9	9.7	<b>15.6</b>
Poland	0.4	20.2	<b>20.6</b>	16.4	1.5	<b>17.9</b>	-	0.2	<b>0.2</b>
Portugal	1.1	0.2	<b>1.2</b>	-	0.1	<b>0.1</b>	-	1.6	<b>1.6</b>
Saudi Arabia	-	0.4	<b>0.4</b>	-	0.2	<b>0.2</b>	-	2.2	<b>2.2</b>
Singapore	20.6	25.8	<b>46.4</b>	333.5	121.2	<b>454.7</b>	58.2	118	<b>176.2</b>
Slovenia	-	1.3	<b>1.3</b>	-	0.6	<b>0.6</b>	-	0.5	<b>0.5</b>
Spain	0.6	8.4	<b>8.9</b>	0.8	46.3	<b>47.1</b>	0.07	55	<b>55</b>

	<b>1999</b>			<b>2000</b>			<b>2001</b>		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
Switzerland	276.1	21.6	<b>297.7</b>	59.9	34.1	<b>94.0</b>	37.8	26.4	<b>64.2</b>
Thailand	-	51.3	<b>51.3</b>	21.9	0.7	<b>22.6</b>	-	1.9	<b>1.9</b>
Tunisia	-	1.6	<b>1.6</b>	13.9	6.3	<b>20.2</b>	2.4	2.4	<b>4.9</b>
Turkey	-	-	-	-	1.4	<b>1.4</b>	-	1.4	<b>1.4</b>
United Arab Emirates	0.0	8.3	<b>8.3</b>	-	0.3	<b>0.3</b>	-	0.9	<b>0.9</b>
United Kingdom	0.6	58.9	<b>59.4</b>	2.1	70.0	<b>72.2</b>	28.2	70.7	<b>98.9</b>
USA	116.4	187.7	<b>304.0</b>	80.2	317.4	<b>397.6</b>	155.6	277.7	<b>433.2</b>
Venezuela	177.3	48.7	<b>226.0</b>	141.4	187.8	<b>329.2</b>	38.9	2.1	<b>41</b>
<i>Other countries</i>	<i>0.3<sup>1</sup></i>	<i>1.3<sup>2</sup></i>	<i>1.6</i>	<i>0.5<sup>3</sup></i>	<i>3.1<sup>4</sup></i>	<i>3.6</i>	<i>0.6<sup>5</sup></i>	<i>2.2<sup>6</sup></i>	<i>2.8</i>
<b>TOTAL</b>	<b>1 954</b>	<b>1 700</b>	<b>3 654</b>	<b>2 189</b>	<b>2 182</b>	<b>4 371</b>	<b>1 247</b>	<b>1 813</b>	<b>3 060</b>

*Since all the figures are given to one decimal place there may in some cases be a discrepancy between the sum totals and the sum of the OME and MEC amounts.*

*Exports of military equipment totalling less than SEK 50,000 are recorded in table 6 as MSEK 0.0.*

In table 7, the statistics on country exports in table 6, which only shows whether the exported military equipment is Other Military Equipment (OME) or Military Equipment for Combat Purposes (MEC), are supplemented by data broken down into the relevant types of equipment for each destination. As in table 2, the data are broken down into the main categories specified in the Military Equipment Classification. More detailed information on the content of each category will be found in Annex 1 to the Military Equipment Ordinance (1992:1303). As in table 2, the main types of products in the respective categories of equipment are listed. This means that one or more of the products, or subcomponents of them, in an equipment category were exported, but it does not mean that all the products in each category of equipment were exported.

<sup>1</sup> Israel, Peru and South Africa

<sup>2</sup> Andorra, Hongkong (China), Hungary, Iceland, Mauritius, Namibia, Peru, and South Africa

<sup>3</sup> Hungary, Iceland and South Africa

<sup>4</sup> Andorra, Brunei, Bulgaria, Chile, Hungary, Indonesia, Iceland, Mauritius, Namibia, Peru, Russia and South Africa

<sup>5</sup> Iceland, Romania, Hungary and South Africa

<sup>6</sup> Argentina, Bulgaria, Hungary, Iceland, Mauritius, Namibia, New Caledonia, Peru, the Republic of Korea, Russia and South Africa

**Table 7. Exports of military equipment in 2001 by countries and the main categories specified in the Military Equipment Classification (MSEK)\***

\* The table lists the main types of products in the respective categories of equipment, which does not, however, mean that all the products in the category were exported. For illustrative purposes, specific equipment information is given instead of the standardised main category descriptions in the case of a small number of countries.

Country	Main category to which exports relate (category number and type of product)		Value of exports (MSEK)
	MEC	OME <sup>1</sup>	
Argentina	3 Ammunition	22,23 Cannons, anti-tank guns, parts etc., training ammunition etc.	0,1
Australia	2,3,5,7 Cannons, anti-tank guns, ammunition, firing control equipment, gunpowder and explosives	22,23,24,25,28,36,37 Cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., surveillance vessels etc., manufacturing equipment, software	70,2
Austria	3,7 Ammunition, gunpowder and explosives	22,23,24,29,35 Cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment etc., aircraft designed for military use etc., training equipment	114,4
Bahrain	2,5 Anti-tank guns, parts for firing control equipment	22,25,37 Spare parts for anti-tank guns and command and control systems	24,6
Belgium	3 Ammunition	21,22,23,24,25 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., training rockets, sweeping equipment etc., reconnaissance and measurement equipment etc.	10,2
Brazil	2,3,4,5 Cannons, anti-tank guns, ammunition, missiles, rockets, torpedoes, bombs, firing control equipment	22,23,25,35,37 Cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., training equipment, software	220,9
Bulgaria	3 Ammunition	23 Training ammunition etc.	0,04

<sup>1</sup> The various subcategories of equipment in the main categories MEC and OME may have the same designation; the designations are generic and relate to the type of equipment system.

**MEC:** Military Equipment for Combat Purposes consists of destructive equipment, including sights for such equipment, and firing control equipment.

**OME:** Other Military Equipment includes parts and components for military equipment for combat purposes and equipment that is not directly destructive in a combat situation.

Country	Main category to which exports relate (category number and type of product)		Value of exports (MSEK)
	MEC	OME <sup>1</sup>	
Canada	3,7 Ammunition, gunpowder and explosives	22,23,25,35 Cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., training equipment	87,4
Chile	7 Gunpowder and explosives	22 Cannons, anti-tank guns, parts etc.	4,2
Croatia		24 Minesweeping equipment	5,4
Czech Republic	3,7 Ammunition, gunpowder and explosives	23,29 Training ammunition etc., aircraft designed for military use etc.	1,6
Denmark	3,5,7,8 Ammunition, firing control equipment, gunpowder and explosives, warships	22,23,24,25,35 Cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., training equipment	334,8
Estonia	3 Ammunition	22,23 Cannons, anti-tank guns, parts etc., training ammunition etc.	4,4
Finland	2,3,4,7 Cannons, anti-tank guns, ammunition, missiles, rockets, torpedoes, bombs, gunpowder and explosives	22,23,24,25,28,35 Cannons, anti-tank guns, parts, etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., surveillance vessels etc., training equipment	55,5
France	2,3,7 Cannons, anti-tank guns, ammunition, gunpowder and explosives	22,23,25,33,35 Cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., electronic equipment for military use, training equipment	86,8
Germany	3,6,7 Ammunition, ABC weapons (components for tear-gas products), gunpowder and explosives	22,23,24,25,28,29,30,33,34,35,36,37 Cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., surveillance vessels etc., aircraft designed for military use etc., vehicles designed for military use etc., electronic equipment for military use, photographic and electro-optical equipment, training equipment, manufacturing equipment, software	235,7
Greece	3 Ammunition	21,23,25,37 Small-calibre barrel weapons, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., software	122,4
Hungary	3 Ammunition	23 Training ammunition etc.	0,7
Iceland	3 Ammunition	23 Training ammunition etc.	0,07
India	2,4,5 Fuses, spare parts for howitzers	22,24,25,36 Control equipment, spare parts for howitzers	126,1

Country	Main category to which exports relate (category number and type of product)		Value of exports (MSEK)
	MEC	OME <sup>1</sup>	
Indonesia		22 Spare parts for anti-aircraft artillery	2,3
Ireland	3,5 Ammunition, firing control equipment	23,24,35 Training ammunition etc., training rockets , sweeping equipment etc., training equipment	17,5
Italy	3,7 Ammunition	21,23,30,33 Small-calibre barrel weapons, parts etc., training ammunition etc., vehicles designed for military use etc., electronic equipment for military use	16,4
Japan	3,7 Ammunition, gunpowder and explosives	21,22,23,24,26,29,35,37 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition, training rockets , sweeping equipment etc., protective equipment etc., aircraft designed for military use etc., training equipment, software	23,8
Latvia		23,35 Training ammunition etc., training equipment	0,4
Lithuania	3 Ammunition	22,23 Cannons, anti-tank guns, parts etc., training ammunition etc.	7,3
Malaysia	8 Warships	21,22,23,25,26,28 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., protective equipment etc., surveillance vessels etc.	136,1
Mauritius	3 Ammunition	23 Training ammunition etc.	0,01
Mexico	8 Combat vessels		55
Namibia		23 Training ammunition etc.	0,1
Netherlands	3 Ammunition	21,22,23,25,29,30,35 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc., aircraft designed for military use etc., vehicles designed for military use etc., training equipment	32,2

Country	Main category to which exports relate (category number and type of product)		Value of exports (MSEK)
	MEC	OME <sup>1</sup>	
Norway	3,5,7 Ammunition, firing control equipment, gunpowder and explosives	21,22,23,24,25,26,28,29,30,35,36,37 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., protective equipment etc., surveillance vessels etc., aircraft designed for military use etc., vehicles designed for military use etc., training equipment, manufacturing equipment, software	357,3
New Caledonia (France)		23 Training ammunition etc.	0,2
New Zealand	3 Ammunition	21,22,23,25 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc.	5,5
Oman		25 Reconnaissance and measurement equipment etc.	1,7
Pakistan	4 Spare parts for torpedoes	24,25 Spare parts for radar equipment and anti-aircraft artillery	15,6
Peru		23 Training ammunition etc.	0,09
Poland	3 Ammunition	23 Training ammunition etc.	0,2
Portugal	3 Ammunition	22,23,36 Cannons, anti-tank guns, parts etc., training ammunition etc., manufacturing equipment	1,6
Republic of Korea		25 Reconnaissance and measurement equipment etc.	0,2
Romania	7 Gunpowder and explosives		0,3
Russia		23 Training ammunition etc.	0,4
Saudi Arabia		33 Spare parts for electronic equipment for military use	2,2
Singapore	3,4,8 Ammunition, missiles, rockets, torpedoes, bombs, warships	21,22,24,25,26,28,35 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training rockets , sweeping equipment, parts etc., reconnaissance and measurement equipment etc., protective equipment etc., surveillance vessels etc., training equipment	176,2
Slovenia		23,26 Training ammunition etc., protective equipment etc.	0,5

Country	Main category to which exports relate (category number and type of product)		Value of exports (MSEK)
	MEC	OME <sup>1</sup>	
Spain	3,7 Ammunition, gunpowder and explosives	23,25,26,30,37 Training ammunition etc., reconnaissance and measurement equipment etc., protective equipment etc., vehicles designed for military use etc., software	55
Switzerland	3,7,10 Ammunition, gunpowder and explosives, combat vehicles	21,22,23,24,25,30,33,35,37 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., vehicles designed for military use etc., electronic equipment for military use, training equipment, software	64,2
United Arab Emirates		21,25 Small-calibre barrel weapons, parts etc., reconnaissance and measurement equipment etc.	0,9
United Kingdom	3,7,10 Ammunition, gunpowder and explosives, combat vehicles	21,23,24,25,29,30,33,36 Small-calibre barrel weapons, parts etc., training ammunition etc., training rockets , sweeping equipment etc., reconnaissance and measurement equipment etc., aircraft designed for military use etc., vehicles designed for military use etc., electronic equipment for military use, manufacturing equipment	98,9
South Africa	7 Gunpowder and explosives	23 Training ammunition etc.	0,6
Thailand		22,23,25 Cannons, anti-tank guns, parts etc., training ammunition etc., reconnaissance and measurement equipment etc.	1,9
Tunisia	7 Gunpowder and explosives	25,35 Reconnaissance and measurement equipment etc., training equipment	4,9
Turkey		23 Ammunition for shooting competitions	1,4
USA	2,3,4,5,7 Cannons, anti-tank guns, ammunition, missiles, rockets , torpedoes, bombs, firing control equipment, gunpowder and explosives	21,22,23,24,25,29,30,33,35,37 Small-calibre barrel weapons, cannons, anti-tank guns, parts etc., training ammunition etc., training rockets , sweeping equipment, etc., reconnaissance and measurement equipment etc., aircraft designed for military use etc., vehicles designed for military use etc., electronic equipment for military use, training equipment, software	433,2
Venezuela	4,5 Parts for anti-aircraft and anti-tank guns	24,25,35 Spare parts for anti-aircraft and anti-tank equipment and spare parts for radar equipment	41



## 20.6 Transfers of manufacturing rights, cooperation etc.

Five licences were granted in 2001 for the transfer of manufacturing rights to other countries. The countries concerned were Greece, Japan, Malaysia, Mexico and the USA.

16 cooperation agreements were examined and authorised for joint development or production with the following countries: Chile, Finland (two authorisations), the United Arab Emirates, Greece (two authorisations), Japan, Saudi Arabia (two authorisations), the United Kingdom, South Africa (two authorisations), the USA (three authorisations) and Venezuela.

In assessments of cases involving the transfer of manufacturing rights or cooperation with foreign partners, the stricter criteria applied to exports of Military Equipment for Combat Purposes are applied irrespective of the type of export, because this kind of cooperation normally results in a lengthier commitment than in the case of regular exports. The scope of such agreements, their duration, re-export clauses etc. are examined in detail in these cases.

Under the Military Equipment Act (1992:1300), entities which have transferred manufacturing rights for military equipment to a party in a foreign country or have entered into a cooperation agreement with a foreign partner are required to report on an annual basis whether the agreement is still in force, whether manufacture or other cooperation under such an agreement still takes place and how such cooperation is carried on.

In 2001, 10 companies reported a total of 80 valid cooperation agreements in 22 countries and 11 companies reported a total of 95 valid licensing agreements in 24 countries.

## 20.7 Military-oriented training

Under the Military Equipment Act foreign subjects may not be given military-oriented training within or outside Sweden without the permission of the National Inspectorate of Strategic Products. No such permission was granted in 2001.

The prohibition does not apply to training that is related to sales of military equipment for which an export licences were granted.

## 20.8 Reporting of ownership in foreign legal entities

Under the Military Equipment Act (1992:1300), companies that have been granted authorisation to manufacture or supply military equipment must submit annual reports on their ownership of foreign legal entities that are engaged in the development, manufacture, marketing or sales of

military equipment. In 2001, 12 companies reported ownership in 45 foreign legal entities in 20 countries.

## 20.9 The exporting companies

Some 120 companies are authorised to manufacture military equipment, and 45 of these exported such equipment in 2000. The largest exporters of military equipment in 2001 were, in descending order: Saab Bofors Dynamics AB, Ericsson Microwave Systems AB, Saab Training Systems AB, Kockums AB and Hägglunds Vehicle AB. The largest exporter, Saab Bofors Dynamics AB, reported export revenues of between MSEK 500 and MSEK 1,000 in 2001. The export revenues of the other four companies were between MSEK 200 and MSEK 500. Three other companies exported equipment worth more than MSEK 100, viz. N. Sundin Dockstavarvet AB, Norma Precision AB and Nexplo Bofors AB.

The following two companies reported export sales of between MSEK 50 and 100: Celsius Weapon Systems AB and SaabTech Electronics AB. The export sales of the following 15 companies totalled MSEK 10-50: Volvo Aero AB, Saab Dynamics AB, SaabTech Systems AB, Nammo LIAB AB, Telub AB, Bofors Defence AB, SWS Defence AB, Vanäsverken AB, SAAB AB/Saab Aerospace, AerotechTelub AB, Polyamp AB, Saab Avionics AB, Åkers Krutbruk Protection AB, Cell ITS AB and Airsafe Sweden AB.

The export sales of the following companies totalled MSEK 1-10: Scania CV AB, Scandinavian Demining Group AB, Försvarets materielverk Transport, Degerfors Formnings Deform AB, FFV Ordnance AB, Aimpoint AB, Applied Composites AB ACAB, New Pac Safety AB, CNC-Process i Hova AB, Forsheda AB, Karlskoga CNC Quality AB and Schill Reglerteknik AB.

The export sales of the following companies were less than SEK 100,000 in 2001: BEFYRAEM Service & Innovation, AB (B4M), Waltreco AB, FLIR Systems AB Optronik, Sundström Safety AB, MG Instrument AB, Lesjöfors Fjädrar AB, Ekenäs Mekaniska AB, Vapex Import and Export AB.

## 20.10 Employment trends, ownership situation etc. in companies that produce military equipment

14 of the largest manufacturers of military equipment in Sweden are members of the Association of Swedish Defence Industries, which was established in 1986. Its members account for the great majority of exports of military equipment. The Association defines exports of military equipment as member companies' supplies to other countries of 'military equipment and civil products to military customers', i.e. a definition that is not strictly limited to military equipment as such.

According to the most recent statistics issued by the Association, member companies employed 26,400 people in their military equipment

divisions in 1987, a figure that subsequently dropped to 22,780 in 1990 and to 14,250 in 1997. The number of employees in the member companies' military equipment divisions in 2001 was 15,080. It should be noted, however, that employment in the Swedish defence industry has not been taken into account in the assessment of exports of military equipment. This can be seen from the criteria set forth in the Swedish Guidelines on Exports of Military Equipment (Annex 3).

These companies' exports of military equipment within the Association's definition totalled MSEK 6,700 in 1987, MSEK 6,294 in 1990, MSEK 4,434 in 1998, MSEK 3,940 in 1999 and MSEK 5,715 in 2000. Exports of military equipment in 2000 increased by 45% compared with 1999. The companies' sales to the Swedish armed forces fell between 1999 and 2000 from MSEK 15,800 to SEK 12,500, or by 20.9%.

The pace of restructuring in Europe has accelerated in recent years, although it has not yet achieved the same level of concentration in this sector as in the USA, and it remains to be seen how far the European defence industry will move in that direction.

The ownership situation as regards the largest Swedish defence industry enterprises is currently as follows. The Swedish producer of military vehicles H vehicle AD is 100% owned by the British Alvis plc. Bofors Defence AB, which specialises in research and development of weapon systems and ammunition, is 100% owned by the American defence group United Defense and the Swedish submarine and surface ship manufacturer Kockums AB is 100% owned by the Howaldtswerke Deutsche Werft AG, a German company. Saab AB which includes the business areas Saab Systems and Electronics, Saab Aerospace, Saab Bofors Dynamics, Saab Technical Support and Services, Saab Ericsson Space and Saab Aviation Services, is 35% owned by the British company BAE SYSTEMS and 20% by Investor (Investor's percentage of the votes is 36%), the remaining 45% being owned by a number of Swedish and foreign investors. The Saab group also includes the sales company Gripen International, which is responsible for foreign sales of Gripen. Gripen International is 50% owned by Saab AB and 50% by BAE SYSTEMS. As regards the explosives and ammunition manufacturers Nammo Sweden AB and NEXPLO Industries AB, the former is 100% owned by the Norwegian company Nammo A.S. and the latter 60% owned by Saab AB and 40% by the Finnish company Patria Industries Oy. Ericsson Microwave Systems AB, which develops and manufactures sensors and information networks, is 100% owned by the telephone company LM Ericsson and Volvo Aero Corporation is 100% owned by AB Volvo.

## 21 Annex 2: Export controls of dual-use items in 2001

It is not possible to present complete statistics on dual-use items like those for military equipment, since the control of dual-use items is based on the principle of freest possible trade, which means that controls are only applied in certain cases. It is, however, possible to report the number of applications for licences in various control areas.

**Table 1. Number of export licence applications relating to dual-use items, 1998-2001**

Applications for export licences	1998	1999	2000	2001
<b>Total</b>	447	380	223	245
Wassenaar Arrangement	412	339	181	177
Missile Technology Control Regime	5	0	2	7
Nuclear Suppliers Group (Part 2)	5	5	6	14
Australia Group	25	36	34	47

Global licences can be granted for frequent exports of products to civilian buyers for non-military end use. The licences specify the country or countries for which they are valid. A general Community authorisation was introduced by the new Council Regulation (see section 17). It is applicable to exports to ten non-EU countries of most items that are exempt from EU controls. The new Community authorisation is one more expression of the consensus between the Member States as regards exports to these countries. Five national general licences (TFS 2000:24) relating to encryption, repairs, demonstration and chemical mixtures were issued in 2001. Individual licences are granted in the case of other export situations involving dual-use items.

Table 2 shows the number of preliminary inquiries submitted to the ISP during the period 1999-2001 regarding exports of dual-use items and the number of denials and catch-all procedures during the same period (see sections 16 and 17).

**Table 2 Number of preliminary inquiries submitted, denials and catch-all procedures during the period 1999-2001**

Year	1999	2000	2001
Number of preliminary inquiries submitted	-	10	25
Number of denials issued	0	3	6
Number of catch-all procedures	4	9	5

## 22 Annex 3: Swedish guidelines on exports of military equipment and other cooperation with foreign partners

Licences for exports of military equipment or for other cooperation arrangements with foreign partners involving military equipment should only be granted where such exports or cooperation:

1. are considered necessary to meet the Swedish armed forces' need of military equipment or know-how or are otherwise desirable for reasons of national security; and
2. do not conflict with the principles and objectives of Swedish foreign policy.

When considering an application for a licence, the Government shall make an overall assessment of all the relevant circumstances, taking into account the basic principles mentioned above.

There is no obstacle from the point of view of foreign policy to cooperation with, or exports to, the Nordic countries and the traditionally neutral countries of Europe. In principle, cooperation with these countries may be considered consistent with Sweden's security policy. As cooperation with the other Member States of the European Union develops, the same principles regarding cooperation with foreign partners and exports should be applied to these countries too.

Licences may only be granted to governments, central government agencies or government-authorised recipients, and an End User Certificate or an Own Production Declaration should be presented in connection with exports of military equipment. A state which, despite undertakings given to the Swedish Government, allows, or fails to prevent, unauthorised re-exportation of Swedish military equipment shall not in principle be eligible as a recipient of such equipment from Sweden as long as these circumstances persist.

Licences for exports or for other cooperation arrangements with foreign partners pursuant to the Military Equipment Act must not be granted if this would contravene an international agreement to which Sweden is a party, a Resolution adopted by the United Nations Security Council or provisions of international law concerning exports from neutral states during a war (absolute obstacles).

Licences for exports of military equipment or for other cooperation arrangements with foreign partners must not be granted where the recipient country is a state in which widespread and serious violations of human rights occur. Respect for human rights is an essential condition for the issuance of licences.

Licences for exports of Military Equipment for Combat Purposes or for other cooperation arrangements with foreign partners involving Military Equipment for Combat Purposes or Other Military Equipment

should not be granted where the state in question is involved in an armed conflict with another state, regardless of whether or not war has been declared, is involved in an international conflict that may lead to an armed conflict or is the scene of internal armed disturbances.

Licences should be granted for exports of equipment designated as Other Military Equipment provided that the recipient country is not involved in an armed conflict with another state, that it is not the scene of internal armed disturbances, that widespread and serious violations of human rights do not occur there and that no absolute obstacles exist.

A licence that has been granted should be revoked not only if an absolute obstacle to exports arises, but also if the recipient country becomes involved in an armed conflict with another country or becomes the scene of internal armed disturbances. Exceptionally, revocation of a licence may be forgone in the last two cases if this is consistent with international law and with the principles and objectives of Swedish foreign policy.

Licences should be granted for exports of spare parts for equipment previously exported under a licence, unless an absolute obstacle exists. The same applies to other supplies, for example of ammunition, linked to previous exports of equipment, or otherwise in cases where it would be unreasonable to refuse a licence.

As regards agreements with a foreign party on joint development or production of military equipment, the basic criteria mentioned above are to be applied when licence applications are considered. Exports to the cooperating country under the agreement should be permitted unless an absolute obstacle arises. If an agreement with a foreign party is linked to exports from the cooperating country to third countries, the question of such exports should, provided that the identity of the equipment concerned is predominantly Swedish, be considered in accordance with the guidelines for exports from Sweden.

As regards equipment with a predominantly foreign identity, exports from the cooperating country to third countries should be considered in accordance with the export rules of the cooperating country. If Sweden has a strong interest in cooperation for reasons of defence policy, and certain exports from the cooperating country are a condition for cooperation, exports to third countries may, depending on the circumstances, be allowed under the export rules of the cooperating country in other cases too.

In cases where cooperation on military equipment with a foreign partner is extensive and important to Sweden, an intergovernmental agreement should be concluded between Sweden and the cooperating country. The Advisory Council on Foreign Affairs should be consulted before such agreements are concluded.

## 23 Annex 4: The EU Code of Conduct on Arms Exports

**EUROPEAN UNION  
THE COUNCIL**

**Brussels, 5 June 1998**

**(OR.en)**

**8675/2/98**

### **EUROPEAN UNION CODE OF CONDUCT ON ARMS EXPORTS**

THE COUNCIL OF THE EUROPEAN UNION,

BUILDING on the Common Criteria agreed at the Luxembourg and Lisbon European Councils in 1991 and 1992,

RECOGNIZING the special responsibility of arms exporting states,

DETERMINED to set high common standards which should be regarded as the minimum for the management of, and restraint in, conventional arms transfers by all Member States, and to strengthen the exchange of relevant information with a view to achieving greater transparency,

DETERMINED to prevent the export of equipment which might be used for internal repression or international aggression or contribute to regional instability,

WISHING within the framework of the Common Foreign and Security Policy (CFSP) to reinforce cooperation and to promote convergence in the field of conventional arms exports,

NOTING complementary measures taken against illicit transfers, in the form of the EU Programme for Preventing and Combating Illicit Trafficking in Conventional Arms,

ACKNOWLEDGING the wish of Member States to maintain a defence industry as part of their industrial base as well as their defence effort,

RECOGNIZING that States have a right to transfer the means of self-defence, consistent with the right of self-defence recognised by the UN Charter,

HAS DRAWN UP the following Code of Conduct together with Operative Provisions:

#### CRITERION ONE

Respect for the international commitments of 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

An export licence should be refused if approval would be inconsistent with, inter alia:

- (a) the international obligations of Member States and their commitments to enforce UN, OSCE and EU arms embargoes;
- (b) the international obligations of Member States under the Nuclear Non-Proliferation Treaty, the Biological and Toxin Weapons Convention and the Chemical Weapons Convention;
- (c) the commitments of Member States in the framework of the Australia Group, the Missile Technology Control Regime, the Nuclear Suppliers Group and the Wassenaar Arrangement;
- (d) the commitment of Member States not to export any form of anti-personnel landmine.

#### CRITERION TWO

The respect of human rights in the country of final destination

Having assessed the recipient country's attitude towards relevant principles established by international human rights instruments, Member States will:

- (a) not issue an export licence if there is a clear risk that the proposed export might be used for internal repression.
- (b) exercise special caution and vigilance in issuing licences, on a case-by-case basis and taking account of the nature of the equipment, to countries where serious violations of human rights have been established by the competent bodies of the UN, the Council of Europe or by the EU;

For these purposes, equipment which might be used for internal repression will include, inter alia, equipment where there is evidence of the use of this or similar equipment for internal repression by the proposed end-user, or where there is reason to believe that the equipment will be diverted from its stated end-use or end-user and used for internal repression. In line with paragraph 1 of the Operative Provisions of this Code, the nature of the equipment will be considered carefully, particularly if it is intended for



internal security purposes. Internal repression includes, inter alia, torture and other cruel, inhuman and degrading treatment or punishment, summary or arbitrary executions, disappearances, arbitrary detentions and other major violations of human rights and fundamental freedoms as set out in relevant international human rights instruments, including the Universal Declaration on Human Rights and the International Covenant on Civil and Political Rights.

### CRITERION THREE

The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts

Member States will not allow exports which would provoke or prolong armed conflicts or aggravate existing tensions or conflicts in the country of final destination.

### CRITERION FOUR

Preservation of regional peace, security and stability

Member States will not issue an export licence if there is a clear risk that the intended recipient would use the proposed export aggressively against another country or to assert by force a territorial claim.

When considering these risks, Member States will take into account inter alia:

- (a) the existence or likelihood of armed conflict between the recipient and another country;
- (b) a claim against the territory of a neighbouring country which the recipient has in the past tried or threatened to pursue by means of force;
- (c) whether the equipment would be likely to be used other than for the legitimate national security and defence of the recipient;
- (d) the need not to affect adversely regional stability in any significant way.

### CRITERION FIVE

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

Member States will take into account:

- (a) the potential effect of the proposed export on their defence and security interests and those of friends, allies and other Member States, while recognising that this factor cannot affect consideration of the criteria on respect for human rights and on regional peace, security and stability;
- (b) the risk of use of the goods concerned against their forces or those of friends, allies or other Member States;
- (c) the risk of reverse engineering or unintended technology transfer.

## CRITERION SIX

The behaviour of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law

Member States will take into account inter alia the record of the buyer country with regard to:

- (a) its support or encouragement of terrorism and international organised crime;
- (b) its compliance with its international commitments, in particular on the non-use of force, including under international humanitarian law applicable to international and non-international conflicts;
- (c) its commitment to non-proliferation and other areas of arms control and disarmament, in particular the signature, ratification and implementation of relevant arms control and disarmament conventions referred to in point (b) of Criterion One.

## CRITERION SEVEN

The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions

In assessing the impact of the proposed export on the importing country and the risk that exported goods might be diverted to an undesirable end-user, the following will be considered:

- (a) the legitimate defence and domestic security interests of the recipient country, including any involvement in UN or other peace-keeping activity;
- (b) the technical capability of the recipient country to use the equipment;
- (c) the capability of the recipient country to exert effective export controls;

- (d) the risk of the arms being re-exported or diverted to terrorist organisations (anti-terrorist equipment would need particularly careful consideration in this context).

## CRITERION EIGHT

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

Member States will take into account, in the light of information from relevant sources such as UNDP, World Bank, IMF and OECD reports, whether the proposed export would seriously hamper the sustainable development of the recipient country. They will consider in this context the recipient country's relative levels of military and social expenditure, taking into account also any EU or bilateral aid.

## OPERATIVE PROVISIONS

1. Each Member State will assess export licence applications for military equipment made to it on a case-by-case basis against the provisions of the Code of Conduct.
2. The Code of Conduct will not infringe on the right of Member States to operate more restrictive national policies.
3. Member States will circulate through diplomatic channels details of licences refused in accordance with the Code of Conduct for military equipment together with an explanation of why the licence has been refused. The details to be notified are set out in the form of a draft pro-forma set out in the Annex hereto. Before any Member State grants a licence which has been denied by another Member State or States for an essentially identical transaction within the last three years, it will first consult the Member State or States which issued the denial(s). If following consultations, the Member State nevertheless decides to grant a licence, it will notify the Member State or States issuing the denial(s), giving a detailed explanation of its reasoning.

The decision to transfer or deny the transfer of any item of military equipment will remain at the national discretion of each Member State. A denial of a licence is understood to take place when the Member State has refused to authorise the actual sale or physical export of the item of military equipment concerned, where a sale would otherwise have come about, or the conclusion of the relevant contract. For these purposes, a notifiable denial may, in accordance with national procedures, include denial of permission to start negotiations or a negative response to a formal initial enquiry about a specific order.

4. Member States will keep such denials and consultations confidential and not use them for commercial advantage.
5. Member States will work for the early adoption of a common list of military equipment covered by the Code of Conduct, based on similar national and international lists. Until then, the Code of Conduct will operate on the basis of national control lists incorporating where appropriate elements from relevant international lists.
6. The criteria in the Code of Conduct and the consultation procedure provided for by paragraph 3 of these Operative Provisions will also apply to dual-use goods as specified in Annex 1 to Council Decision 94/942/CFSP<sup>(1)</sup>, where there are grounds for believing that the end-user of such goods will be the armed forces or internal security forces or similar entities in the recipient country.

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<sup>(1)</sup> OJ L 367, 31.12.1994, p. 8. Decision as last amended by Decision 98/232/CFSP (OJ L 92, 25.3.1998, p. 1).

7. In order to maximise the efficiency of the Code of Conduct, Member States will work within the framework of the CFSP to reinforce their cooperation and to promote their convergence in the field of conventional arms exports.
8. Each Member State will circulate to other Member States in confidence an annual report on its defence exports and on its implementation of the Code of Conduct. These reports will be discussed at an annual meeting held within the framework of the CFSP. The meeting will also review the operation of the Code of Conduct, identify any improvements which need to be made and submit to the Council a consolidated report, based on contributions from Member States.
9. Member States will, as appropriate, assess jointly through the CFSP framework the situation of potential or actual recipients of arms exports from Member States, in the light of the principles and criteria of the Code of Conduct.
10. It is recognised that Member States, where appropriate, may also take into account the effect of proposed exports on their economic, social, commercial and industrial interests, but that these factors will not affect the application of the above criteria.
11. Member States will use their best endeavours to encourage other arms exporting states to subscribe to the principles of the Code of Conduct.
12. The Code of Conduct and Operative Provisions will replace any previous elaboration of the 1991 and 1992 Common Criteria.

Details to be notified

..... [name of Member State] has the honour to inform partners of the following denial under the EU Code of Conduct:

Destination country: .....

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

Proposed consignee: .....

Proposed end-user (if different): .....

Reason for refusal: .....

Date of denial: .....

## 24 Annex 5: Membership of multilateral export control arrangements

Country	ZC	NSG	AG	MTCR	WA
Argentina	x	x	x	x	x
Australia	x	x	x	x	x
Austria	x	x	x	x	x
Belarus	-	x	-	-	-
Belgium	x	x	x	x	x
Brazil	-	x	-	x	-
Bulgaria	x	x	x	-	x
Cyprus	-	x	x	-	-
Canada	x	x	x	x	x
China	x	-	-	-	-
Czech Rep.	x	x	x	x	x
Denmark	x	x	x	x	x
Finland	x	x	x	x	x
France	x	x	x	x	x
Germany	x	x	x	x	x
Greece	x	x	x	x	x
Hungary	x	x	x	x	x
Iceland	-	-	x	x	-
Ireland	x	x	x	x	x
Italy	x	x	x	x	x
Japan	x	x	x	x	x
Korea (Rep.)	x	x	x	x	x
Latvia	-	x	-	-	-
Luxembourg	x	x	x	x	x
Netherlands	x	x	x	x	x
New Zealand	-	x	x	x	x
Norway	x	x	x	x	x
Poland	x	x	x	x	x
Portugal	x	x	x	x	x
Romania	x	x	x	-	x
Russia	x	x	-	x	x
Slovakia	x	x	x	-	x
Slovenia	x	x	-	-	-
South Africa	x	x	-	x	-
Spain	x	x	x	x	x
Sweden	x	x	x	x	x
Switzerland	x	x	x	x	x
Turkey	x	x	x	x	x
Ukraine	x	x	-	x	x
UK	x	x	x	x	x
USA	x	x	x	x	
<b>TOTAL</b>	<b>35</b>	<b>39</b>	<b>33</b>	<b>33</b>	<b>33</b>

(See section 16 for information about the five export control arrangements).

Changes in 2001:

Bulgaria was admitted to the Australia Group.

Belarus was admitted to the Nuclear Suppliers Group.

The Republic of Korea was admitted to the Missile Technology Control Regime.

The European Commission takes part in the Australia Group and as an observer in the Nuclear Suppliers Group.

## 25 Annex 6: International arms embargoes

The table below lists the international arms embargoes that were in force for the whole or part of 2001, their period of application and the decision under which the embargo was imposed and, in some cases, lifted.

### International arms embargoes in 2001

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION	REFERENCE
Afghanistan	UN embargo	The whole year	UN Security Council Resolution (UNSCR) 1333 (2000);
	EU embargo	The whole year	Common position 96/746/CFSP
Angola	UN embargo (embargo against UNITA and the rest of Angola apart from specified import routes)	The whole year	UNSCR 864 (1993)
Armenia	UN embargo (non-binding )	The whole year	UNSCR 853 (1993)
Azerbaijan	UN embargo (non-binding )	The whole year	UNSCR 853 (1993)
Bosnia and Herzegovina	EU embargo (exemption for minesweeping equipment)	The whole year	Common position 1996/184/CFSP
	Exemption from embargo for transfers of light arms to the police forces	The whole year	Council decision 1999/481/CFSP
Burma/Myanmar	EU embargo	The whole year	General Affairs Council Declaration of 29 July 1991;
	Embargo extended to include equipment that can be used for internal repression of terrorism.	The whole year	Common position 1996/635/CFSP Decision 2000/346/CFSP
Democratic Republic of the Congo	EU embargo	The whole year	Declaration 33/93 7 April 1993
Ethiopia/Eritrea	UN embargo	Lifted on 16 May	UNSCR 1298 (2000) Statement by President of UN Security Council on 15 May 2001
	EU embargo	Extended, then lifted on 31 May	Common position 1999/206/CFSP Common position 2001/215/CFSP



<b>COUNTRY</b>	<b>TYPE OF EMBARGO</b>	<b>PERIOD OF APPLICATION</b>	<b>REFERENCE</b>
Federal Republic of Yugoslavia	UN embargo (exemption for minesweeping equipment) EU embargo (exemption for minesweeping equipment)	Lifted on 10 September  Lifted on 8 October	UNSCR 1160 (1998) UNSCR 1367 (2001)  Common position 1996/184/CFSP Common position 2001/719/CFSP
Iraq	UN embargo  EU embargo	The whole year  The whole year	UNSCR 661 (1990)  Declaration 56/90 of 4 August 1990
China (excl. Hong Kong and Macao)	EU embargo	The whole year	European Council Declaration of 27 June 1989
Liberia	UN embargo  EU embargo	The whole year  From 7 May	UNSCR 788 (1992) in force until 7 March; UNSCR 1343 (2001) in force from 7 March; Common position 2001/357/CFSP
Libya	EU embargo	The whole year	Declaration of foreign ministers 14 April 1986; Common position 1999/261/CFSP
Nagorno-Karabakh	OSCE embargo	The whole year	Decision by OSCE's Senior Officials Committee of 28 February 1992
Rwanda	UN embargo  Exemption for transfers to Rwanda's government via specified routes	The whole year	UNSCR 918 (1994); UNSCR 997 (1995);  UNSCR 1011 (1995)
Sierra Leone	UN embargo on transfers to non-governmental forces in Sierra Leone  EU embargo (exemption for transfers to Sierra Leone's government)	The whole year  The whole year	UNSCR 1171 (1998)  Common position 1998/409/CFSP
Somalia	UN embargo	The whole year	UNSCR 733 (1992)
Sudan	EU embargo	The whole year	Common position 1994/165/CFSP
Yemen	UN embargo (non-binding )	The whole year	UNSCR 924 (1994)

## Ministry for Foreign Affairs

Extract of the minutes of the Cabinet Meeting held on 14 March 2002.

Present: Prime Minister Persson and Ministers Hjelm-Wallén, Thalén, Winberg, Ulvskog, Lindh, Sahlin, von Sydow, Pagrotsky, Östros, Messing, Engqvist, Rosengren, Lejon, Lövdén, Ringholm, Bodström, Karlsson, Sommestad

Rapporteur: Minister Pagrotsky

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The Government adopts Communication 2001/02:114, *Report on Sweden's Export Controls and Exports of Military Equipment in 2001*.