

Government Communication

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Strategic Export Controls in 2005 –
Military Equipment and Dual-Use Goods

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The Government hereby submits this Communication to the Riksdag (Swedish Parliament).

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Göran Persson

Ulrica Messing
(Ministry for Foreign Affairs)

Brief Summary of the Communication

In this Communication the Swedish government reports on Sweden's export control policy with respect to military equipment and dual-use goods in 2005. The Communication also contains a presentation of actual exports of military equipment in 2005 and describes the ongoing cooperation in the EU and other international forums on matters relating to military equipment and dual-use goods.

Contents

Part I – Introduction.....	4
1 The Government’s Communication on export control policy.....	4
2 Exports of military equipment in 2005 and export controls of dual-use products	4
3 Information activities.....	7
Part II – Export controls in Sweden, competent authorities, etc.	8
4 Swedish exports, export controls and export aid.....	8
4.1 Export control of military equipment	8
4.2 Control of dual-use products and of technical assistance .	11
5 The Military Equipment Commission	12
6 Sweden’s defence industry – structure and products	12
7 Swedish companies that work with dual-use products.....	14
8 The Swedish Inspectorate for Strategic Products.....	14
9 The Swedish nuclear industry and the Swedish Nuclear Power Inspectorate	18
Part III – International Cooperation.....	20
10 Cooperation in the EU on export controls of military equipment...	20
11 International reporting on arms transfers	23
12 The state of play as regards arms embargoes	24
13 Efforts to combat the proliferation of small arms and light weapons	26
14 International cooperation on military equipment.....	27
15 The international arms trade	29
16 Corruption in the international arms trade.....	30
17 Cooperation in the international export control regimes.....	30
18 Cooperation in the EU on dual-use products.....	35
19 Swedish Presidency of the Nuclear Suppliers Group (NSG).....	37
20 Raising awareness about export control policy - outreach activities	37
21 Intangible transfers	38
22 Galileo - a European civilian positioning system.....	39
Annexes	41
23 Annex 1: Swedish exports of military equipment in 2005	41
23.1 Introduction.....	41
23.2 Explanations to the tables	41
23.3 Statistical tables	44
23.3.1 Value of export licences granted, 2000-2005, broken down into military equipment for combat purposes (MEC) and other military equipment (OME).....	44
23.3.2 Actual exports, 2000-2005.....	44

23.3.3	Export licences and actual exports during year 2001-2005 broken down into OME and MEC	45
23.3.4	Export licences and actual exports in 2005 by recipient region and country, including mentioning of product categories	46
23.3.5	Pie chart of exports of material equipment, broken down by region as a percentage of their value in 2005.	48
23.3.6	Exports of military equipment by country and broken down into MEC och OME (SEKm).....	49
23.3.7	Follow-on deliveries in 2005	51
23.3.8	Value of actual exports in SEKm 2004-2005 by product category	51
23.3.9	Exports of military equipment, broken down by country according to income.....	52
23.3.10	The Swedish Armed Forces' exports of military equipment	53
23.3.11	Exporting companies, SEKm.....	54
23.3.12	Categories of military equipment – the Swedish military list and the EU list, description of type of products	55
24	Annex 2: Swedish denials	56
24.1.1	Swedish denials in 2005	56
25	Annex 3: Swedish arms brokers	57
25.1.1	Registered brokers in 2005	57
26	Annex 4: Export control of dual-use products in 2005	58
26.1.1	Number of export applications received for dual-use products 2002-2005	59
26.1.2	No. of positive advance rulings	59
26.1.3	No. of denials and applications relating to the catch-all clause	59
26.1.4	Number of individual licences for dual-use products granted in 2005	60
26.1.5	Number of refused applications for advance rulings, denials and catch-all denials	61
26.1.6	Export licences granted for products on NSG's list 1 from companies in Sweden to recipient countries (reported by av the Swedish Nuclear Power Inspectorate).....	61
27	Annex 5: Regulatory framework	62
27.1	Full text of the Swedish guidelines	65
27.2	The European Union Code of Conduct on Arms Exports	67
27.3	Regulation on control of exports of dual-use goods	75
27.3.1	Membership of mulilateral export control regimes in 2005	77
28	Annex 6: International arms embargoes in force in 2005	78
28.1.1	International arms embargoes in 2005.....	78
29	Annex 7: Explanations	82
30	Annex 8: A guide to other sources	84

Part I – Introduction

1 The Government's Communication on export control policy

This is the twenty-first year that the Government is reporting on Sweden's export control policy in a Communication to the Riksdag. The first Communication was presented in 1985. Sweden is not under any formal obligation to present a report on the practical conduct of export control policy. Nevertheless, it was one of the first countries in Europe to present transparent reports on the preceding year's activities in the export control sector. The aim has always been to provide a basis for wider discussion of issues related to export controls and non-proliferation of military equipment and dual-use products.

The form and content of the Communication have changed out of all recognition since 1985. The Communication was then a very brief summary of Sweden's exports of military equipment. The annexed tables gave a general picture of the latest statistics, but they contained no detailed explanations. Today, the Communication is a rather detailed report on Swedish export control policy as a whole. More statistical data are also available nowadays thanks to an increasingly transparent policy and more effective information processing systems. The Government constantly seeks to improve and make the information that is presented to the Riksdag more transparent. Analyses are made of the proposals and comments made by Members of Parliament and other readers. Consultations on the Communication are held every year with interest organisations. Discussions are also taking place with other EU member states about the structure of their reports. The innovations and changes that are made every year are the result of this process.

The Communication consists of three parts and a set of annexes. Part 1 contains an introduction and summary of the year's activities. Part II deals with the implementation of export controls in Sweden, and Part III reports on international cooperation in this area. The annexes include statistics on Swedish exports of military equipment dual-use products (since 1996, the basis for these statistics has been provided by the Swedish Inspectorate of Strategic Products, ISP), the relevant Swedish and European international regulatory framework and a list of international arms embargoes. In this year's Communication, additional information has been provided on export controls with respect to dual-use products, in particular, nuclear equipment and material.

2 Exports of military equipment in 2005 and export controls of dual-use products

The multilateral agreements and instruments relating to disarmament and non-proliferation are important results of the international community's efforts towards disarmament and prevention of proliferation of weapons of mass destruction and uncontrolled flows of other weapons. However, there is also a need for strict and effective export controls to achieve the declared objectives. Export controls are therefore a key instrument for governments when it comes to meeting their international obligations with respect to non-proliferation.

The export controls themselves are still implemented at the national level. Sweden is under an obligation to make sure that its export controls are responsible and reliable. In order to make sure that the Swedish rules relating to military equipment remain appropriate and realistic, the Government appointed a commission of inquiry in 2003 to perform a review of

Swedish legislation on military equipment in the light of changes that have taken place in recent years in foreign, security and defence policies. The commission presented its report in February 2005, KRUT A reformed regulatory framework for trade in defence equipment (SOU 2005:9). The report has subsequently been circulated for comment and a Bill is being prepared for consideration by the Council on Legislation.

Sweden also takes an active part in and responsibility for international efforts in the export control sector. A great deal of coordination work is done in the multilateral export control regimes and the EU. Efforts to effectively prevent proliferation must be pursued at different levels and in different international fora. Sweden therefore makes every effort, both in the regimes and at the EU level, to further strengthen export control as an instrument for combating proliferation and uncontrolled flows of conventional weapons. In this respect, EU is regarded as a domestic market for most dual-use products.

Common European legislation is now applicable in 25 EU countries to exports of dual-use products. As regards exports of military equipment from the Union, the politically binding European Union Code of Conduct on Arms Exports provides guidance for a more convergent application of the relevant national legislation in the 25 countries. The overall result is that export controls have been greatly strengthened and become more restrictive in the EU as a whole.

Military equipment

Nowadays, Sweden's defence procurement takes place in the framework of international cooperation in which Sweden contributes with leading-edge technology in certain niches. Sweden makes sure, through international cooperation, that the country's defence, security and foreign policy interests and needs are met. But for Sweden to maintain its position as a leader in certain technologies some exports are necessary in addition to international cooperation. Controls of these exports are necessary in order to ensure that the products exported from Sweden go to approved countries. 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.

Details of Sweden's exports of military equipment are presented in the annexes. Figures for recent years are also included to put the statistics into context. Sweden is not a major exporter of military equipment and therefore individual sales of large systems cause considerable fluctuations in the annual statistics. To identify a long-term trend it is therefore necessary to compare the statistics for a particular year with those from previous years.

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

The value of the Swedish defence industry's invoiced sales of military equipment (both in Sweden and abroad) in 2005 totalled SEK 15 619 million, which represents an increase of 2 % on 2004. The value of actual export deliveries in 2005 was SEK 8 628 million, an increase of 18% at current prices compared with the previous year. A breakdown into military equipment for combat (MEC) and other military equipment (OME) shows that MEC decreased by 5 % while OME increased by 43 %. Exports accounted for about 55 % of the defence industry's total invoiced sales of military equipment during the year, which is an increase compared with 2004, when this share was 48 %. This is the first time that the share of exports has exceeded 50 %.

A large part of this increase is due to increased exports to EU countries, in particular Denmark, France, Greece, The Netherlands and Italy. However, there has been some reduction to traditional recipient countries such as the United Kingdom and Finland. Exports

to the US decreased slightly in 2005, SEK 745 million, compared with SEK 770 million in 2004. In 2005, exports to South Africa increased compared with 2004, while exports to India decreased.

In all, 55 countries received deliveries of Swedish military equipment in 2005, compared with 56 in 2004 and 57 in 2003. The regional distribution of exports indicates the normal pattern, i.e. the largest share of Swedish exports of military equipment is destined for the Nordic countries, European countries and North America. These destinations accounted for 73.6 % of the total export in 2005. 64.4 % of the exports went to the EU and other European countries. The largest individual recipient of Swedish military equipment in 2005 was Switzerland (SEK 1 370 million), followed by South Africa (SEK 1 199 million), Finland (SEK 825 million), the USA (SEK 745 million) and France (SEK 661 million). These five destinations accounted for 55 % of total Swedish exports of military equipment.

The value of the exports for which licences were granted in 2005 amounted to SEK 15 146 million, an increase of 133 % compared with 2004. A large part of this amount, SEK 8 800 million, is attributable to two applications where Hägglunds has been granted an export licence (project licence) for the CV90 combat vehicle to the Netherlands and Finland. These export licences are valid for five years. As the CV90 combat vehicle is classified as military equipment for combat (MEC), this share of MEC of all export licences has accordingly sharply increased in 2005 compared with 2004.

The value of the export licences granted varies greatly from year to year, while the value of actual export deliveries is less variable. The explanation for this is that a single export licence often covers deliveries extending over two or more years.

Dual-use products

The second main purpose of export controls is to prevent the proliferation of products that are manufactured for civilian use but which can also be used to produce weapons of mass destruction and military equipment. Effective export controls are necessary to prevent exports that may have a destabilising effect in other countries. The fight against terrorism has sharpened the focus on export controls and given rise to explicit demands for restrictions with respect to both dual-use goods and military equipment. There is a significant risk of proliferation of weapons of mass destruction.

Cooperation on export controls of dual-use products takes place mainly through a number of international bodies - multilateral export control regimes. There is continuous discussion within these regimes of which products and technologies should be controlled, and which states may be sensitive from the point of view of non-proliferation. These efforts have, in addition, focused increasingly on preventing terrorists (who may exist in every country) from gaining access to sensitive products that can be used for the production of weapons of mass destruction. The threat of terrorism and the increasing globalisation of the world economy have demonstrated the need for deeper cooperation on export controls across national boundaries, even though implementation of the controls is mainly governed by our national legislation.

The workload of the export control regimes - the Zangger Committee (ZC), the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Wassenaar Arrangement (WA) and the Missile Technology Control Regime (MTCR) - continued to increase in 2005. From May 2004 to June 2005 Sweden held the presidency for one of them, the Nuclear Suppliers Group (NSG). Ten new members were admitted to the EU on 1 May 2004 and an extensive review was then carried out of their national export control systems. This work was an important part of the EU's strategy against proliferation of weapons of mass destruction that was adopted in 2003. The enlarged EU continued to enhance its active role in the regimes. Naturally, the question of membership dominated the EU's agenda in the regimes, since

several new EU member states were not members of these regimes. This work continued in 2005, since not all EU member states are yet members of the Missile Technology Control Regime (MTCR) and the Wassenaar Arrangement (WA).

3 Information activities

Information activities relating to the trade in military equipment are undertaken at both national and international level. The Government's annual report to the Riksdag on Swedish exports of military equipment is published in the context of its efforts to achieve greater transparency in the area. The annual report is published in Swedish and English and is available on the websites www.ud.se, www.isp.se, www.lagrummet.se, www.regeringen.se as well as in Rixlex 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 report provides an overall picture of the export control policy of the member states within the EU and towards third countries. The annual report is published in the Official Journal of the European Communities (OJEC). The latest report was published on 23 December 2005 in OJ C 328 p.1.

To promote information access in this area at the international level, the Government has, even since the 1960s, provided funding for the Internet database managed by the Stockholm International Peace Research Institute (SIPRI), which contains information on national and international export control regimes and some statistics on holdings and exports. The database is available on the Internet at www.sipri.se.

The Swedish Inspectorate for Strategic Products (ISP) works nationally to disseminate information about export controls to the general public and to the companies concerned. Through its website, the ISP also makes available up-to-date regulatory frameworks and lists both of military equipment and dual-use goods. As usual, the ISP has arranged seminars and information meetings during the year about its activities targeted in the first place on leading executives in industry. In order to increase transparency in connection with exports of military equipment, the ISP now publishes concise monthly data on the export licences granted for military equipment.

Part II – Export controls in Sweden, competent authorities, etc.

4 Swedish exports, export controls and export aid

Export controls apply to strategic products and technologies, including military equipment and dual-use goods.

According to the Military Equipment Act (1992:1300), export controls covers the manufacture, supply and export of military equipment as well as certain agreements on rights to manufacture military equipment etc. Under the same Act, a licence is required to carry out training with a military purpose. The Act covers weapons, ammunition and other materiel designed for military use, which constitutes military equipment in accordance with regulations issued by the Government. (See section 4.1).

Export controls of dual-use goods (i.e. products which have both civilian and military uses or in connection with weapons of mass destruction) and of technical assistance in connection with these products, are provided for in the Act (2000:1064) concerning Control of Dual-Use Goods and of Technical Assistance. The Act contains supplementary provisions to the Council Regulation (EC) no. 1334/2000 of 22 June 2000 setting up a Community regime for control of exports of dual-use items and technology (the EC regulation on dual use items). (See section 4.2).

4.1 Export control of military equipment

For defence, security and foreign policy reasons, Sweden has decided to permit exports of military equipment to a certain extent. The reasons for this are stated below.

But a country that exports arms is also responsible for making sure that they do not fall into the wrong hands. Two things are required to present this. First, it is necessary to define what the “wrong hands” are, i.e. in what circumstances Sweden considers that arms must not be exported to a certain recipient. Second, an implementation system must be developed to make sure that the rules are obeyed.

The Swedish rules consist of the Military Equipment Act (1992:1300), with the appurtenant Ordinance (1992:1303), and the Swedish guidelines on exports of military equipment. Within the framework of the implementation system, an independent authority, the Swedish Inspectorate of Strategic Products (ISP), considers applications for export licences in accordance with these rules.

However, it is not enough for Sweden to design and apply export controls at the national level. In order to discharge its responsibility for preventing undesirable proliferation of arms, it must also take an active part in international cooperation in this area. The world has changed drastically since the end of the cold war, and the opportunities for transparency and cooperation between countries have never been better. For example, the EU’s member states agreed in 1998 on a politically binding Code of Conduct on Arms Exports. The Code is applied together with the Swedish national guidelines when ISP makes its assessment of licence applications. The Code of Conduct has undergone a review to make it an even stronger instrument for export control. A modernised and updated text is now ready. It is

hoped that it will soon be adopted as a common standpoint. In this way, the Code will have the status of international law in Sweden.

Why should Sweden export military equipment? A security policy perspective on the defence industry and the role of exports

The political map of Europe has changed since the early 1990s, and Sweden has had to modify its positions on international issues accordingly. Our foreign, security and defence policy assessments have changed, and this also entails consequences for the Swedish defence industry.

During the cold war, the aim was to have a domestic defence industry that was independent of other countries, which designed and developed specifically Swedish solutions. According to today's security and defence policy assessments, this does not seem either possible or desirable when taking into consideration Sweden's overall interests. In view of the principle of non-participation in military alliances, it is now in Sweden's security interests to collaborate with like-minded countries, both within and outside the EU, on joint security-promoting activities and crisis management. Such collaboration also extends to military capability. The new security and defence policy also entails collaboration on defence equipment supplies. The principle of self-sufficiency as regards equipment for Sweden's defence has been replaced by a growing need for cooperation with like-minded states and neighbours.

Nowadays Sweden's defence procurement is adjusted to the capacity of our defence for international operations and its need of resources to defend our territorial integrity. International cooperation on defence equipment procurement is essential for a flexible defence and adaptability in the face of new threats and risks that may arise. The adaptability of Sweden's defence has been given high priority by the Riksdag and the Government has stated that it is vital to security policy in a non-aligned country like Sweden that other countries should consider our defence adaptability credible. It therefore lies in Sweden's security interests that we should maintain long-term and continuous cooperation with like-minded countries. This mutual cooperation is based on both exports and imports of military equipment.

Continued participation in international cooperation on military equipment will promote and safeguard Sweden's long-term foreign, security and defence policy interests. The defence policy aspects are connected with Sweden's non-participation in military alliances, among other things. The foreign and security policy goals in this area, including effects to combat the uncontrolled proliferation and destabilising stockpiling of weapons and Swedish participation in international peace-promoting activities, are achieved by permitting exports to and cooperation with countries that are crucial to Swedish security interests.

Equipment procurement, both in Sweden and in other countries, is nowadays based on agreements and mutual dependence. Cooperating countries are mutually dependent on supplies of components, subsystems and complete systems, as well as products manufactured in each country. Sweden will only remain an attractive international cooperation partner – and a partner in the mutual equipment supply collaboration framework that we desire – if it can maintain an internationally competitive level of technology.

A competitive level of technology can only be maintained if there are sufficient financial resources for the domestic industry to survive and develop, as well as a certain amount of cooperation with other countries. Exports are considered an essential factor for ensuring that Swedish technology remains internationally competitive.

International competitive technology also offers better opportunities in connection with international cooperation for Sweden to exert influence on international export control cooperation. This applies especially to the EU, but also in a broader international context.

By participating in the Six-Nation Initiative between the six largest manufacturers of military equipment in Europe, Sweden can actively influence the development of defence industry and defence export policies in Europe. In the long run, this will affect the emerging EU common defence and security policy both directly and indirectly.

The results achieved by the Six-Nation Initiative will subsequently be handed over to the EDA, the European Defence Agency. The EDA does not have competence in the area of export control, however.

Previous decisions taken by the Government and the Riksdag

The two bills *Renewal of Sweden's Total Defence* (Gov. Bill 1996/97:4, p.154) and *The New Defence* (Gov. Bill 1999/2000:30) established that in the light, inter alia, of diminishing appropriations for military equipment for Sweden's armed forces and the contracting international market, closer international cooperation was crucial for 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 Riksdag agreed with the recommendations by the Parliamentary Standing Committee on Defence in its report (1998/99:FöU1) to take further measures in order to promote export successful major military equipment projects, such as the JAS 39 Gripen aircraft. The Defence Commission has also emphasised the importance of active government measures to support exports.

What is export promotion and why is it needed?

An essential condition for state export promotion is that the export is approved from the point of view of export control by the competent authority.

The final report of the Commission on Military Equipment Supplies (SOU 2001:21) observed that exports of military equipment are important from the point of view of Sweden's security and defence policy since they contribute to maintaining the domestic enterprises' capability and capacity. Successful exports also contribute to the domestic industry's image. Active measures by the Government and the relevant authorities were considered necessary to improve the industry's prospects of marketing and selling equipment abroad.

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 (Government 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 equipment.

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

4.2 Control of dual-use products and of technical assistance

Non-proliferation policy and export controls

The multilateral agreements on disarmament and non-proliferation of weapons of mass destruction, e.g. the Ottawa Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and the UN Programme of Action on Small Arms and Light Weapons are central international instruments for the protection of peace and security in the world. They are important results of the international community's efforts towards disarmament and prevention of the proliferation of weapons of mass destruction and uncontrolled flows of other weapons. However, there is also a need for strict and effective export controls in order to achieve the declared objectives. Export control is therefore a key instrument for governments when it comes to meeting their international obligations with respect to non-proliferation.

The export controls themselves are always implemented at the national level. However, a major coordinating exercise is in progress in the multilateral export control regimes and the EU. Efforts to effectively prevent proliferation must be pursued at various levels and in various international forums. Sweden therefore takes an active part in the regimes and in the EU in order to further strengthen export controls. The best solution would be for all EU member states to become members of the export control regimes since the EU is a domestic market for most dual-use goods. Goods and services traded between EU member states are not exports, but goods and services sold to non-EU countries are. This means that all 25 EU member states are dependent on one another's export control systems. Effective Swedish export control may be of little use if export controls in another EU state are ineffective. This makes the question of membership of the export control regimes especially urgent.

Dual-use products

Dual-use products are products that are produced for legitimate civil uses, but can also be used for military purposes, for example, for the production of weapons of mass destruction and military equipment. The international community has in the last three decades developed various cooperation arrangements for the purpose of limiting the proliferation of these products. This task is performed mainly by the export control regimes, which adopt control lists of products for which a licence must be obtained. One of the reasons why such controls are necessary has to do with history, i.e. the fact that some countries have developed weapons of mass destruction programmes despite having signed international agreements prohibiting such activities. The countries in question have acquired the necessary capacity by importing civilian products that can be used for military purposes. A good example of dual-use products is fire protection clothing, which is used for perfectly legitimate civilian purposes, but can also be used in a chemical laboratory to produce nerve gas, for example. History shows that countries that acquire military capacity by using civilian products imported those products from exporting countries that were not aware that they were contributing to the development of weapons of mass destruction. Often the same application was sent to different countries, some of which were refused an export licence, while others granted a licence. There was obviously a need for closer cooperation and information-sharing between producer countries. This need resulted in the establishment of the export control regimes.

The inclusion of a product on a control list does not automatically mean that exports of the product are prohibited; it is, rather, a precautionary measure. The need for caution has been underscored in recent years by the threat of terrorism. In the EU, the control lists adopted by the various regimes are incorporated into the Annex to Council Regulation (EC) No. 1334/2000 setting up a Community regime for the control of exports of dual-use items and technology, and they constitute a basis for decisions to grant or refuse export licences. The regimes, like the EU, also used a mechanism that makes it possible to control products that are not included in the lists in the event of it coming to the knowledge of the exporter or the licensing authorities that the product is or may be intended for military use or in connection with weapons of mass destruction. This mechanism is known as a catch-all mechanism. Much of the work done at national level, at the regional level within the framework of Nordic cooperation and in the EU, as well as in the regimes themselves, consists of internal and external outreach activities directed at industry and at other countries, such as those that are developing export control systems.

5 The Military Equipment Commission

On 10 July 2003, the Government established the terms of reference for a government commission of enquiry to review the legislation on Swedish military equipment and to adapt the current guidelines on the export of military equipment in the light of the security policy changes in Europe, Swedish membership of the European Union (dir. 2003:80). The commission of enquiry adopted the name KRUT (The Military Equipment Enquiry).

In February 2005, KRUT presented its report, A reformed regulatory framework for trade in defence equipment (SOU 2005:9). The report has been circulated for comments and a proposal for consideration by the Council on Legislation is being prepared at the Government Offices.

6 Sweden's defence industry – structure and products

Sweden's defence industry has as a result of the international restructuring process, undergone great changes in recent years. The consolidation process in the defence industry started in the USA in 1993 and left most of the industry under the control of six large corporations. Restructuring started a little later in Europe and has so far been most extensive in the aviation sector.

Sectors

The main sectors in Sweden's defence industry today are:

- Network-based command and control systems,
- Telecommunications systems, including electronic counter- countermeasures,
- Combat aircraft; manned and unmanned,
- Aircraft engines,
- Command and control systems for land, marine and air applications,
- Systems for exercise and training,
- Telecommunications war systems; passive and active,
- Signal adaptation (e.g. camouflage systems); UV, VIS, NIR, TIR and radar,

- Surface vessels and submarines built with stealth technology,
- Combat vehicles, tracked vehicles,
- Short and long-range weapons systems; land, sea and air-based,
- Air, sea and airborne radar and IR systems,
- Small-bore and big-bore ammunition,
- Smart artillery ammunition,
- Gunpowder and other pyrotechnical material,
- Support systems for operation and maintenance.

The common denominator is the very high technological standard of the products. A number of large and small companies in Sweden also operate in other defence industry sectors. The picture of a highly-qualified defence industry is complemented by a large number of small and medium-sized enterprises, SMEs, with a relatively small military production.

Ownership structure

The ownership structure of the Swedish defence industry has changed in parallel with the rationalisation and consolidation of the defence industry. Starting in 1997, the Government has sold all state-owned interests and international ownership has increased sharply, as has Swedish ownership of foreign companies.

BAE Systems thus owns the companies BAE Systems Bofors (formerly Bofors Defence) and BAE Systems Hägglunds as well as 20 % of Saab. Kockums is owned by the German company ThyssenKrupp Marine Systems. There are substantial Norwegian, Finnish and French ownership stakes in the ammunition and explosive manufacturers Nammo Sweden and EURENCO. Ericsson Microwave Systems and Volvo Aero are today the only two large defence industries owned by Swedish industrial interests.

At the same time as foreign ownership increases, Swedish companies are investing abroad. Globalisation can be clearly seen. As examples can be mentioned Saab's companies in Australia, the USA, South Africa and Finland as well as Volvo's in the USA and Norway.

International operations

The defence industry plays an important part in the procurement of Swedish military equipment. However, not everything can be produced in Sweden. According to the Riksdag's decision, Sweden shall endeavour to participate in international cooperation programmes in order to be able to share costs and ensure interoperability. The intention is to create mutual dependence in relation to selected countries.

A well-balanced import and export of defence equipment is a means for mutual interdependence and confidence, which are both cornerstones of Swedish procurement of military equipment. Export of defence equipment contributes to maintaining the competence and capacity of the domestic companies to maintain, further develop and adapt the equipment of the Armed Forces. The share of exports has increased in recent years and, in the statistics for 2005, it has exceeded 50 per cent for the first time.

Export successes also contribute to the domestic defence industry being perceived as an attractive partner in international cooperation. It also reinforces the industry's position in a cross-border network of defence industries, which serves as the basis for establishing long-term relations and increasing reliability of delivery.

Co-operation between the defence industry in Sweden and foreign partners will to an increasing extent lead to jointly developed defence equipment systems, able to be sold in various export markets.

7 Swedish companies that work with dual-use products

It is difficult to provide an overall picture of industries that work with dual-use products, since the major part of products are sold in the EU market or exported to markets covered by the general licence EU 001 according to Annex II of Council Regulation (EC) 1334/2000 on dual-use items. The general licence EU 001 applies with some exceptions to the whole product annex (Annex I) and to Australia, the USA, Japan, Canada, New Zealand, Norway and Switzerland.

Unlike the companies which are subject to the military equipment legislation, no basic licences are required for companies that work with dual-use products. These companies are not either obliged to make a declaration of delivery. However, companies are obliged to make a fee declaration if the total value of controlled products invoiced and sold in Sweden and abroad exceeds SEK 2.5 million. In 2005, 21 companies submitted fee declarations for a total sale of dual-use products of SEK 26 billion.

The predominant part of the dual-use products exported with a licence from ISP consists of telecommunications equipment, primarily encryption and heat-seeking cameras that are controlled within the Wassenaar arrangement. Another product, which is large in terms of volume, is heat exchangers and these are controlled within the Australia group. Other products such as isostatic presses, chemicals and separation equipment for satellites are not so large in terms of volume but can still be very resource-intensive when considering licence applications.

With respect to recipient countries, there are no restrictions as long as there is no doubt that the product is wholly intended for a civilian end use. When the end use is military, the same criteria and guidelines are applied as for other military equipment.

8 The Swedish Inspectorate for Strategic Products

Background

The Swedish Inspectorate for Strategic Products (ISP) is the central administrative authority for matters and supervision under the Military Equipment Act (1992:1300) and the Dual-use Goods and Technical Assistance Act (2000:1064), unless another authority has this task. The Swedish Nuclear Power Inspectorate (SKI) is responsible for issues concerning nuclear equipment and material.

In addition, ISP is the competent national authority responsible for performing the tasks provided for in the Act and the Ordinance concerning Inspections in accordance with the United Nations Convention on the Prohibition of the Development, Stockpiling and Use of Chemical Weapons (1994:118 and 1997:121 respectively). This activity of ISP is not dealt with in more detail in this document.

In 2005, Ambassador Andreas Ekman was appointed as the new Director-General.

ISP was established on 1 February 1996 as the authority responsible for most of the matters previously decided upon by the Government following preparation by the Inspectorate-General of Military Equipment (KMI), and subsequently the department within the Ministry for Foreign Affairs that was responsible for strategic export controls.

Contacts with companies

The ISP maintains regular contacts with the companies whose exports are subject to control. Companies are required to provide the ISP with regular reports on their marketing of military equipment in other countries. The companies' obligations are governed by the Military Equipment Ordinance (1992:1303). 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 export 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. In its supervisory role, the ISP has carried out five inspection visits in 2005 at companies to monitor their internal export control organisation. This activity takes place in close cooperation with the Board of Customs.

There is also close cooperation between the ISP and the companies that manufacture dual-use products. There are some differences between the Control of Exports of Dual-Use Goods Act and the Exports of Military Equipment Act that affect the arrangements for contacts between the Inspectorate and the companies concerned. It is, for example, not always easy for a company to decide whether it is affected by the law. This is because dual-use products include a range of categories of products and are more difficult to classify than military equipment. The control lists that are drawn up pursuant to EC Regulation 1334/2000 on dual-use items state the product categories that are subject to licence for export outside the EU. (The most recent version of the control list is shown in EC Regulation 1504/2004). No licence is required for purchasing or manufacturing dual-use products, neither for selling them in Sweden nor – usually – within the EU.

In 2005, the ISP has participated in a seminar with university vice-chancellors at the invitation of the Ministry of Education and in a meeting with the Association of Members of Parliament and Researchers (RIFO). When arranging these seminars (and also others), the ISP has worked closely with the Security Service.

Financing

The ISP is financed by annual fees paid by the companies manufacturing military equipment and dual-use goods. These fees are assessed on the basis of the total value of controlled products delivered by the respective company in excess of SEK 2.5 million per 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 Government 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. The annual fees paid by the industry in arrears, when the actual cost of operations and the value of companies' invoiced deliveries is established. A review of the fee system has been initiated in 2005.

Applications

The number of applications to the ISP is shown in the following table.

	No. of ME applications	No. of DUG applications
2005	1141	371
2004	1042	366
2003	1070	321
2002	1127	279

(ME: Military Equipment, DUG: Dual-Use Goods)

In 2005, there has been a limited increase in the number of export licence applications compared with the previous year. This can be seen in the light of the increased share of exports of total sales in Sweden and abroad during the year.

A global project licence has been introduced as a result of an implementation agreement on transfer and export within the framework of the Six-Nation Agreement. To date, only a small number of applications have been received for such licences. The ISP therefore intends to improve information about this type of licence. A continuing increase in the export of dual-use products subject to licence can be noted. In 2005, the number of classification applications for dual-use products has increased sharply, from 90 to 254 applications. A large part of this increase is attributable to the first performance-based global licences (licences which a company can obtain for several countries), which began to be issued in 2003 for encryption products in telecommunications.

In 2005, the ISP continued its efforts to rationalise licensing procedures in order to simplify the administrative process for routine licences. The Inspectorate's aim is to process applications for licences of a routine nature within two weeks. However, the processing times have been longer than normal in the first half of the year due to teething problems in the introduction of the web-based application form for export licences. The system for secure electronic communication between the ISP and the exporters of military equipment that came into operation in 2003, have therefore been quality assured in 2005 by a customer survey and an order has been placed for further development with a view to achieving greater user friendliness. Many of these measures are consistent with the Inspectorate's aim to achieve the goal of becoming a '24-hour agency'.

The Government's control of the ISP has been reviewed in 2005. The tasks of the agency have been collated in new directives for the ISP (Ordinance (2005:1177) containing guidelines for the Inspectorate for Strategic Products). The goals of the agency for 2006 and the tasks that it is to perform have been specified in reformulated appropriation instructions for the 2006 fiscal year based on the new directives.

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 Swedish 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 is chaired by the Director-General of the Inspectorate. An up-to-date list of the members of the Council, as well as the dates of future meetings are available on the ISP's website (www.isp.se).

The Director-General of the Inspectorate consults with the Export Control Council in those applications which are selected for consultation. The Director-General is also to keep the Council informed of the Inspectorate's activities with regard to export controls and to consult the Council before the Inspectorate hands over an application to the Government for consideration under the Military Equipment Act and the Dual-Use Goods Act.

At meetings of the Council, the Ministry for Foreign Affairs presents assessments of the relevant recipient countries, 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 Director-General can also request other experts to attend.

The members have unrestricted access to the documentation of all export licence application proceedings. The Director-General reports all export licence decisions continuously, as well as advisory opinions not previously reported in the Export Control Council and applications decided in accordance with guideline practice (tender notifications and cooperation agreements). In 2005, the ISP has also started to report all preparatory proceedings for dual-use products in the Export Control Council. This procedure ensures parliamentary insight into the application of the Military Equipment Act and the Dual-Use Goods Act and ensures that decisions that the Director-General intends to make comply with the Riksdag's guidelines for export of military equipment.

The purpose of the Swedish system, which is unique in that Members of Parliament can discuss potential export transactions in advance, is to build a broad consensus on export control policy and promote continuity in the conduct of that policy. By contrast with many other countries, the Export Control Council deals with cases at a very early stage, even before a concrete transaction is being considered. Since it would harm the export companies if their plans were made known before they had concluded a deal, the discussions with the Export Control Council are not public. Apart from this, the assessments of individual recipient countries are subject to confidentiality in relation to foreign affairs.

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

Ten meetings of the Export Control Council were held in 2005.

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, has assisted the Swedish Inspectorate of Strategic Products for many years in connection with decisions concerning the classification of military equipment and dual-use products. Four meetings were held in 2005. An up-to-date list of the members of the Council will be found on ISP's website (www.isp.se).

9 The Swedish nuclear industry and the Swedish Nuclear Power Inspectorate

The Swedish Nuclear Industry

The Swedish nuclear industry operates in an open commercial market. Development of Swedish nuclear technology has taken place for a long time within the state-owned AB Atomenergi. Nowadays, there is both private and state ownership, which can be both national and international. The companies act in a commercial international market.

There are ten nuclear reactors in operation in Sweden.

Westinghouse Electric Sweden AB in Västerås produces nuclear fuel for reactors, certain reactor components and carries out service work at nuclear power stations. Their customers are both in Sweden and abroad. Studsvik Nuclear AB (which is the direct successor to AB Atomenergi) carries out research and development works in the field of nuclear safety and phasing-out and demolition. The company has customers both in Sweden and abroad and, among other things, carries out analyses and tests of reactor fuel. Studsvik, like Ranstad Mineral AB, processes low-level radioactive waste resulting from nuclear activity. Kärnkraftsäkerhet och Utbildning AB (KSU) in Nyköping trains nuclear power station staff and makes analyses of operating experiences. A number of other Swedish companies – including Uddcom Engineering AB, the Elajo Group and SQC Kvalificeringscentrum AB – carry out service, and produce analyses and reports etc. for the nuclear power industry. AB Sandvik Steel produces zirconium alloy pipes specially intended for manufacture of reactor fuel.

Export controls and the Swedish Nuclear Power Inspectorate

All export from the EU of nuclear material (uranium and plutonium) and nuclear products are regulated in Council Regulation (EC) no.1334/2000 on dual-use items. The Regulation also deals with transfers within the EU of nuclear material and nuclear technology products. These transfers are also subject to licence in some cases as these products are considered to be especially sensitive. They are therefore listed in Annex 4 in the Regulation's control list.

When making decisions on granting export licences under this Regulation, the member states shall, under Article 8 of the Regulation, take into consideration all relevant considerations including the obligations and commitments they have each accepted as a member of the relevant international non-proliferation regims and export control agreements or by ratification of relevant international treaties.

Applied to nuclear material and nuclear products, this means that Sweden is to take into consideration all the obligations and undertakings that Sweden has made in international non-proliferation, including those ensuing from the Non-Proliferation Agreement, NPT. Basic regulations in such decisions are stated in the guidelines issued by the Nuclear Suppliers Group (NSG), which the Participating Governments have approved.

This means that Sweden, when exporting nuclear material and nuclear products to a state, which has acceded to NPT, but which is not a recognised nuclear power state under the agreement, must obtain certain specified assurances from the government of the recipient country, before an export licence can be granted. The recipient country shall give an assurance:

- that the products will not be used for the production of nuclear weapons,
- that the IAEA has full right of inspection in the country,
- that nuclear material in the country has adequate physical protection,
- that the recipient country assures that it will not re-export products received from Sweden, or nuclear products created with the aid of the products exported from Sweden.

No government assurances are required, however, in transfers of nuclear material to other EU countries since this is regulated by Euratom agreements applicable to all EU member states.

When nuclear material and nuclear products are imported to Sweden, the exporting country's government requests corresponding assurances from the Swedish government.

NSG's guidelines have been further developed. On 1 June 2005, the governments participating in the NSG approved the updated guidelines that are more stringent in a number of respects. They come into force in early 2006. One result of this will be that the Swedish government will expand the content of the request for government assurances in the event of export, in order to comply completely with the NSG's updated guidelines.

The Swedish Nuclear Power Inspectorate (SKI) decides on licences for export to countries outside the EU or transfer within the EU of nuclear material or nuclear products except in certain special cases or cases involving matters of principle where the Government decides. The products are listed in Annex 1, Category 0, of EU Regulation 1334/2000 on dual-use items. SKI's tasks in connection with exports of nuclear material and nuclear products are stated in the Ordinance (2000:1217) on Control of Dual-Use Products and Technical Assistance. Licence applications shall be submitted to SKI. An application for consent to export or for transfer within the EU of spent nuclear fuel is, inter alia, to contain particulars of the final disposal of the material. With regard to material deriving from a nuclear activity in Sweden, the application is to include an assurance that the country transferring the material will take it back if it cannot be taken care of in any other way.

The transportation of nuclear material is regulated by Swedish legislation, which complies with international standards, to prevent radiological accidents and to ensure that there is adequate physical protection.

A table showing particulars of export licences granted by SKI is appended as Annex 4 of this document.

Part III – International Cooperation

10 Cooperation in the EU on export controls of military equipment

The EU Code of Conduct on Arms Exports

Under Article 296 of the EC Treaty, any member state may exempt manufacture of or trade with weapons, ammunition and military equipment from the rules normally applicable under the EC treaty with reference to the essential interests of its security. Each member state therefore has national rules for export of military equipment. However, the EU member states have to some extent undertaken to co-ordinate their export policies. The present version of the EU Code of Conduct on Arms Export (see Annex 5), adopted in 1998, specifies common criteria for exports of military equipment that are to be applied in connection with national assessments of export applications. These criteria represent a minimum regulation in the area of export controls and there is nothing to prevent individual member states from applying their own more stringent guidelines.

Contents of the Code of Conduct

The Code of Conduct consists of two parts. The first part contains eight criteria which are each to be taken into account before a decision is made on permitting arms export to a country. These criteria concern

- The situation in the recipient country (criteria 2, 3, 7 and 8)
- The situation in the recipient country's region (criterion 4)
- The exporting country and the recipient country's international undertakings (criteria 1, 5 and 6).

With respect to the situation in the recipient country, account is to be taken of respect of human rights (2), whether there are tensions or armed conflicts in the country (3), the risk of the weapons being diverted or re-exported (7) and whether the export would seriously hamper the sustainable development of the recipient country (8).

The situation in the region refers to stability in the area and the risk of the recipient using the weapons in a regional conflict (4).

Finally, international undertakings of the exporting and the recipient country are to be taken into account, e.g. by respect for arms embargoes (1), consideration taken to the national security of member states (5) and the behavior of the recipient country with regard to the international community (6). The latter concerns, among other things, the country's attitude to terrorism, the kinds of alliances it has, and respect for international law.

The Code also includes a list of the products that are to be controlled in accordance with the Code (EU's common list of military equipment) and a user guide that provides more details on implementation of the agreements in the Code on exchange of information and consultations.

Exchange of information on denials

Under the Operative Provisions of the Code, member states are to exchange notifications of denials, i.e. normally rejections of applications for export authorisation. If another member state is considering granting a licence for an essentially identical transaction, consultations are to take place before the licence can be granted. The consulting member state must also inform the notifying state of its decision. The exchanges of notifications of denials and the following consultations on the notifications tend to make the EU's export policy more transparent and uniform. The consultations promote a consensus on the various export destinations, and the fact that the member states notify each other of the export transactions they deny reduces the risk of export controls being undermined due to the granting of an export licence by another member states in such cases. The system is intended to prevent an export being approved by another member state, after it has been denied. The ISP is responsible for issuing Swedish denials and arranging consultations.

In 2005, Sweden received 331 notifications of denials from 24 member states. Sweden submitted ten notifications of denials in 2005, see Annex 2. These denials related to the following countries and criteria: Ecuador (crit. 3), Ethiopia (crit. 2 and 4), Georgia (crit. 7), Indonesia (crit. 3 and 7), Republic of Macedonia (crit. 7), Nepal (crit. 3), Serbia-Montenegro (3 notifications, crit. 3 and 7), and Swaziland (crit. 7).

The fact that exports to a certain buyer country have been denied in a specific case does not mean that the country is not eligible for Swedish exports in other cases. The Swedish export control system does not use country lists, i.e. lists of countries that are either approved or not approved as recipients. Each export application is considered on a case-by-case basis in accordance with the guidelines adopted by the Government for exports of military equipment.

User Guide

There is a User Guide for the Code of Conduct, which is available on the website 'Security-related export control' in the section on the common foreign and security policy on the Council's website: <http://ue.eu.int>. The guide specifies procedures to improve the system for information about denials and consultation and clarifies the responsibility of member states in these respects. The User Guide is regularly updated, most recently in January 2006.

COARM's activities

The Council Working Group on Conventional Arms Exports (COARM) is a forum in which the member states of the EU (Romania and Bulgaria participate as active observers) regularly discuss the implementation of the Code of Conduct, exchange views on individual export destinations and draft common guidelines on the member states' regulatory framework on export controls. Information about this work, about agreements that have been concluded and statistics on the member states' exports of military equipment are published in an annual report in compliance with the EU Code of Conduct on arms exports. The report is discussed at an annual meeting, which also reviews the operation of the Code of Conduct and identifies any improvements that need to be made. The annual reports show that the Code of Conduct, which is based on political agreement and does not constitute law, has led to significant changes in the member states' national rules and export policy. The most recent report was published on 23 December 2005 in OJ C 328 p 1. The report also gives an account of the decisions taken during the year in COARM.

A great deal of effort was made during 2004 and early 2005 to update and modernise the text of the Code for the first time since it was adopted in 1998. Sweden took an active part in

this work. The proposed new text contains a number of clarifications, and certain provisions, especially the operative provisions, have been tightened up. It is proposed, for example, that the Code should be declared applicable to all types of transfers of military equipment, including transfers in the form of licensing agreements, transit or drawings transmitted via the Internet. As regards the criteria, the proposals include a new text to the effect that recipient countries' respect for international humanitarian law should be taken into account. The revised text was adopted by Coreper on 30 June 2005. Agreement has been reached on adopting the Code of Conduct as a common position, although the date of adoption has not yet been established.

Since the criteria in the Code of Conduct extend over a number of different policy areas, it is aimed to achieve increased and clear agreement between these areas. Sweden is making active efforts to achieve a common approach by the member states with regard to interpretation of the criteria of the Code of Conduct. As a first step, Sweden took the initiative, with the United Kingdom, of producing guidelines for implementation of criterion 8 of the Code, the development criterion. These were completed during the year and published in the Code's User Guide. During the latter half of 2005 Sweden has led the work of a sub-working group of COARM responsible for preparing guidelines for application of criterion 7 (the risk of re-exporting to undesirable destinations and recipients) and actively participates in another working group on guidelines for implementation of criterion 2 (respect of human rights).

In 2004, the member states decided to systematise the EU's outreach activities in non-EU countries in order to maintain a dialogue on export control policy. This work has continued in 2005. The purpose is to encourage other countries to develop export control systems on the lines of the Code of Conduct. Systematic outreach activities involve identifying countries as destinations for visits and seminars, contacting them and setting up a database for these activities, whether they are undertaken jointly by several EU countries or on a bilateral basis between a single EU country and a non-EU country. The aim is to make outreach activities more effective and to provide opportunities for the EU to speak with one voice on export control and the values on which EU cooperation is based. The holder of the EU presidencies during the year and a number of member states also organised several outreach seminars together with neighbouring and candidate countries during the year.

Here are some of the priorities that were identified for COARM in 2006:

- Efforts to increase the information and quality of the statistics submitted for the annual report,
- Monitoring and evaluation of the implementation of the Common Position on arms brokering,
- Further development of guidelines for implementation of the criteria in the Code of Conduct,
- Continued efforts to promote the principles and criteria of the Code of Conduct in third countries, in particular those who have acceded to the Code,
- Practical and technical assistance to the countries that have acceded and neighbouring countries to ensure harmonisation of export control policy and full implementation of the principles and criteria of the Code of Conduct,
- Continued efforts towards the adoption of a global Arms Trade Treaty,
- Further development of the dialogue with the European Parliament.

Proposal for a 'toolbox'

As a consequence of the discussions during the autumn of 2004 on lifting the Chinese arms embargo (see Chapter 12 – The state of play as regards arms embargoes, 2005), and after a proposal by the presidency, the Netherlands, the idea of creating a 'toolbox', i.e. a number of

measures that are come into effect when an arms embargo against a country is lifted, was initiated. Sweden participated actively in this work, and the proposal met an immediate positive response from a majority of EU member states. The measures proposed entail, among other things, increased exchange of information about the export policy of the countries and actual export to the country in question and demands for consultations if a member state is considering a major change in its export policy in relation to this country. There are still some outstanding issues to be agreed upon before the toolbox can be adopted. The pace of work on the toolbox has also slackened during the year after China adopted the so-called 'anti-secession law' (i.e. a law against secession from China) against Taiwan. However, Sweden hopes that it will be possible to adopt the toolbox in the near future. Even though the idea was introduced in connection with the discussions on the China embargo, the toolbox is intended to serve as a valuable instrument in relation to other countries in situations when an arms embargo is lifted.

Arms Trade Treaty

In response to a proposal by the UK, the EU decided in 2005 to advocate that the United Nations start work with a view to adopting a global legally binding Arms Trade Treaty. The intention is for all transfers of military equipment (import, export and transit) to be subject to export control with common criteria and agreed principles.

Control of arms brokering

To tackle the problem of uncontrolled arms brokering and avoid circumvention of arms embargoes, the EU countries have decided to adopt the Council's Common Position 2003/468/CFSP of 23 June 2003 on control of arms brokering. According to the Common Position, the member states undertake to take necessary measures to control arms brokering on their territory. Control of arms brokering in Sweden was already good, since under the Military Equipment Act (1992:1300), a licence is required to supply military equipment. Within COARM, an appropriate mechanism for exchange of information between states on registered arms brokers is at present being produced. In Sweden, 33 companies are registered as brokers of products classified as military equipment, see Annex 3.

11 International reporting on arms transfers

The UN 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. After a review by the United Nations in 2003 of voluntary reporting to the Arms Trade Registry, it has also been made possible to report trade with small and light weapons in future. 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.

115 of the UN's 191 member states reported their transfers for 2004, the 13th year of the UN Registry. Since all the major exporters with the exception of North Korea and most major importers report to the Registry, it is estimated that the major part of the legal world

trade in these weapons is covered by it. Sweden's share in the major conventional weapons system continues to be modest.

In 2004, which is the last year for which information has been submitted, Sweden reported exports of 33 combat 90 vehicles to Finland, 68 combat vehicles 90 to Switzerland and nine 206S tracked carriers to Germany. In additions, exports of Robot 15 to Finland and Carl Gustaf mortars to Botswana and the USA and AT4 light anti-tank weapons to Chile and the USA were reported. In 2004, Sweden did not report any imports in any of the seven weapon categories.

Since 1990, the Government has, in the context of Sweden's efforts to promote greater transparency in the international arms trade, presented the United Nations with the English translation of its annual report to the Riksdag on exports of military equipment. The information submitted to the UN Registry is available on the United Nation's website (www.un.org).

An annual report on major conventional weapons systems is made to the Organisation for Security and Co-operation in Europe (OSCE) in the same way as to the United Nations.

The reporting mechanism for military equipment used by the Wassenaar Arrangement (see section 17 in this Communication) is based on the seven categories reported to the UN Registry, although a breakdown into subcategories has made some categories more detailed and an eighth category has been added for small arms and light weapons. The 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 products and technology are also reported twice yearly.

Cooperation with the UN and other organisations

At a meeting in Dar es Salaam in February 2005 of representatives of thirty governments, including Sweden, convened by the government of Tanzania and the organisation Saferworld, principles were produced and agreed upon to serve as the basis for a proposed global Arms Trade Treaty. Sweden took part with a lecturer at a meeting in May 2005 on export control in Nassau, Bahamas, organised by the United Nations, CARICOM (*Caribbean Community and Common Market*) and OAS (*Organization of American States*). Sweden is working actively to promote increased reporting to the United Nation's Registry of Weapons and took an initiative for cooperation with the UN Secretariat in this area as early as 2002. As part of this cooperation, Sweden contributed to financing a follow-up meeting for African countries in Nairobi in June 2005 on reporting to the UN Registry and increased transparency in the arms trade.

12 The state of play as regards arms embargoes

What are arms embargoes and when are they imposed?

Sometimes events in a country or region make it necessary for the international community to take measures to show that the actions of one or more governments are unacceptable and to persuade them to desist from these actions. One measure that can be taken is to impose an embargo on a country. An embargo means that a number of countries agree, for example, to prohibit trade with a certain country. An embargo is in the nature of things a temporary, exceptional measure and may be more or less comprehensive. Arms embargoes are a special

type of embargo under which one or more countries decide not to permit exports of arms to a recipient country. An embargo can apply to all types of military equipment and related services, or to specific categories. There may often be exemptions for deliveries of specific military equipment, which is to be used for humanitarian purposes or for protection, or which is for international peacekeeping forces in the country in question. The embargo is reviewed at regular intervals and a decision made as to whether it should continue to apply, whether the conditions should be changed or whether the embargo should be lifted altogether. A number of different factors determine the decision which is to be made, including an analysis of whether the reasons for introducing the embargo still apply.

An embargo is usually intended to send a clear signal to a regime to demonstrate the view taken by other countries of a course of events which the regime is responsible for, to try to influence the policies of the country in question in order to improve the situation. The instrument is usually applied when other international forms of applying pressure have failed. Embargoes should be clearly defined and of a temporary nature. Their purpose is therefore not to permanently regulate exports of military equipment to a particular country. The lifting of an embargo does not necessarily mean that arms can be exported to the country concerned. The national laws and rules of each exporting country determine the terms on which exports can be approved.

A decision by the UN Security Council, by the EU or by the OSCE (Organisation for Security and Cooperation in Europe) on an arms embargo is an unconditional barrier against Swedish exports according to the Swedish guidelines for export of military equipment. The member states of the EU also fully comply with binding political decisions of this kind on arms embargoes.

In certain cases, arms embargoes that are stricter than those imposed by the Security Council are agreed upon unanimously within the framework of the Common Foreign and Security Policy. 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 in accordance with each member state's national export control rules.¹

Decisions to impose embargoes, to be implemented nationally by member states, are also taken occasionally within the framework of intergovernmental cooperation in the OSCE.

The state of play as regards arms embargoes in 2005

In 2005 Sweden applied sixteen arms embargoes against fifteen countries (one embargo relates to Usama bin Laden and members of al-Qaida). The EU was involved in embargoes against twelve countries (often, more than one organisation imposes an embargo on the same country). Annex 6 contains a summary of the international embargoes that were in force in 2005.

A process began at the end of the year within the EU to lift the arms embargo against Bosnia-Herzegovina. The embargo was lifted on 23 January 2006. The decision was made after it was noted that the circumstances that led to the introduction of the embargo in 1996 no longer exist.

In 2004 and early 2005, far-reaching discussions took place on the EU arms embargo against China. This embargo was agreed as a result of the events in Tiananmen Square in 1989. It is not comprehensive and does not define the type of military equipment covered by the embargo. This has led some EU countries to interpret it as meaning that certain categories of military equipment are not covered by the embargo and they therefore export this kind of material to China. However, Sweden has chosen to apply the embargo strictly and has not allowed any exports of military equipment to China. In the conclusions from the

¹ The Commission has a detailed website with a list of applicable sanctions, including arms embargoes (http://europa.eu.int/comm/external_relations/cfsp/sanctions/measures.htm)

meeting of the European Council in December 2004, it was agreed that the EU should work to lift the embargo in 2005, although this should not lead to an increase in arms exports to China, neither in qualitative or quantitative terms. The conclusions also emphasise the importance of the EU Code of Conduct for arms exports and, in particular, the criteria which apply to human rights, stability and security in the region. The intention to work for the embargo to be lifted was repeated at the European Council meeting in June 2005. The discussions on lifting the embargo have subsequently come to a halt. One cause of this has been China's adoption of a new law directed against Taiwan's ambitions to become independent, the 'Anti-secession Act' (a law that prohibits secession from China).

13 Efforts to combat the proliferation of small arms and light weapons

The term 'small arms and light weapons' basically refers to firearms, which are intended to be carried and used by one person, and light weapons which are intended to be carried and used by up to three persons. Examples of the former category are pistols and automatic carbines, examples of the latter category are heavy machine guns, medium anti-tank weapons and portable anti-aircraft rocket. It has not been possible to adopt any generally accepted and recognised definition of the term.

Work is in progress in various international forums with a view to preventing and combating destabilising accumulations and uncontrolled proliferation of small arms and light weapons. No other types of weapons cause more suffering than these, which are used every day in local and regional conflicts, mainly in developing countries. Armed conflicts in the third world prevent economic and social development. The UN estimates the number of persons killed by light weapons at between 300 000 and 500 000 annually. The number of wounded and maimed is not even included in UN statistics. These weapons are inexpensive, easy to carry and easy to smuggle.

In 2001, the United Nations adopted a programme of action to combat the illegal trade with light weapons. The Organization for Security and Cooperation in Europe (OSCE) has adopted a document on light weapons relating to control of manufacturing and export and rules for marking, keeping registers, traceability and exchange of information, safekeeping and surplus equipment. In the EU, there is a programme, adopted in 1997 and revised in 2002, to prevent and combat unlawful trade with conventional weapons. Within the Wassenaar Arrangement, there is an obligation to report on trade with these weapons.

Sweden is endeavouring for each country to set up and implement a responsible export policy with comprehensive laws and regulations. The goal is for all countries to have effective systems that control manufacturers, vendors, purchasers, agents, brokers and intermediaries.

Follow-up of the UN's Programme of Action

One of the aims of the UN's work on small arms and light weapons is to raise awareness of their destabilising effects in conflict regions. Non-proliferation of such weapons is also important in the struggle against criminality and terrorism. Negotiations at the United Nations to produce an international instrument for marking and traceability of light weapons were concluded in 2005. Sweden sought a legally-binding instrument which would also apply to labelling of ammunition. However, the participating states could not agree on this but instead adopted a political reason. At a review conference on the programme of action in

the summer of 2005, major differences of opinion remained between the states that wanted to push the issue forward and legally binding international rules and others who kept strictly to the texts in the action programme that had already been adopted.

14 International cooperation on military equipment

Six-nation initiative - *Letter of Intent (LoI)*

In July 2000, the six large defence industry nations in Europe, France, Italy, Spain, the United Kingdom, Sweden and Germany signed the most important defence industry cooperation agreement so far at government level, the Framework Agreement. This agreement was negotiated as a result of the Letter of Intent (LoI), the Six-State Initiative, adopted by countries' defence ministers in 1998. The purpose of the agreement is to promote the rationalisation, restructuring and operation of the European defence industry, and it focuses mainly on the supply side, i.e. the states delivering the products. Six working groups have subsequently worked to put the principles of the framework agreement into practice. The areas covered are security of supplies, export controls, security protection, defence-related research and technology, treatment of technical information, harmonisation of military requirements and protection of commercially sensitive information.

In 2005, work continued in four of the working groups, with continuous reports to the international executive committee that has existed since 1998. As regards export controls, a working group has studied a number of issues, such as the framework for controlling intangible transfers, harmonisation as far as possible of the global product licences that are to be issued in the Six-Nation Zone, ways of measuring the efficiency gains associated with these licences and appropriate procedures for reporting to national parliaments. Detailed discussions have taken place during the year on the identification of a joint industrial project on which a common project licence (CPL) can be applied.

Ways of modernising and streamlining the practical administration of export controls at the national level have also been studied, in which connection comparative studies were made of the countries' control and licensing systems. On behalf of the Executive Committee, the working group also examined the possibility of a freer flow of military equipment between the Six and, at a later stage perhaps between all EU member states. These studies are continuing in 2006.

European Defence Agency (EDA)

On July 12, 2004, the EU Council of Ministers decided to establish the European Defence Agency (EDA). The Government has decided that Sweden should participate in the EDA, which has the following main tasks.

- To develop a joint defence capability for crisis management,
- To support and develop European cooperation on defence equipment,
- To reinforce the defence technology and industrial base with a view to creating an international competitive European market for military equipment,
- To promote efficiency in European research development and technology.

The EDA has a board consisting of a representative of each participating member state and a representative of the EU Commission. The board is EDA's decision-making body. Matters concerning the EDA are dealt with by the Ministry of Defence and Sweden is represented on EDA's board by the Minister of Defence. Unlike most international organisations involved

in defence cooperation, decisions are made in the EDA by qualified majority. Votes are counted in the same way as in corresponding systems in the EU.

Information about EDA is available on the website www.eda.eu.int.

Western European Armaments Group

The WEAG was wound up in 2005. Its activity is in the process of being transferred to the European Defence Agency (EDA). The remaining activity is led for the time being by the WEAO. The WEAG member states consisted of all European NATO allies, except Iceland, as well as all EU member states except Ireland. WEAG was organised in a number of panels, and its tasks included identifying cooperation projects in the equipment sector, harmonising military requirements, strengthening the European research and technology base and seeking joint solutions as regards financing, procedures, etc.

Western European Armaments Organisation (WEAO)

The organisation was set up in 1996, the intention being eventually to transform it into a European armaments agency. Its main activity so far has been to contract for research and technology (R&T) projects and monitor their progress on behalf of WEAG. For the time being, WEAO is taking care of the remaining projects from WEAG. Activity will begin to be wound up during 2006, when it will be transferred to the EDA. The final closure date has not been decided, although the process of phasing-out personnel has been started.

Organisation Conjointe de Coopération en matière d'Armement (OCCAR)

The organisation, which is an embryonic European armaments agency, was set up following a French-German initiative in 1996 and could be called the first, and so far the only, body whose task is to promote effective procurement in connection with multinational armaments projects. Since 2001, OCCAR has had the right to manage tender procedures and sign contracts for projects involving two or more member states. The members of OCCAR are Belgium, France, Italy, Spain, the United Kingdom and Germany.

Nordic cooperation on military equipment

In the Bill *Continued Renewal of the Total Defence* (Government Bill 2001/02:10), the Government presented a general agreement on aid for industrial cooperation in the military equipment sector between Denmark, Finland, Norway and Sweden, which was signed on June 9, 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, reflects the changes in the Nordic defence industries that have been under way for several years. Defence industry cooperation between the Nordic ammunition company NAMMO AS, which was formed in 1998 out of parts of the Norwegian company Rausfoss 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. The Riksdag approved the agreement on 11 December 2001 (Riksdag Comm. 2001/02:104). The agreement was ratified by the parties in 2002 and entered into force on 24 November 2002.

In 2004, the inter-Nordic working group negotiated new annexes to the agreement and persuaded the three countries to agree on the wording of two more annexes relating to the BAE Systems Hägglunds AB, which consists of Patria Hägglunds Oy, Finland and BAE Systems Hägglunds AB and HB Utveckling AB, Sweden, and to PD Aerotech, which consists of Danish Aerotech, Denmark and Patria Aviation OY, Finland and Patria

Helicopters AB and Patria Heli-Support AB, Sweden. The two latest annexes to the Framework Agreement were decided upon by the Government on 10 March 2005.

During the autumn of 2005, the ISP has worked with the Defence Matériel Administration on routines for export of spare parts in the 'Helicopter-14' project, which may possibly become an additional annex.

It is also worth mentioning in this connection the similar Nordic cooperation between the armaments, which is called NORDAC (*Nordic Armament Co-operation*). This cooperation goes back to a framework agreement signed by the countries in 1994 and revised and adopted in 2000, and more than sixty inter-Nordic co-operation projects have implemented under its aegis since the start. The main purpose of this cooperation is to achieve economic technical and industrial advantages in the defence equipment sector for the four countries, to utilise the countries' defence equipment resources effectively and efficiently and to seek to increase cooperation between the countries' defence industries. This cooperation comprises both bilateral and multilateral projects and is also open to companies from other countries.

On the subject of inter-Nordic companies and the intensified integration of the European defence industry in response to excess capacity, it may be mentioned that in 2003 the jointly-owned Swedish-Finnish gunpowder and explosives company, Nexplo Industries AB was sold to a French buyer, SNPE Matériaux Energétiques, after which the Nordic parent companies Saab AB and Patria Industries, together with the French buyer, formed a new parent company called EURENCO, with the subsidiaries EURENCO France, EURENCO Bofors and EURENCO Vihtavuori Oy. Since 2004, tripartite negotiations are in process between Sweden, Finland and France on cooperation routines within the EURENCO project. SNPE owns 60% of EURENCO, Patria and Saab owning 19.9 % each. Three meetings took on this matter in 2005. The parties hope to be able to sign an agreement in 2006.

15 The international arms trade

The Stockholm International Peace Institute (SIPRI) compiles statistics on the trade in military equipment in its Yearbook and in a database. These statistics are based on trend indicator values and relate to transfers of major conventional weapons. According to the most recent information from the SIPRI Arms Transfers database, transfers of major conventional weapons increased from USD 19 836 million in 2004 to USD 21 965 million in 2005.

During the five-year period 2001-2005 Sweden was ranked in 10th place in SIPRI's annual list of exporters of major conventional weapons (aircraft, warships, artillery, armoured vehicles, missiles and target acquisition and radar systems with 1.88% of world export, which totalled USD 93 516 million during the same period. The largest exporter, Russia, accounted for 31% of global exports during that period followed by the USA (30.2%), France (9.2%), Germany (6%) and the United Kingdom (4.2%).

The leading importer of major conventional weapons during the period 2001-2005 was China, which accounted for 14.3%, followed by India (10%), Greece (6.5%), the United Arab Emirates (5.2%) and the United Kingdom (3.1%). Sweden was in 45th place during the period with 0.5 per cent of total imports of major conventional weapons. More information is available in the SIPRI Arms Transfers database on the website www.sipri.org.

16 Corruption in the international arms trade

Sweden has been engaged in close cooperation with the UK section of the organisation Transparency International (TI-UK) for six years to combat corruption in the arms trade. Through meetings and seminars in Sweden and the United Kingdom, representatives of government, the armed forces, industry, and the academic world from a number of countries have been gathered to take part in an open and constructive dialogue on this problem. The participants at the meetings represented both producer and consumer countries, and countries at different levels of economic development. These meetings laid a solid foundation for the formulation of action programmes with two main priorities, the Integrity Pacts and the ethical programme. Through an Integrity Pact, an agreement is drawn up between the purchaser, often a central government agency, and the tenderers on transparency in the tendering procedure and guarantees against bribers and other undue benefits. In the case of the ethical programme, a model has been collated from the ethical rules of different industrial companies. In 2005, TI has started the work with Swedish funding of producing a model for an Integrity Pact in the area of military equipment.

17 Cooperation in the international export control regimes

What are weapons of mass destruction?

The issue of non-proliferation of weapons of mass destruction has been high on the international agenda ever since the late 1980s. The main reasons for this are that certain countries in unstable regions seek to acquire weapons of mass destruction and there are signs that non-state actors are increasingly interested in acquiring such weapons too. Terrorist threats have become the main focus of attention following the attacks of 11 September 2001.

The term 'weapons of mass destruction' means nuclear, chemical and biological weapons. Efforts to prevent the proliferation of such weapons usually extend to the means of delivery such as long-range ballistic missiles and cruise missiles too. 'Non-proliferation' is understood to mean multilateral measures designed to prevent the spread of weapons of mass destruction. These measures are sanctioned by a number of multilateral conventions and promoted by the export control regime with their less formal mandate.

International agreements

Among the international agreements, 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 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 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 the International Atomic Energy Agency (IAEA) safeguards.

Under Article III of the 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 CWC imposes a general obligation on the parties never to “transfer directly or indirectly, chemical weapons to anyone”.

The multilateral export control regimes

Although the primary objective of these international agreements is disarmament and 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 products, 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 forty countries have joined a number of multilateral export control regimes: 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 membership of these export control regimes will be found in Annex 5. The purpose of the regimes is 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, and to exchange information on proliferation risks. This work also includes contacts with third countries in order to promote the regimes’ non-proliferation aims. However, unlike the conventions in this area, the export control regimes are not based on internationally binding agreements. Their activities are based, rather, on a common desire to prevent the proliferation of weapons of mass destruction and national legislation on export controls for products and technologies that are identified as strategic products. Participation in these regimes also makes it easier to meet the international legal obligation laid under the above-mentioned international conventions to refrain from assisting other states, directly or indirectly, to acquire weapons of mass destruction.

Basic concepts used by the regimes

Two key concepts in this multilateral cooperation are ‘denials’ and ‘no undercut’. The latter term means that a member of a regime which denies an export licence for a specific transaction with reference to the regime’s objectives is expected to inform the other members of its decision. The other members of the regime are expected to consult the state that has issued this denial before deciding whether to grant the export licence for a similar transaction. This consultation procedure is referred to as the ‘no undercutting principle’ and is intended to prevent another country granting an export licence for the same product. The system of issuing denials is used by the NSG, AG, MTCR and WA. The consultation procedure is applied within NSG, AG and MTCR.

The export control regimes after 11 September 2001

The terrorist attacks in New York and Washington on 11 September 2001, 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 and the risk of terrorists gaining access to weapons of mass destruction by export, cooperation in the multilateral export control regimes now focuses to a great extent on terrorist threats. The first step has been to declare explicitly in the regimes' basic documents that one of the purposes of their activities is to prevent the spread of dual-use products to terrorists. The WA introduced this provision in 2001, the AG and NSG in 2002 and the MTCR in 2003. Another measure is to expand information exchange to include the risk of items being transferred to non-state actors, who may be present in any country.

Catch-all clauses

In order to further strengthen export controls, the regimes have also introduced a catch-all clause in their guidelines (see Explanations in the Annex section for an explanation of this term). Catch-all clauses provide a legal basis for carrying out export controls of products and technologies that are not included in the regimes' control lists where there is reason to suspect that they may be used for the production of weapons of mass destruction or related weapons carriers. The AG introduced a catch-all mechanism in 2002. The MTCR and WA did the same in 2003 and the NSG in 2004. The EU, which has already provided for this mechanism in EC Regulation 1334/2000 on dual-use items, has played an active part in promoting these efforts, as has Sweden.

Resolution 1540 (2004) of the UN Security Council

On 28 April 2004, the United Nations Security Council adopted Resolution 1540, which is intended to prevent non-state actors obtaining access to weapons of mass destruction and the means of delivery for these weapons. The preamble makes it clear that the proliferation of nuclear, chemical and biological weapons, as well as the means of delivery for these weapons, is a threat to international peace and security.

The resolution is binding on the member countries of the United Nations it is incumbent on these countries, under Chapter VII of the UN Charter to undertake a series of measures to prevent proliferation. With respect to export control, it is established that all states are to establish, develop, review and maintain appropriate effective national controls, including suitable legislation and regulations to control export, transit, trans-shipment and re-export and controls on providing funds and services related to such export and trans-shipment. End-user controls are also to be introduced. All states are also to introduce appropriate criminal or civil penalties for violations of such export control laws and regulations.

The resolution also contains provisions on assistance in implementing the provisions of this resolution. States in a position to do so are invited to offer assistance as appropriate in response to specific requests to the States lacking the legal and regulatory infrastructure, implementation experience and/or resources for fulfilling the above provisions.

It was also decided through Resolution 1540 to set up a committee of the Security Council, the 1540 Committee, for a period of at most two years, with the task of reporting to the Council for its examination of the implementation of the resolution. Furthermore, the member countries of the United Nations were urged, at the latest by 28 October 2004, to report to the Committee on the steps that they had taken or intended to take to implement the resolution. The Committee consists of members of the Security Council.

The great majority of the United Nation's member countries, including Sweden, have reported to the 1540 Committee. The European Commission has reported on such matters that in the area that come under the EU's first pillar. The 1540 Committee has also obtained supplementary information from the UN's members in the course of its work. Before 28 April 2006, the Committee is to report to the UN Security Council on the implementation of the resolution. The Security Council is then also expected to take a position on whether the

mandate of the Committee is to be extended and on how further work on realising the aims of the resolution is to be pursued.

UN Resolution 1540 contains undertakings that many countries, including Sweden, do not at present wholly comply with. In the case of Sweden, export control of dual-use products is governed by EC Regulation 1334/2000, which does not include provisions for the control of arms brokering, transit and trans-shipment. A review of the Regulation has been initiated.

The Zangger Committee

The Zangger Committee (ZC), which was established in 1974, deals with export control matters within the framework of the Nuclear Non-Proliferation Treaty (NPT). The Committee defines the meaning of the term 'equipment or material especially designed or prepared for reprocessing, use or production of special fissionable material in Article III of the Treaty. The NPT lays down that such equipment, as well as source and special fissionable material, may only be exported to a non-nuclear state, if the fissionable material is subject to IAEA safeguards. The equipment is specified in the Committee's control list, which is continuously updated in the light of technological developments. The list can be found in the IAEA's information circular no. 209 (INFCIRC/209/Rev.2).

During the year, the Zangger Committee initiated a review of its role and activities, among other things, in the light of similar work carried out by the Nuclear Suppliers Group (NSG). At the NPT's review conference in 2005, the Committee reported, as before, on its activities since the preceding review conference.

Information about the ZC can be found on the website www.zanggercommittee.org.

The Nuclear Suppliers Group

The Nuclear Suppliers Group (NSG), which was originally called the 'London Club', was established in the mid-1970s partly in response to India's explosion of a nuclear device in 1974. The NSG focuses on export control of products that can be used to produce nuclear material for use in weapons and of dual-use products that can be used for the production of nuclear weapons. These items are listed in the IAEA's information circular no. 254, which includes a control list for each group of items (INFCIRC/254/Rev.7/Part 1 and INFCIRC/254/Rev.6/Part 2).

In 2005 the NSG decided to further strengthen its guidelines by certain additions. These include a procedure for suspension of deliveries of nuclear equipment to states that have breached their safeguard agreement with the IAEA, provisions on control in the event of the IAEA not being able to comply with its mandate in a recipient state and a condition for delivery. Furthermore, it was decided to continue prioritised work with the intention of introducing IAEA's supplementary protocol as a condition for delivery of nuclear technology equipment and to further strengthen NSG's provisions on delivery of equipment for enriching uranium and reprocessing plutonium. The USA introduced an initiative on an exemption for India from current guidelines for export of nuclear equipment. During the year, Croatia was admitted as a new member of the NSG.

Information about the NSG is available on the website www.nuclearsuppliersgroup.org.

The Australia Group

The Australia Group (AG) was formed in 1985 at the initiative of Australia. Its aim is to harmonise its members' export control to prevent the proliferation of chemical and biological weapons both to states and to terrorist groups. Originally, it was only concerned with

chemical and chemical production equipment. However, the members of the Group decided in 1990 to extend its control to include microorganisms, toxins and certain types of biological weapons.

In 2005, the AG had its twentieth anniversary. The programme for the regime's contacts with third party countries was further developed. Furthermore, AG's readiness to assist countries to comply with their undertakings according to UN Security Council Resolution 1540 was emphasised. Israel's accession to the regime's guidelines was welcomed. It was decided to include certain types of aerosol spray in AG's control list of biotechnological equipment. In addition, it was decided to study the possibility of making a further 25 microorganisms subject to export control. Control of pumps was expanded. Work also started on further strengthening the control of member states over arms brokering activities. In 2005, Ukraine was welcomed as a new member of AG.

Information about AG is available on the website www.australiagroup.net.

The Missile Technology Control Regime

The Missile Technology Control Regime (MTCR) was set up as a result of an American initiative in 1982. It focuses on export controls of complete missile systems (including ballistic missiles, space launch rockets and missiles and sounding rockets) and other unmanned aircraft (including cruise missiles, target and reconnaissance platforms) with a range of 300 kilometres or more. Controls also extend to components of such systems and other products that can be used to produce such missiles.

During the year, the MTCR again expressed its concern about activities in the area of missiles, among other places in the Middle East and in South and East Asia. At the same time, India's explicit intention to accede to the MTCR's guidelines was welcomed. The regime continues its review of issues on strengthening control of intangible transfers of technology, transit traffic, trans-shipments, and arms brokering. A number of changes were introduced in MTCR's control list, including changes concerning the accelerometers and graphite.

Information about MTCR is available on the website www.mtcr.info.

The Wassenaar Arrangement

The Wassenaar Arrangement (WA) was created 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).

The WA's aim is to contribute to regional and international security and stability by promoting transparency and responsible action with regard to transfers of conventional weapons and dual-use products, thus helping to avoid destabilising accumulations. The WA's activities are based on the principle that trade in the items in the control lists should be permitted, but must be controlled.

The WA targets a broader product portfolio than the other export control regimes. Two control lists are attached to the basic document: Munitions List, which covers conventional military equipment, and the List of Dual-Use Goods and Technologies, which covers goods and technologies with civilian and military uses that are not included in the control lists of the other control regimes.

The WA decided in 2005 to make a number of additions within the framework of the continuous review of the control lists. These entail, *inter alia*, control of jamming transmitters and a more extensive control of unmanned aircraft, which terrorists may wish to

obtain access to. Furthermore, approval was given to an indicative list of assurances of end use, which the member states usually require as a condition for delivery of products subject to export controls. WA also engaged in work aiming at strengthening national export controls over intangible transfers of software and technology. WA's plenary meeting welcomed practical steps that certain member states had taken in accordance with the regime's guidelines for export control of portable air defence missiles. Furthermore, the member states were urged to promote these guidelines in relation to other countries. WA's programme for contacts with third countries in 2005 focused on China and South Africa, among other countries. During the year, a major seminar was arranged to strengthen the regime's contacts with industry. The head of the WA secretariat, the Swedish ambassador Sune Danielsson, was re-elected for second four-year period of office. Sweden was also appointed to lead the regime's expert group for matters relating to law enforcement and licencing in 2006. WA accepted Estonia, Latvia, Lithuania, Malta and Slovenia as new members and decided start the process of accepting South Africa as the fortieth member of the regime.

Information about the Wassenaar arrangement is available on the website www.wassenaar.org.

18 Cooperation in the EU on dual-use products

The export control regimes and the EU

The EU's work on export controls of dual-use products is closely connected with the international work of the export control regimes, see Section 15. The work carried out in Brussels is coordinated, in particular, by two working groups - CONOP (*Council Working Party on Non-proliferation*) which deals with non-proliferation issues in general and WPDU (*Working Party on Dual-use Goods*) which works with policy issues and updates the control lists provided for by EC Regulation no. 1334/2000 on dual-use items. The following section takes up the work in WPDU.

The year's work on the control lists

The alterations to the regimes' control lists are inserted in the annex to the EC Regulation and are thus legally binding in all EU member states. Alterations in the regime lists for autumn 2004 and 2005 have not yet been inserted in the EU's control list. The updated control list is expected to be ready in February 2006 and can apply from April 2006.

Activities in 2005

The European Council's plan of action against proliferation of weapons of mass destruction of June 2003 and the strategy against such proliferation from December 2003 include an undertaking to strengthen the effectiveness of export control for dual-use products in an expanded Europe.

The review of the national export control systems carried out during 2004 was examined in December of the same year by the Council. The Council then stated that the recommendations of the review should be implemented without delay. One fundamental reason for improving export control is that the EU is a large manufacturer of sensitive products and technologies that could be misused for production of weapons of mass destruction. The export control measures required in the EU must at the same time be

proportional in relation to the proliferation risk and not unnecessarily disturb the development of the internal market or the competitiveness of European companies. Consequently, the activities in the WPDU in 2005 have been focused on:

- a systematic exchange of information between member states on national legislation to increase insight and strengthen cooperation,
- production of appropriate conditions for the use by member countries of export licences to reduce unnecessary differences between countries,
- a review of EC Regulation 1334/2000 on dual-use items with respect to requirements for export control in transit and trans-shipment in accordance with the UN Security Council Resolution 1540,
- creation of an expert group with representatives from member states to support colleagues in EU countries to identify products that should be subject to export control,
- establishment of an electronic database where denials for export applications in member countries are registered, with a view to preventing purchasers who have been denied access to sensitive products and technology in one EU country, obtaining such access in another EU country.
- a review of licensing and customs procedures from the point of view of control.
- a study of the application of 'catch-all' control of products and technologies with dual areas of use,
- production of a check list for effective collaboration between export control authorities and affected companies,
- initiation of work to produce guidelines for how member states should implement controls in connection with sensitive technology being transferred to other countries with the aid of Internet.

EU coordination within the regimes

The EU's involvement in export controls of dual-use products has a political dimension. According to the EU strategy to prevent proliferation of weapons of mass destruction of December 2003, member states shall work to become key partners of the export control regimes. This should take place, in among other ways, by coordination of EU positions within the regimes. Joint action on the part of the EU in the different regimes has in line with this become increasingly common in recent years and now constitutes a central part of the work in Brussels and in the different meetings of the regimes. The sphere of EU countries usually has co-ordinating meetings in connection with regime meetings. In recent years, EU initiatives have, among other things, led to members in the respective regime being able to agree to maintain export control also for products outside the control lists (catch-all), if these can be assumed to be used in connection with weapons of mass destruction. Another area where the EU has been successful is that the members of the regimes have agreed on strengthening the guidelines for export control to prevent terrorists gaining access to sensitive products on the regimes' control lists. EU has also endeavoured to strengthen the exchange of information between member countries in the regimes.

The EU has for long time taken the view that all EU member states should be invited to join all regimes, whose decisions serve as a basis for the control lists in EC Regulation no. 1334/2000 on dual-use items. The main reason is the endeavour to maintain a harmonised and effective national export control and exchange of information on proliferation risks for all EU countries. The EU has therefore strongly advocated that all EU member states can become members in all regimes.

By a decision of NSG and AG, all EU countries are now members of their regimes. The equivalent decision has not yet made in MTCR with regard to Cyprus, Estonia, Latvia,

Lithuania, Malta and Slovakia. With regard to the Wassenaar Arrangement, Cyprus is not a Participating state for the time being.

19 Swedish Presidency of the Nuclear Suppliers Group (NSG)

The Swedish presidency of the Nuclear Suppliers Group 2004/2005 concluded at the end of June 2005. Within the framework of the regime's programme for contacts with third countries, the President visited a number of capitals during the first six months for an in-depth dialogue on non-proliferation issues in the field of nuclear technology. Among other issues, these discussions took up current proliferation threats, the effectiveness of national export control systems, UN Security Council Resolution 1540 and the ability of the NSG to provide technical assistance to reinforce national export controls.

During the period in question, there was continued dialogue between NSG and the international atomic energy body, IAEA, on matters of mutual interest. In addition, it was agreed in contacts with the 1540 Committee associated with the UN Security Council to provide more detailed information about the role and activity of the NSG to contribute to the implementation of Resolution 1540. NSG's presentation to the Committee took place in New York in December 2005.

20 Raising awareness about export control policy - outreach activities

An EU-coordinated information activity on export controls

The ISP accounts for much of the information about export controls in Sweden, but a great deal of information is also provided by international bodies. The purpose of these activities is to strengthen the international export control system by raising awareness of the need for export controls and what this involves. These efforts are directed primarily at countries and regions that are not currently involved in multilateral activities in the regimes or in the field of military equipment. These countries often have a well-established national export control system, but lack international contacts. Apart from the information value of the seminars and meeting that are arranged in this connection, they also offer opportunities for more open discussions of various problems and proliferation risks. This promotes broader international cooperation on issues that are of interest to most responsible exporting countries.

For several years, the EU's member states have engaged in outreach activities and sent deputations to non-EU countries to discuss export control policy. The main focus of these activities has been on the EU Code of Conduct on Arms Exports and how it works in practice. In 2004, the member states decided to make these activities more systematic. This means identifying countries as destinations for visits and seminars, contacting them and setting up a database for these activities, whether they are undertaken jointly by several EU countries or on a bilateral basis between a single EU country and a non-EU country. The aim is to make outreach activities more effective and to provide opportunities for the EU to speak with one voice on export control and the values on which EU cooperation is based.

Regions in focus during the year included Eastern Europe and the Balkans. A number of seminars and conferences were held with countries in these areas, and in Ukraine, Georgia and China under the auspices of the EU.

Swedish participants were invited to make presentations and in some cases to conduct certain activities.

Information activities in the export control regimes

The regimes are keen to have a good dialogue with non-members and interest organisations. The purpose of these contacts is to create a transparency of the regimes' activities, promote their non-proliferation objectives, including accession to the regimes' guidelines for national export control and, where necessary, offer technical assistance in order to strengthen national export control systems. These activities are pursued within the framework of the regimes' outreach programmes. Sweden led this work in the nuclear field from May 2004 to June 2005 in the capacity of president of the NSG.

Nordic-Baltic cooperation

Nordic-Baltic cooperation on export controls has broadened and deepened considerably. Regular meetings now take place between representatives of the Nordic and Baltic states in connection with this cooperation. These meetings provide opportunities for exchanges of information and views concerning topical export control issues, with reference to both military equipment and dual-use products.

International export control conference in Stockholm

In September 2005, Sweden and the USA arranged an export control conference in Stockholm focused on dual-use products. Over 150 participants from some 45 countries attended the conference, which is one of a series of annual conferences.

21 Intangible transfers

The question of controls of intangible transfers, i.e. of software or technology, is a subject that has come to the fore again in the past two years in the work of most of the export control regimes, in the EU and several member states. Such transfers can involve both military equipment and dual-use products. Transfers between countries are made mainly by electronic media (computer networks and the Internet) from one country to another. Technology can also be transferred orally (person to person) by researchers, consultants and other experts.

Council Regulation (1334/2000) on dual-use items defines software as a collection of one or more 'programs' or 'microprograms' fixed in any tangible medium of expression. 'Technology' means specific information necessary for the 'development', 'production' or 'use' of products. This information takes the form of technical data or technical assistance.

The focus of ongoing work is on electronic transmission via the Internet.

Special attention needs to be paid to the electronic transmission of software and technology in connection with export controls, and, in the light of recent developments, there is a risk of such transmission becoming a weak link in the export control chain. The Internet offers excellent opportunities for transferring software and technology. The global spread of

the Internet makes it possible to store export-controlled technology in places that are unknown to and inconvenient for the exporter.

There are enormous numbers of potential transmitters and receivers and, for non-state actors, such as terrorists and organised crime, electronic transmission is simple, cheap and safe to use for their purposes. This increases the risk of terrorists using transferred information to produce and/or use weapons of mass destruction. Use of the Internet is also increasing their opportunities for carrying out information operations designed to paralyse essential functions ('cyberterrorism').

It is particularly important in connection with export control to take measures to prevent illicit electronic technology transfers (as defined above). All large exporters, both of military equipment and dual-use products, use the Internet to keep abreast of disseminate technology. Exporters may use inputs from suppliers in other countries in their production. Much of the practical cooperation now takes place with the help of the Internet. Such process chains can be long and complex, and it is difficult to establish where sensitive export-controlled components are developed and incorporated into the end product.

During the year, the Ministry for Foreign Affairs launched an in-depth analysis of the opportunities, threats and risks associated with the Internet that are relevant to export controls of electronically transmitted software and technology. The analysis is being performed by experts in the relevant agencies with input from several other ministries. The work is expected to be completed by the first half of 2006.

The analysis will provide data for continued efforts to strengthen Sweden's export controls and for Sweden's positions in the EU and the export control regimes.

22 Galileo - a European civilian positioning system

The European Community has been developing the Galileo satellite navigation system since the end of the 1990s. The aim is to have a European alternative to the American GPS system, which is a military system but also used for civilian purposes. Galileo is a civilian system and is under civilian control. However, its signals can be used by anyone for various purposes, including the purpose of enhancing national security.

The European Council's conclusions from the summits held during the period 1999–2004 have emphasised the strategic importance of Galileo. Council Conclusions issued on 10 December 2004, specified the signal services to be offered by Galileo during the operational phase (which is scheduled from 2011 to about 2032). At the same time the Council made decisions relating to the commencement of production and operation, security matters, the setting up of a special authority, the European GNSS Supervisory Authority, and on the public and private financing of Galileo.

Galileo is to consist of about 30 radio navigation satellites, about 10 main ground stations and two control centres. The satellites will transmit navigation and time signals, which can be received by receivers on the ground or in the air and recorded in the form of time data and receiver location data. The first satellite was launched on 26 December 2005.

It will be possible to insert time and location data in various IT- controlled applications, and link them to electronic maps. The receivers can be located on individuals (watches, mobile telephones, special equipment), or in cars, ships, aircraft, missiles, smart bombs, etc. Receivers will also be able to send signals indicating their precise location (two-way communication). Several technical infrastructure systems in Sweden (operation of electricity systems, telecommunications systems, mobile systems, air traffic control) are dependant on accurate time data from navigation satellites. If the time signals are jammed or, even worse, altered, this would affect Swedish infrastructures and their users.

Galileo and GPS, and the corresponding Russian system Glonass as well, have a limited frequency spectrum. The signals overlay the assigned spectra and interfere with one another. If a signal is misused in connection with a military conflict, a country may decide to jam the illegal signal, with the consequent risk of having its own signals jammed.

An agreement concerning GPS and Galileo was concluded between the USA and the European Community and all its member states in June 2004. A crucial issue from the USA's point of view is to ensure that Galileo's signals do not jam GPS's future military signals in the event of a crisis, which would affect not only the USA's defence but also the defences of other NATO countries and the Swedish Armed Forces. The most important issue for the EU's member states is to ensure that Galileo's Public Regulated Service is not disrupted by GPS signals. The EU and the USA have therefore agreed on national security criteria for the design of GPS's and Galileo's signal services.

This part of the agreement, which is about national security, was negotiated in the EU by a team by Sweden. The security agreement was signed by Sweden and the USA. Sweden was assigned this task on account of its chairmanship of the working group on international relations and organisation of activities within EU's Galileo Security Board.

In 2005 security requirements, including non-proliferation and export control, have been included in the cooperation agreement on Galileo between the EC and its member states, on the one hand, and various third countries (India, Ukraine, Morocco, South Korea, inter alia) on the other hand. The requirements have been formulated by the Galileo Security Board.

An extensive revision of the security requirements for Galileo's future land-based stations has been carried out and approved by the Galileo Security Board. The European GNSS Supervisory Authority for Galileo is to be responsible for all future security work in the production and operation phase, unless the responsibility is assumed by the Council of Ministers. The Council has decided how joint action is to take place in the event of a member state notifying that its national security is threatened due to use of Galileo.

Intensive work has taken place in 2005 on defining which satellite navigation receivers should be subject to export control in future. These are difficult issues for Galileo, which is a largely private financed civilian system. Export control lists are drawn up in the Wassenaar Arrangement (WA). WA's member states were, however, unable to reach agreement on the proposals for modernisation of the export control rules presented in the regime in 2005. Instead, the existing control is focused on GPS and Glonass receivers, while the EU countries will have to make proposals in future on export control of Galileo receivers. When decisions have been made in WA, the EU will have to make corresponding changes in the regime's control list. The issue of proliferation of sensitive components and technology is, however, acute in the Galileo programme and the Galileo Security Board has started to examine proposals for different solutions.

Annexes

23 Annex 1: Swedish exports of military equipment in 2005

23.1 Introduction

The Swedish Inspectorate of Strategic Products (ISP) continuously monitors Swedish companies' marketing and exports of military equipment and dual-use products, and it supplies the Government with the statistical data for the annual report on exports of Swedish military equipment and dual-use products. Material for this year's report has also been provided by the Swedish Nuclear Power Inspectorate (SKI).

The enterprises that are authorized to manufacture military equipment - currently about 157, some 50 of which are active exporters - are required to submit various kinds of information about their operations to the ISP.

23.2 Explanations to the tables

Categories of military equipment

To make it easier to compare the statistics for Sweden's exports of military equipment with those reported by other EU member states, the categories of equipment are those used specified in the EU Common Military List. A comparison between the Swedish categories set out in the Military Equipment Classification and this list will be found in Table 23.3.12. The most important product types are also listed for each category. More detailed information on the content of each category (Annex 1 to the Military Equipment Ordinance (1992:1303)) will be found in Annex 5. Unlike the Swedish classification, no distinction is made in the EU Military List between the categories of 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.

When a table relates to export licences or exports associated with a specific category, this means that the 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.

The data do not permit far-reaching conclusions about export trends, since the volume of exports is not sufficiently large to ensure uniform 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.

In 2005, no small-calibre barrel weapons (EU ML 1) were exported from Sweden. This is worth bearing in mind in the light of Sweden's active role within the UN framework in the

fight against the illicit trade in small arms. The small-calibre barrel weapons specified as other military equipment are hunting and sporting weapons, exports of which are controlled in order to avoid large shipments of such weapons that may be used for military purposes.

Export licences

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. There are therefore considerable differences in the statistics on export licences from one year to another. However, these variations in the value of export licences make little impact on actual exports of Swedish military equipment, which do not fluctuate to the same extent from one year to the next. The reason for this is that the exports associated with a high-value export licence are usually spread over several years.

In cases where only one or two licences were granted, an approximate value is given in order to protect commercial interests or defence secrets.

Follow-on deliveries

It is sometimes of interest to find out to what extent the licences granted for exports to a specific country relate to follow-on deliveries. The table under 23.3.7 shows these data for a number of countries. The type of equipment concerned is also indicated in the case of countries for which licences were issued.

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.

Changes in the statistics regarding factual exports 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 in the statistics.

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 differ from those reported by ISP. SCB's statistics, which are reported under the heading of "Weapons and Ammunition" include both products classified as military equipment and civilian products. Military aircraft, vehicles and ships are reported under other headings. Furthermore, SCB's statistics include products which have entered or left Sweden as repairs are to be carried out in Sweden or abroad, which are not reported as export for sale purposes in ISP's statistics. These figures cannot be compared with ISP's statistics and are not included in this report.

Transfers of manufacturing rights, cooperation, etc.

Four licences were granted in 2005 for the transfer of manufacturing rights to other countries. The countries concerned were Finland (1) and the Netherlands (3).

Sixteen cooperation agreements were examined and authorised for joint development or production in 2005. The agreements relate to cooperation between Swedish and foreign companies and are distributed by country as follows: France (3), Germany (2), The

Netherlands (1), United Kingdom (1), Italy (1), the Czech Republic (1), the USA (1), South Africa (1), Australia (1), South Korea (2) and Singapore (2).

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 is examined in detail in such 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 production or other cooperation under such an agreement still takes place and how such cooperation is carried on.

Military-oriented training

Under the Military Equipment Act foreign subjects must not be given military-oriented training within or outside Sweden without the permission of the Swedish Inspectorate of Strategic Products. The prohibition does not apply to training related to the sale of military equipment for which an export licence has been obtained.

One such permit — for the UK — was issued in 2005.

23.3 Statistical tables

23.3.1 Value of export licences granted, 2000-2005, broken down into military equipment for combat purposes (MEC) and other military equipment (OME)

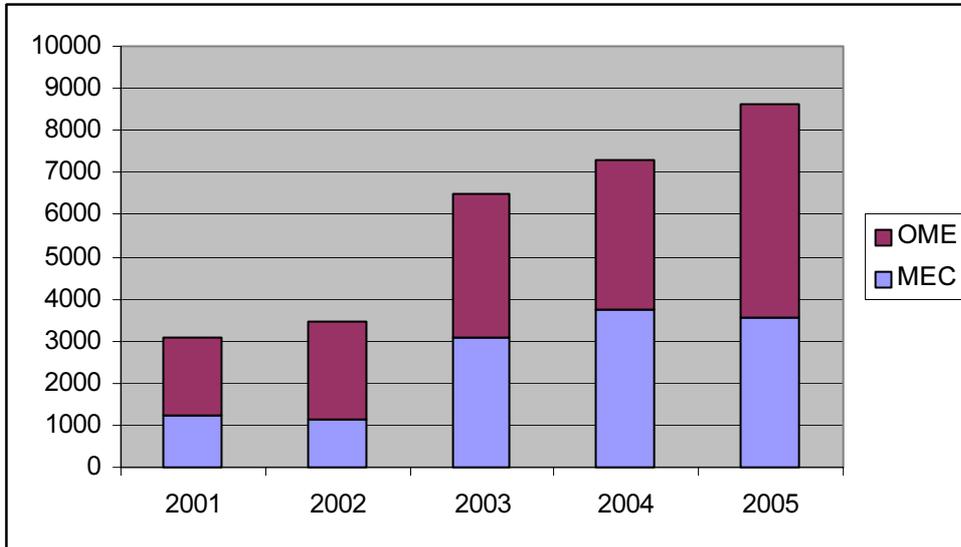
Year	Value in current prices, SEKm			Change in %		
	Total	MEC	OME	Total	MEC	OME
2000	4 640	2 369	2 271	-35.1	+118.9	-62.6
2001	23 900	21 228	2 672	+415	+796	+18
2002	5 882	3 094	2 788	-75.4	-85.4	+4.3
2003	9 021	4 383	4 638	+53.4	+41.8	+66.4
2004	6 491	2 077	4 413	-28	-53	-5
2005	15 147	10 214	4 933	+133	+571	+12

23.3.2 Actual exports, 2000-2005

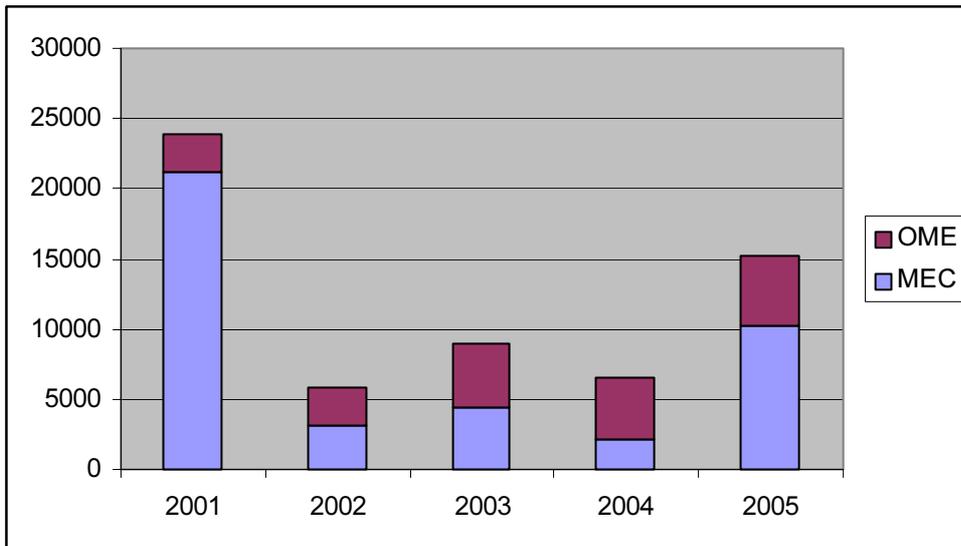
Year	Sweden's total exports (current prices), SEKm)	Exports of military equipment						
		Share of total ex-ports %	Current prices, SEKm			Change in %		
			Total	MEC	OME	Total	MEC	OME
2000	796 673	0.55	4 371	2 189	2 182	+19.6	+12.0	+28.4
2001	780 594	0.4	3 060	1 247	1 813	-30	-43	-17
2002	789 900	0.44	3 440	1 120	2 320	+12.4	-10.2	+28
2003	816 300	0.79	6 479	3 069	3 410	+88.3	+174	+46.9
2004	904 532	0.81	7 291	3 740	3 551	+12	+22	+4
2005	971 956	0.88	8 628	3 533	5 095	+18	-5	+43

23.3.3 Export licences and actual exports during year 2001-2005 broken down into OME and MEC

Actual exports 2001-2005



Export licences granted 2001-2005



23.3.4 Export licences and actual exports in 2005 by recipient region and country, including mentioning of product categories

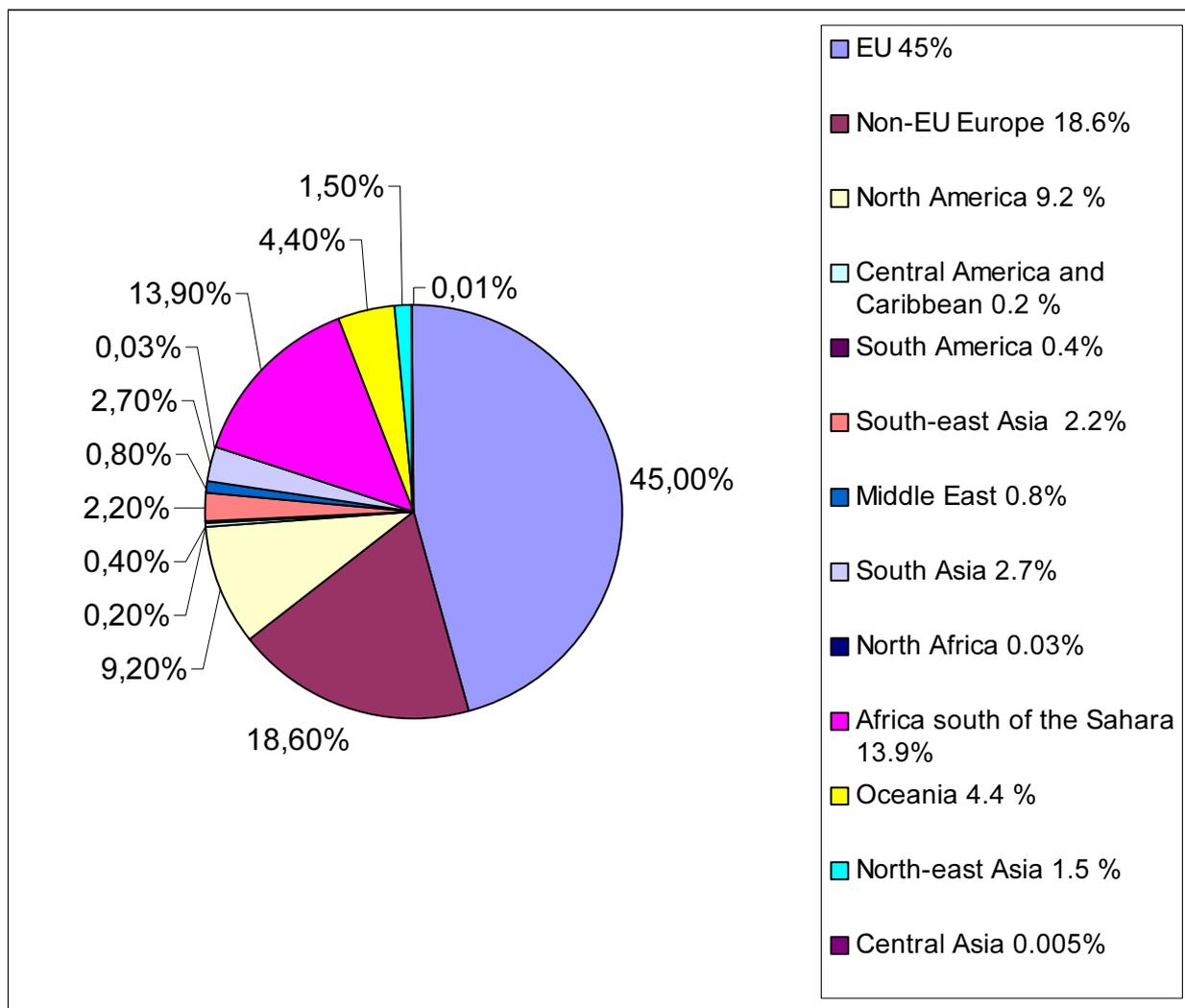
Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)*	Value of licensed items, SEKm	Main category of actual exported equipment (EU military list)	Export value, SEKm
EU	347		12.965.1		3 951
Belgium	8	1, 3, 5, 6	16.8	1, 3, 5, 8	9
Cyprus	1	1	0.03		-
Denmark	17	1,3, 5, 8, 9, 14, 18, 21	284.7	1, 2, 3, 5, 10, 21	91.1
Estonia	5	1, 3	4.2	1, 3	2.4
Finland	61	1, 2, 3, 4, 5, 6, 7, 8, 10, 18	1738.4	1,2,3,4,5,6,8,10,14,18,21	825.5
France	24	1, 3, 5, 8, 10, 11, 18	107.1	1, 2, 3, 5, 8, 10, 14, 15, 18	662
Greece	7	1, 2, 5, 6, 8	22.4	2, 5, 6, 8	592.2
Ireland	9	2, 3, 5, 14	19.5	2, 3, 5, 6, 14	39.1
Italy	11	3, 5, 6, 11, 18	38.6	1, 3, 5, 6, 8, 10, 13, 15	219.4
Latvia	3	3	1.1	3	0.8
Lithuania	2	3	2.1	3	0.6
The Netherlands	24	1, 2, 3, 5, 6, 9, 14, 18, 21	7596.5	1, 2, 3, 5, 6, 13, 14	578.6
New Caledonia (F)	2	3	1	3	0.2
Poland	10	3, 4, 8	7.7	3, 8	3.3
Portugal	6	2, 3, 14	4.8	3	0.4
Slovakia	2	3	0.7	3	0.3
Slovenia	4	5, 13	1	3, 5, 13	2.6
Spain	14	2, 3, 4, 5, 8, 13, 18	46.9	1, 2, 3, 5, 6, 8, 13	34.3
United Kingdom	36	2, 3, 4, 5, 6, 8, 10, 14, 18, 21	1 216.2	1, 2, 3, 5, 6, 8, 10, 13, 14, 15, 18	353.4
Czech Republic	14	3, 4, 5, 8, 14, 21	242,7	3, 4, 5, 8, 10, 14	50.9
Germany	70	1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 18, 21	1587	1, 2, 3, 4, 5, 6, 7, 8, 9, 14, 15	443.2
Hungary	6	5, 8	0.6	3, 5	1.5
Austria	11	2, 3, 5, 8, 14, 21	25.1	2, 3, 4, 5, 10, 14	40.5
Non-EU Europe	81		134.8		1 606
Bulgaria	2	3	4.8	3	0.2
Iceland	2	3	1.2	3	0.1
Croatia	4	3, 4	4.4	3	0.4
Norway	33	2, 3, 4, 5, 6, 8, 10, 14, 18	38.5	2, 3, 4, 5, 6, 8, 10, 14, 21	231.1
Romania	3	1, 5	4		-
Russia	4	3	8.3	3	3.5
Switzerland	27	1, 3, 5, 6, 8, 10, 18, 21	71.9	1, 3, 5, 6, 8, 14, 21	1 370.6

* A comparison between the EU military list and the Swedish military equipment classification is shown in Table 23.3.12. The Swedish military equipment classification in English can be found on the website www.isp.se.

Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)*	Value of licensed items, SEKm	Main category of actual exported equipment (EU military list)	Export value, SEKm
Turkey	4	1, 5	0.2	5	0.2
Ukraine	2	3	1.5	3	0.5
North America	91		1 014.6		796.3
Canada	21	1, 2, 3, 5, 8, 14	51.3	1, 2, 3, 5, 8, 14	51
USA	70	1, 2, 3, 5, 6, 8, 10, 13, 14, 18, 21	963.3	1, 2, 3, 5, 8, 10, 13, 14, 18, 21	745.3
Central America and the Caribbean	5		19.4		19.6
Mexico	5	2, 3, 9, 18	19.4	2, 3, 5, 9, 18	19.6
South America	13		26.5		38.1
Argentina	1	3	0.8		-
Brazil	8	2, 14	3.6	2, 5, 8, 14	3.8
Chile	2	2, 14	11.2	2, 14	19.6
Peru	1	3	0.05		-
Venezuela	1	3	10.8	3	14.7
North-East Asia	22		155		127
Hong Kong, China	0	-	-		-
Japan	15	2, 3, 4, 14	49.9	2, 3, 4, 5, 14	126.9
Republic of Korea	7	5, 17, 21	105		-
Central Asia	1		0.8		0.05
Kazakhstan	1	3	0.8	3	0.05
Southeast Asia	39		174.3		193.5
Brunei	0	-	-	1	0.002
Indonesia	1	4	17.1	2, 4	18.3
Malaysia	3	1, 2	2.1	2, 5	12.7
Singapore	26	2, 3, 4, 5, 8, 13, 14, 18, 21	131.2	2, 3, 4, 5, 8, 9, 13, 18, 21	149
Thailand	9	2, 3, 5, 14	23.9	2, 4, 5	15.4
South Asia	19		219.7		233
India	16	1, 2, 3, 5, 11, 21	91.5	2, 3, 4, 5, 11	211.8
Pakistan	3	4, 5, 6	128.2	4, 5	21.6
Middle East	5		77.3		74.4
Bahrain	1	5, 14, 18, 21	11	5	1.6
United Arab Emirates	3	1, 2, 5, 18, 21	66.3	1, 2, 5, 10	65.1
Kuwait	0	-	-		-
Oman	0	-	-	5, 21	3.3
Saudi Arabia	1	1, 5	0.04	1, 15	4.5
North Africa	3		4.3		3.2
Tunisia	3	5	4.3	5	3.2

Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)*	Value of licensed items, SEKm	Main category of actual exported equipment (EU military list)	Export value, SEKm
Sub-Saharan Africa	15		10.7		1 200.3
Botswana	0	-	-		-
Mauritius	1	3	1	3	0.05
Namibia	3	3	1.4	3	0.3
South Africa	11	1, 3, 5, 8, 11, 18, 21	8.3	1, 3, 5, 8, 10, 18	1 200
Oceania	33		344.3		383.5
Australia	29	1, 3, 4, 5, 8, 9, 14, 18	340.6	2, 3, 4, 5, 8, 9, 14, 18, 21	380.8
New Zealand	4	2, 3, 5	3.7	2, 3, 5	2.7
TOTAL	674		15 146.8		8 628.7

23.3.5 Pie chart of exports of material equipment, broken down by region as a percentage of their value in 2005.



23.3.6 Exports of military equipment by country and broken down into MEC och OME (SEKm)

Region / land	2003			2004			2005		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
EU	562	1 572	2 134	1 073	1 616	2 689	1 197	2 754	3 951
Belgium	0.1	9.6	9.7	0.9	5.8	6.6	6.6	2.4	9
Denmark	5.1	70.7	75.8	1	52.1	53.1	3.3	87.8	91.1
Estonia	4	1.3	5.4	13	0.4	13.3	0.05	2.3	2.4
Finland	205.2	47.5	252.7	827	145.7	972.7	527.5	298	825.5
France	66.9	550.1	617.1	9.1	361.2	370.3	52.1	609.9	662
Greece	0	22.7	22.7	-	169.6	169.6	490.9	101.3	592.2
Ireland	34.3	3.3	37.6	33.9	16	49.9	4.5	34.6	39.1
Italy	3	59.6	62.8	0.7	5.8	6.5	1.2	218.2	219.4
Latvia	2.6	2.8	5.5	1.4	4.4	5.8	0.01	0.8	0.8
Lithuania	3.6	3.9	7.5	24.1	2.3	26.4	0.02	0.6	0.6
The Netherlands	0	10.8	10.8	0.1	64.3	64.4	0.06	578.6	578.6
New Caledonia	-	-	-	-	0.2	0.2	-	0.2	0.2
Poland	1	28.7	29.7	57.6	35.6	93.2	2.7	0.6	3.3
Portugal	0	0.4	0.4	0.1	0.1	0.2	0.01	0.3	0.4
Slovakia	-	-	-	-	0.3	0.3	0.002	0.3	0.3
Slovenia	0	3.3	3.3	0	2	2	0.07	2.5	2.6
Spain	0.3	17.6	17.9	1.8	24.8	26.5	0.1	34.2	34.3
United Kingdom	237.4	189.4	426.9	89.7	431.8	521.5	67.1	286.3	353.4
Czech Republic	1.2	0.8	1.9	0.4	1.8	2.2	14.7	36.2	50.9
Germany	9.2	432.2	441.4	11.4	239.6	251.1	26	417.2	443.2
Hungary	0	3.9	3.9	0.1	5.2	5.3	0.3	1.2	1.5
Austria	0.4	158.1	158.5	0.9	46.7	47.6	0.5	40	40.5
Non-EU Europe	1 347	293	1639	1 724	307	2 032	1 326	280	1 606
Bulgaria	-	-	-	-	0.9	0.9	0.02	0.1	0.2
Iceland	-	-	-	0	0.1	0.1	0.02	0.08	0.1
Croatia	0	8.2	8.2	-	-	-	-	0.4	0.4
Norway	24.6	131.6	156.2	31.6	200.3	231.9	67.1	164	231.1
Romania	-	-	-	-	0	0	-	-	-
Russia	0	2.7	2.7	0.1	3.4	3.4	-	3.5	3.5
Switzerland	1 310	102.2	1 412	1 693	101.7	1 794	1 258.6	112	1 370.6
Turkey	0	2.6	2.6	-	0.9	0.9	-	0.2	0.2
Ukraine	-	-	-	-	0.1	0.1	-	0.05	0.05
North America	394	246	640	371	419	790	461.2	335.1	796.3
USA	390.2	234.7	624.9	369.6	400.5	770.1	458.7	286.6	745.3
Canada	3.4	11.8	15.2	1.1	18.6	19.7	2.5	48.5	51

Region / land	2003			2004			2005		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
Central America and the Caribbean	53	188	241	-	175	175	-	19.6	19.6
Mexico	53.2	187.6	240.8	-	174.6	174.6	-	19.6	19.6
South America	66	9	75	25	17	42	32.6	5.5	38.1
Brazil	2.9	2.4	5.2	5.9	6.9	12.8	0.5	3.3	3.8
Chile	3.2	0.3	3.5	19.3	9.8	29	17.5	2.1	19.6
Venezuela	59.7	6.3	66	-	-	-	14.7	-	14.7
North-East Asia	2	2	4	111	11	123	117.7	9.2	127
Hong Kong. China	-	-	-	-	0.4	0.4	-	-	-
Japan	1.6	1.3	2.9	111.5	9.4	120.9	117.7	9.2	126.9
The Republic of Korea	0	1	1	-	1.5	1.5	-	-	-
Central Asia	-	-	-	0.1	0.1	0.1	-	0.05	0.05
Kazakhstan	-	-	-	-	0.1	0.1	-	0.05	0.05
Southeast Asia	288	363	651	62	114	177	11	184.5	193.5
Brunei	-	-	-	-	-	-	-	0.002	0.002
Indonesia	0	3.9	3.9	-	5.4	5.4	-	18.3	18.3
Malaysia	2	56.4	58.5	48.2	5.9	54	-	12.7	12.7
Singapore	263.1	79.1	342.2	2.3	101.2	103.5	1.2	147.8	149
Thailand	22.8	223.9	246.8	12	1.9	13.9	9.7	5.7	15.4
South Asia	251	76	326	335	92	427	177	56.5	233
India	250.8	55.6	306.3	334.8	67	401.7	177	34.8	211.8
Pakistan	0	20	20	-	25.3	25.3	-	21.6	21.6
Middle East	0	72	72	3	89	91	2.4	72	74.4
Bahrain	0	4	4	-	-	-	-	1.6	1.6
United Arab Emirates	0	67.3	67.3	2.8	87.4	90.3	0.6	64.5	65.1
Oman	0	0.3	0.3	-	0.2	0.2	1.8	1.5	3.3
Saudi Arabia	0	0.7	0.7	-	1	1	-	4.5	4.5
North Africa	0	2.4	2.4	0	3	3	0.08	3.1	3.2
Tunisia	0	2.4	2.4	0	3.4	3.4	0.08	3.1	3.2
Sub-Saharan Africa	1	475	476	3	633	636	0.8	1 200	1 200.3
Botswana	-	-	-	2.6	-	2.6	-	-	-
Mauritius	-	-	-	-	0	0	-	0.05	0.05
Namibia	-	-	-	-	0.2	0.2	0.03	0.3	0.3
South Africa	1.1	474.4	475.5	0.7	632.3	632.9	0.7	1 199.2	1 200
Oceania	106	101	207	33	75	108	207.5	176	383.5
Australia	105.7	98.1	203.9	29.7	73	102.6	207.5	173.3	380.8
New Zealand	0	3.4	3.4	2.9	2.2	5.1	0.01	2.7	2.7
Other countries	0.2	1.6	1.8	-	-	-	-	-	-
TOTAL	3 069	3 410	6 479	3 740	3 551	7 291	3 533.5	5 095.2	8 628.7

23.3.7 Follow-on deliveries in 2005

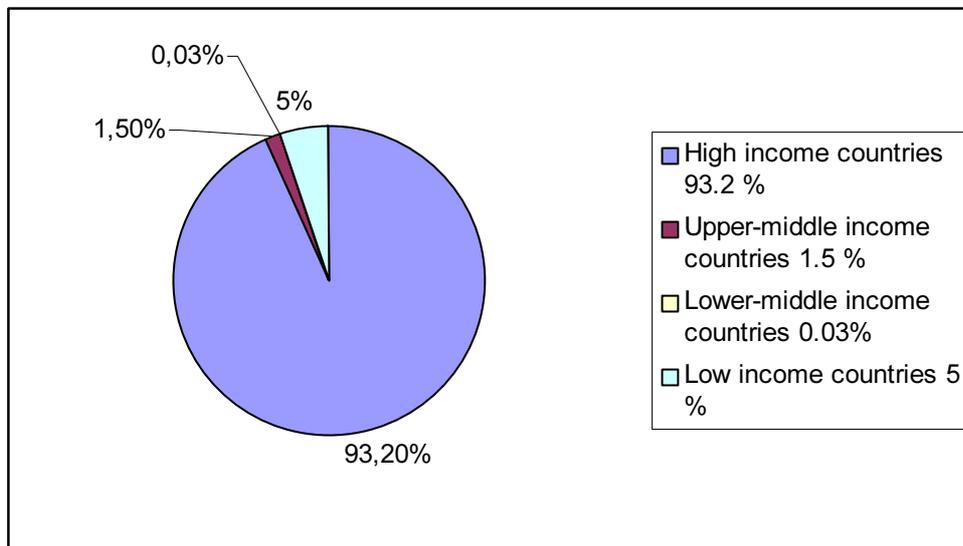
Country	No. of licences granted	Follow-on licences	New licences
Bahrain	1	1	
United Arab Emirates	3	2	1 (barrel weapons)
India	16	15	1 (weapon attachments)
Indonesia	1	1	
Mexico	5	4	1 (ship)
Pakistan	3	3	
Saudi Arabia	1		1 (weapon attachments)
Tunisia	2	2	
Venezuela	1	1	

23.3.8 Value of actual exports in SEKm 2004-2005 by product category

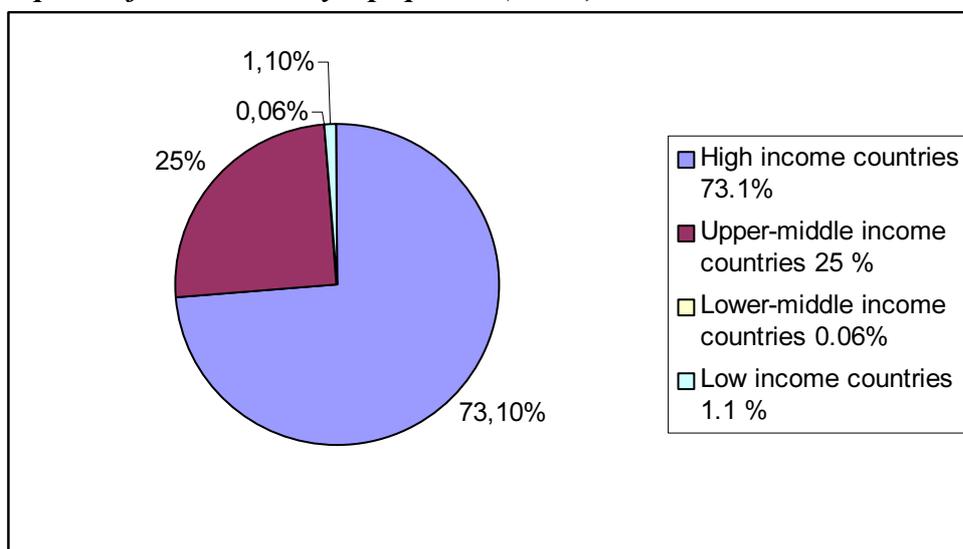
Military equipment for combat (MEC)		2004	2005	Other military equipment (OME)		2004	2005
Swedish military list	EU military list			Swedish military list	EU military list		
MEC1	1	6.4	-	OME21	1	17.8	32.5
MEC2	2	547	464.5	OME22	2	92.1	99.6
MEC3	3	493	523.2	OME23	3	329.2	338.1
MEC4	4	174.7	194.9	OME24	4	106.3	248.1
MEC5	5	530	1 001.1	OME25	5	772.8	821.5
MEC6	7	1.3	1	OME26	13	1.6	52.7
MEC7	8	122.9	114.9	OME27	8	2.2	3.1
MEC8	9	7.9	-	OME28	9	248.3	141.6
MEC9	10	-	-	OME29	10	990	1 606
MEC10	6	1 857.4	1 233.9	OME30	6. 17	516.8	1 062.5
MEC11	19	-	-	OME31	19	-	-
				OME32	13	-	-
				OME33	15	143.6	144.8
				OME34	15	-	-
				OME35	14	265.9	390.5
				OME36	18. 22	8.5	50.3
				OME37	21	56.1	103.9
Total MEC		3 740.3	3 533.5	Total OME		3 551	5 095.2

23.3.9 Exports of military equipment, broken down by country according to income²

Exports of military equipment for combat (MEC)



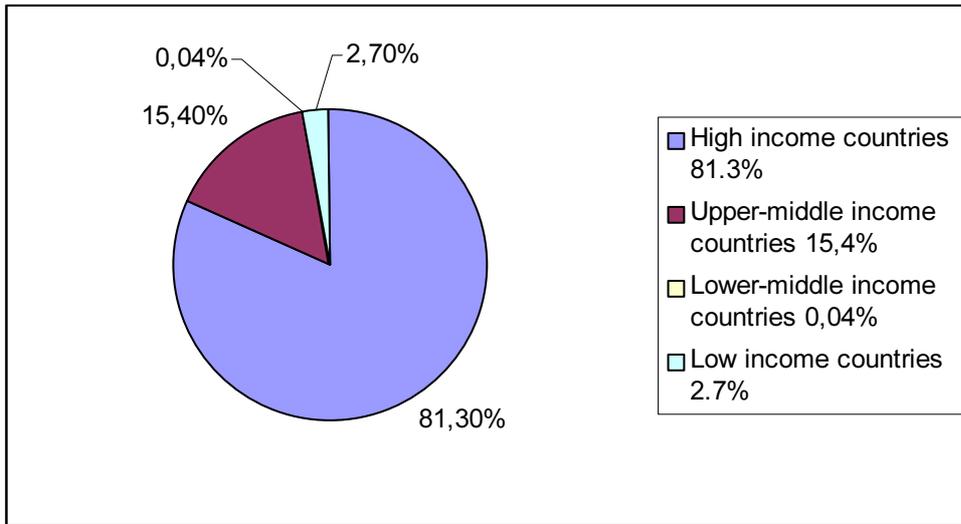
Exports of other military equipment (OME)



² Country groupings are based on the World Bank's country classification by economic status. A complete list of country groupings can be found at the website www.worldbank.org. The countries that Sweden exports military equipment to or has granted an export licence to comply with the grouping:

High-income countries: Belgium, Cyprus, Denmark, Finland, France, Greece, Ireland, Iceland, Italy, The Netherlands, Norway, New Caledonia (FR), Portugal, Spain, United Kingdom, Germany, Austria, Slovenia, Canada, USA, Switzerland, Hong Kong (China), Japan, Republic of Korea, Brunei, Singapore, Bahrain, United Arab Emirates, Saudi Arabia, Australia, New Zealand. **Upper-middle income countries:** Estonia, Latvia, Lithuania, Croatia, Poland, Slovakia, Czech Republic, Hungary, Russia, Turkey, Mexico, Argentina, Chile, Venezuela, Malaysia, Oman, Botswana, Mauritius, South Africa. **Lower-middle income countries:** Bulgaria, Romania, Ukraine, Brazil, Peru, Kazakhstan, Indonesia, Thailand, Tunisia, Namibia. **Low-income countries:** India and Pakistan.

Exports total



23.3.10 The Swedish Armed Forces' exports of military equipment

Country	Designation according to the Swedish list	Extent
Estonia	MEC 2	8.4 cm medium anti-tank weapon, 12 cm mortar, Anti-tank guns
	MEC 3	Ammunition for MEC 1 and MEC 2
	MEC 4	Vehicle mines, hand grenades
	MEC 7	Explosives for field engineering
	OME 21	Spare parts for automatic carbines
	OME 30	All-terrain vehicle
	OME 35	Exercise equipment
Latvia	MEC 2	8.4 cm medium anti-tank weapon, anti-tank guns
	MEC 3	Ammunition for MEC 1 and MEC 2
	MEC 4	Vehicle mines, hand grenades
	MEC 7	Explosives for field engineering
	OME 21	Spare parts for automatic carbines
	OME 23	Smoke and flare ammunition
	OME 30	All-terrain vehicle
	OME 35	Exercise material
Lithuania	MEC 2	8.4 cm medium anti-tank weapon, anti-tank guns
	MEC 3	Ammunition for MEC 1 and MEC 2
	MEC 7	Explosives for field engineering
	OME 21	Spare parts for automatic carbines
	OME 23	Smoke ammunition
	OME 35	Exercise equipment

23.3.11 Exporting companies, SEKm

Companies with exports exceeding SEK 10 million, in SEK million

Company	MEC	OME	Total
BAE Systems Hägglunds AB	1 233	564	1 797
Saab AB, Saab Aerosystems	-	1 393	1 393
Saab Bofors Dynamics AB	786	519	1 305
Ericsson Microwave Systems AB	490	598	1 088
Saab AB, Saab Avitronics + Saab AB, Saab Systems	356	390	747
Scania CV AB	-	580	580
BAE Systems Bofors AB	255	71	337
Saab Training Systems AB	-	230	230
FFV Ordnance AB	176	10	187
Volvo Aero AB	-	142	142
Kockums AB	-	130	130
Norma Precision AB	6	112	119
EURENCO Bofors AB	112	3	115
Vanäsverken AB	108	4	112
Exensor Technology AB	-	64	64
FLIR Systems AB, Imaging Sweden	-	52	52
Aimpoint AB	0.4	31	32
BAE Systems SWS Defence AB	-	22	22
Nammo LIAB AB	-	22	22
BAE Systems C-ITS AB	-	21	21
Chematur Engineering AB	-	20	20
Saab Barracuda AB	-	20	20
N. Sundin Dockstavarvet AB	-	13	13
Degerfors Formnings AB, Deform	-	11	11
Polyamp AB	-	10	10

The following companies exported for between SEK 1 million and SEK 10 million in 2005:

Cross Country Systems AB, CybAero AB, AerotechTelub AB, Saab Underwater Systems AB, Optronic Partner dp AB, Nammo Vingåkersverken AB, Chelton Applied Composites AB, Airsafe Sweden AB, New Pac Safety AB, Befyraem Technologies AB, Techsonic Aerosystems AB, Åkers Krutbruk Protection AB, PartnerTech Karlskoga AB, Waltreco AB

A number of companies exported for less than SEK 1 million in:

CNC-Process i Hova AB, Karlskoga CNC Quality AB, INM Mekaniska AB, Ekenäs Mekaniska AB, SSPA Sweden AB, Lesjöfors Fjädrar AB, Comtri Produktion AB, Comtri AB

23.3.12 Categories of military equipment – the Swedish military list and the EU list, description of type of products

EU military list	Swedish military list (MEC)	Swedish military list (OME)	Swedish military list	Type of equipment
1	1	21	MEC1	Small-calibre barrel weapons
2	2	22	MEC2	Canons, anti-tank guns
3	3	23	MEC3	Ammunition
4	4	24	MEC4	Missiles, rockets, torpedoes, bombs
5	5	25 a-b, d	MEC5	Firing control equipment
6	10	30a-c,e	MEC6	NBC weapons
7	6	26 a(partl), b	MEC7	Gunpowder and explosives
8	7	27	MEC8	Warships
9	8	28	MEC9	Combat aircraft
10	9	29	MEC10	Combat vehicles
11		33 part from MEC 4, 10, OME 28, 29	MEC11	Directed energy weapon system
12			OME21	Small-calibre barrel weapons, parts etc.
13		26 a (del), c-d, 32	OME22	Cannons, anti-tank guns, parts etc.
14		35	OME23	Exercise ammunition etc.
15		33,34	OME24	Training rockets, sweeping equipment etc.
16			OME25	Reconnaissance and military equipment etc.
17		25 c, 30d	OME26	Protective equipment etc.
18		36a-b	OME27	Gunpower and explosives components
19	11	31	OME28	Surveillance vessels, etc.
20			OME29	Aircraft designed for military use etc.
21		37	OME30	Vehicles designed for military use etc.
22		36c	OME31	Directed energy weapon system
			OME32	Fortifications
			OME33	Electronic equipment for mil. use
			OME34	Photographic and electrooptic equipment.
			OME35	Training equipment
			OME36	Manufacturing equipment
			OME37	Software

24 Annex 2: Swedish denials

Enlight the EU Code of Conduct on Arms Exports, EU member states are to exchange notifications of denials. Last year, 331 denials were notified in the EU, of which 10 were notified by Sweden.

The fact that exports to a certain recipient country have been denied in a specific case does not mean that all exports to the country are prohibited. There are no lists of prohibited recipient countries. Each export application is considered on a case-by-case basis in accordance with all relevant facts pertaining to the application. (See Chapter 10 on Cooperation in the EU on export controls of military equipment).

24.1.1 Swedish denials in 2005

Country	Criterion	Product group
Ecuador	3 (<i>the internal situation in the country</i>)	MEC 2
Ethiopia	2 and 4 (<i>the respect of human rights and preservation of regional peace and security</i>)	OME 29
Georgia	7 (<i>the risk of proliferation or re-export under undesirable conditions or to undesirable end-users</i>)	OME 21 c
Indonesia	3 and 7 (<i>the internal situation in the country and the risk of proliferation or re-export under undesirable conditions or to undesirable end-users</i>)	OME 21 c
Republic of Macedonia	7 (<i>the risk of proliferation or re-export under undesirable conditions or to undesirable end-users</i>)	OME 23 b
Nepal	3 (<i>the internal situation in the country</i>)	OME 21 c
Serbia-Montenegro	3 (<i>the internal situation in the country</i>)	OME 25 d
Serbia-Montenegro	7 (<i>the risk of proliferation or re-export under undesirable conditions or to undesirable end-users</i>)	OME 23 b
Serbia-Montenegro	7 (<i>the risk of proliferation or re-export under undesirable conditions or to undesirable end-users</i>)	OME 23 b
Swaziland	7 (<i>the risk of proliferation or re-export under undesirable conditions or to undesirable end-users</i>)	MEC 2

25 Annex 3: Swedish arms brokers

To tackle the problem of uncontrolled arms brokering, the European Council adopted the Common Position 2003/468/CFSP on control of arms brokering on 23 June 2003. According to the Common Position, the member states undertake to take necessary measures to control arms brokering on their territory. Under Article 5 of the Common Position, a system was agreed upon for exchange of information between member states with respect to national legislation in this area, registered arms brokers, lists of brokers and denials of applications. Licencing of arms brokering takes place in accordance with the Military Equipment Act (1992:1300). In 2005, 33 companies were registered as suppliers (brokers) of products classified as military equipment. No denials of applications were reported during the year.

25.1.1 Registered brokers in 2005

AB Arnheim, ACAL AB, Airsafe Sweden AB, BAE Systems SWS Defence AB, Baltic Alloys AB, BNB Trading AB, CA Monitor AB, Chematur Engineering AB, Compomill Nordic Components AB, Dalasteel, Ericsson Saab Surveillance Systems AB, Fastighetsaktiebolaget Stefan Persson, FFV Ordnance AB, Gripen International KB, Henry Wallenberg & Co AB, Interplan AB, LISCO Sweden AB, Litton Precision Products International, Millesvik Maskin & Trading AB, Milmac Sweden AB, MP-SEC International, Norabel Ignition Systems AB, Patria Helicopters AB, Renajs Scandinavia AB, Rybro International Limited (United Kingdom), Scandinavian Aerospace & Industry AB, Skyddsvakt Hubert Ankarcrona AB, SOURIAU Sweden AB, SwETech AB, SYSS, Trilog, UTAH Consulting AB and Åkers Krutbruk Protection AB.

26 Annex 4: Export control of dual-use products in 2005

It is not possible to give a complete account of exports of dual-use products, similar to that provided for military equipment, since control of dual-use products is based on the freest possible trade and only to a limited extent on control. Almost all trade to traditional recipients of Swedish exports, such as the EU countries, takes place without being subject to licence. Exports to countries such as the USA, among others, are generally covered by general licences.

This year, the information in this Communication on dual-use products has been expanded by a description of different type of licences that exist for dual-use products, and by a survey of the individual licences issued in 2005.

Licences in the EU

Trade with dual-use products within the EU is normally not subject to licence. However, licences are required for export to another EU country of products and technologies as specified in Annex IV of EC Regulation 1334/2000.

General licences

There are two types of general licence. The general licence that applies in accordance with the EU regulatory framework (included in Annex II of EC Regulation 1334/2000) and a national Swedish general licence (included in the Swedish Customs Code of Statutes TFS 2000:24 with appurtenant amendment TFS 2004:35).

The EU general licence (EU 001) applies to products in Annex 1 of EC Regulation 1334/2000. This licence applies for exports to Australia, USA, Japan, Canada, New Zealand, Norway and Switzerland.

The national Swedish licence covers, as ISP has stipulated, a large number of products which are controlled in accordance with the Wassenaar Arrangement list and applies to 44 countries. The licence can be used for temporary export for repair or replacement, temporary export for demonstration and export after repair or demonstration that has taken place in Sweden. Licences of temporary export for demonstration only apply to products with a civil use.

The general licence applies without it being necessary to make an application. The exporter who intends to export a product which is subject to licence only needs to stipulate this in the export declaration.

A general licence may not be used if the exporter has been notified by the Swedish authorities that the products in question may wholly or partly be intended for use in connection with, for instance, the development or proliferation of weapons of mass destruction under Article 4.1-3 of EC Regulation 1334/2000, or if the exporter in question knows that the products are intended for such use. (This is the '*catch-all*' clause). According to the same article in EC Regulation 1334/2000, special rules also apply in the event of there being an arms embargo against the recipient country.

Global licences

Global licences are company specific licences, which can apply to an unlimited quantity of defined products. The form of the global licences can differ according to the company's needs and the sensitivity of the products. Some licences only apply to one recipient, others for several countries and recipients. Global licences are only granted for civil end-use. These licences can be valid for several years. Most global licences granted are for products that are controlled in accordance with the Wassenaar Arrangement list.

To obtain a global licence, a company must have a documented and inspected export control organisation. Moreover, the licence is conditional on, for instance, the exporter verifying the undertakings on final use to avoid re-export of the products to undesirable end-users.

Individual licences

Individual licences usually only apply to a single contract that the exporter has with one customer. Careful examination takes place and a licence is only granted in the cases where it is considered that there is no risk of misuse of the product to produce weapons of mass destruction or military equipment. The same grounds of assessment are used for military end-use as for export of other military equipment.

26.1.1 Number of export applications received for dual-use products 2002-2005

Export applications	2002	2003	2004	2005
Total	279	321	366	371
Export licences, global and individual, of which:				
Wassenaar Arrangement	146	151	177	144
Missile Technology Control regime	33	11	10	10
Nuclear Suppliers Group (Part 2)	9	10	5	9
Australia Group	91	149	174	208

26.1.2 No. of positive advance rulings

Year	2002	2003	2004	2005
No. of advance rulings	43	43	35	61

26.1.3 No. of denials and applications relating to the catch-all clause

Year	2002	2003	2004	2005
No. of denials	2	2	2	4
No. of catch-all applications	1	2	0	3

26.1.4 Number of individual licences for dual-use products granted in 2005

COUNTRY	CONTROL REGIME	NUMBER
Algeria	WA	1
Argentina	NSG	1
Australia	NSG	1
Bahrain	WA	2
Brazil	AG, WA	7
Bulgaria	WA	1
Chile	AG	1
Colombia	AG	1
Croatia	WA	1
Egypt	WA	1
Hong Kong	AG, WA	9
Iceland	AG	4
India	AG, MTCR, NSG, WA	52
Indonesia	AG, MTCR, NSG	4
Israel	AG, WA	10
Jordan	AG, WA	2
Kenya	AG	1
Malaysia	AG, MTCR, WA	10
Moldavia	AG	2
Morocco	AG	1
Namibia	AG	1
Nigeria	AG	1
Oman	WA	1
Pakistan	WA	4
Panama	AG	1
People's Republic of China	AG, NSG, WA	58
Peru	WA	1
Philippines	AG, WA	3
Qatar	AG	2
Romania	AG, WA	3
Russia	AG, MTCR, WA	17
Saudi Arabia	AG	6
Serbia-Montenegro	WA	2
Singapore	AG, WA	11
South Africa	AG, WA	9
South Korea	AG, NSG, WA	15
Syria	AG	1
Taiwan	AG, MTCR, NSG, WA	22
Thailand	AG, NSG	9
Turkey	AG	5
United Arab Emirates	WA	4
United Kingdom	NSG	1
USA	AG	1
Vietnam	AG, WA	3

26.1.5 Number of refused applications for advance rulings, denials and catch-all denials

COUNTRY	CONTROL REGIME	NUMBER
India	NSG	1
Iran	NSG	2
Pakistan	Catch-all	1

26.1.6 Export licences granted for products on NSG's list 1 from companies in Sweden to recipient countries³ (reported by av the Swedish Nuclear Power Inspectorate)

Recipient country	2005 Exporting company – no. of licences	2004 Exporting company – no. of licences
Germany	Uddcomb Engineering – 2 Westinghouse – 4	Westinghouse – 3
USA	Westinghouse – 19	Westinghouse – 22 Studsvik Nuclear – 1
Norway	Studsvik Nuclear – 2 Westinghouse – 1	Westinghouse – 2 Studsvik Nuclear – 1
Finland	Westinghouse – 1	Westinghouse – 1
Japan	Sandvik Materials Technology – 1	Studsvik Nuclear – 1
Switzerland	Westinghouse – 1	Westinghouse – 3
All EU states, USA, Norway, Switzerland (global licence)		Westinghouse – 1
Spain		Westinghouse – 3
China		Sandvik Materials Technology – 1
Mexico		Westinghouse – 1
Lithuania		Svenska Tanso – 2

³ Transfer of nuclear fuel between EU countries is not subject to licence and therefore not included in the list

27 Annex 5: Regulatory framework

5.1 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 January 1 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. A licence is also required for all types of defence industry cooperation with foreign partners. The term 'cooperation with foreign partner' covers both export sales and other arrangements for supplying military equipment (for instance transfer of ownership or brokering). It also includes the grant or transfer of manufacturing rights, agreements with a party in another country on the 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, with certain exceptions, a licence is required 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. 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.

Under the EC Regulation on the control of exports of dual-use products 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. See below for further information on the new rules in this respect.

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 February 1 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.

5.2 Swedish guidelines on exports of military equipment and other cooperation with foreign partners

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 on exports of military equipment and other cooperation arrangements with foreign partners, which have been approved by Parliament (cf. Gov. Bill 1991/92:174, p. 41 ff., Gov. Bill 1995/96:31, p. 23 ff. and Report 1992/93:UU1). The full text of the guidelines follows after this report.

General and assessment criteria

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 military 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 brokering.

The guidelines emphasize 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.

Absolute obstacles to exports

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.

Military equipment for combat purposes and other military equipment

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, or to a state in which internal armed disturbances occur. However, revocation of a licence may be waived if this is consistent with international law and with the principles and objectives of Swedish foreign policy. Licences should not be granted for exports to 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 radars 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.

Follow-on deliveries and 'Swedish identity'

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 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.

27.1 Full text of the Swedish guidelines

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-authorized 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, unauthorized 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.

27.2 The European Union 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 recognized 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 recognizing 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 organized 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 organizations (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 authorize 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/CFSP⁴, 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.
7. In order to maximize 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 recognized that Member States, where appropriate, may also take into account the effect of proposed exports on their economic, social, commercial

⁴ 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).

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:

27.3 Regulation on control of exports of dual-use goods

Community law

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 goods and technology (OJ No L 159, 30.6.2000, p. 1). The 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 regimes that were described in previous sections, the Regulation is legally binding on Sweden, as well as the other EU member states and the 10 acceding states. Its purpose is as far as possible to establish free movement for controlled items in the internal market while strengthening and harmonising the various national control systems for exports to third countries.

The Regulation combines the Member States' undertakings within the framework of the multilateral export control regimes with the freest possible movement of goods in the internal market. Developments in the regimes (the AG, MTCR, NSG, 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. The annexes are to be updated on an annual basis.

The Regulation of 2000 introduced several new elements, one of which was a general Community authorization for exports of specific products to certain third countries. The new Community authorization has simplified matters for exporters since one and the same authorization can be referred to regardless of the EU country from which the products are exported. This has also led to a better consensus in the EU on this type of exports. The processing of licence applications is now simpler since the new Regulation also includes common criteria that must be taken into account by the Member States when processing applications.

Swedish legislation

In Sweden, the Control of Dual-Use Goods 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 January 1 2001, replacing the Strategic Products Act (1998:397) and the Strategic Products Ordinance (1998:400).

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 products. In such cases export licences are granted unless they are prejudicial to foreign or security interests within the meaning of the EC Regulation.

Licences must be obtained for exportation and transfer of dual-use products, 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.

Like the previous legislation, the Dual-use Goods and Technical Assistance Act does not include any provisions concerning the possibility of obtaining advance notification of whether or not an export licence will be granted in the event of exportation of dual-use products to a specific destination. However, in practice the ISP gives companies advance notifications nonetheless. 35 advance notifications were issued in 2004.

The catch-all clause

Under Article 4 of EC Regulation 1334/2000 and the relevant Swedish legislation, a licence may also be required for exports of items that are not specified in the annexes to the Regulation ('non-listed goods') if the exporter has been informed by the ISP that the item is or may be intended to be used in connection with the production of weapons of mass destruction or missiles that are capable of carrying such weapons. This provision, which allows for controls of non-listed items, is known as a catch-all clause and has been added to ensure that the aims of the Regulation are not circumvented due to the fact that item lists are seldom exhaustive in view of technological developments.

As regards the first three paragraphs of Article 4 of the Council Regulation, the exporter must be informed by the ISP of the use of the item. However, the exporter is also required under Article 4.4 to inform the competent authority (ISP) if he is aware that an item is intended, in its entirety or in part, for a use referred to in paragraphs 1-3 of the Article. In that case the ISP must decide whether or not an export licence is required.

The catch-all clause also lays down special conditions for licences in certain cases for exports related to military end use or military equipment, or exports of non-listed products which are or may be intended for use in a country that is subject to an embargo imposed by the UN, the EU or the OSCE (Organization for Security and Co-operation in Europe) and for exports of non-listed products which are or may be intended to be used as parts or components for military equipment that has been illegally exported.

The EU's endeavours to introduce catch-all clauses in the different export control regimes are based on this catch-all mechanism.

27.3.1 Membership of multilateral export control regimes in 2005

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	x
Canada	x	x	x	x	x
China	x	x	-	-	-
Croatia	-	x	-	-	x
Cyprus	-	x	x	-	-
Czech Republic	x	x	x	x	x
Denmark	x	x	x	x	x
Estonia	-	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
Kazakhstan	-	x	-	-	-
Korea (Rep.)	x	x	x	x	x
Latvia	-	x	x	-	x
Lithuania	-	x	x	-	x
Luxembourg	x	x	x	x	x
Malta	-	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	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
The Netherlands	x	x	x	x	x
Turkey	x	x	x	x	x
Ukraine	x	x	x	x	x
United Kingdom	x	x	x	x	x
USA	x	x	x	x	x
TOTAL	35	45	39	34	39

The European Commission participates as an observer in the Australia Group, in the Nuclear Suppliers Group and in the Zangger Committee.

28 Annex 6: International arms embargoes in force in 2005

The table below lists the international arms embargoes that were in force for the whole or part of 2005, their period of application and the decision under which the embargo was imposed and, in some cases, lifted. References are also included to the legislation including prohibitions against providing technical assistance for military activity and prohibition against supplying equipment that can be used for internal repression. The table also shows whether there are any exemptions from the embargoes. Such exemptions are usually related to humanitarian assistance or peacekeeping operations. For details concerning exemptions, see www.un.org, www.europa.eu.int or www.osce.org depending on the type of embargo.

28.1.1 International arms embargoes in 2005

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2005	REFERENCE
Armenia	UN embargo (non-binding) OSCE embargo on supplies of weapons and ammunition to the combatant forces in Nagorno-Karabakh	The whole year	UNSCR 853 (1993) CSOOSCE (1992)
Azerbaijan	UN embargo (non-binding) OSCE embargo on supplies of weapons and ammunition to the combatant forces in Nagorno-Karabakh	The whole year	UNSCR 853 (1993) CSOOSCE (1992)
Bosnia-Herzegovina	EU embargo some exemptions	The whole year Lifted 23 January 2006	Common Position 96/184/CFSP <i>lifted by:</i> - Common Position 2006/29/CFSP
Burma/Myanmar	EU embargo some exemptions	The whole year	General Affairs Council Declaration of July 29, 1991 Common Position 2004/423/CFSP <i>amended by:</i> - Common Position 2004/730/CFSP

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2005	REFERENCE
			- Common Position 2005/149/CFSP - Common Position 2005/340/CFSP EC Regulation no. 798/2004
Cote d'Ivoire	UN embargo some exemptions EU embargo some exemptions	The whole year	UNSCR 1572 (2004) UNSCR 1643 (2005) Common Position 2004/852/CFSP <i>amended by:</i> Common Position 2006/30/CFSP EC Regulation no. 174/2005
Democratic Republic of the Congo (previously Zaire)	UN embargo EU embargo some exemptions	The whole year	UNSCR 1493 (2003) UNSCR 1596 (2005) Declaration 33/93, 7 April 1993 Common Position 2005/440/CFSP <i>amended by:</i> - Common Position 2005/846/CFSP EC Regulation no. 889/2005
Iraq	UN embargo some exemptions EU embargo some exemptions	The whole year	UNSCR 661 (1990) UNSCR 1483 (2003) UNSCR 1546 (2004) Declaration 56/90 4 August 1990 Common Position 2003/495/CFSP <i>amended by:</i> - Common Position 2003/735/CFSP - Common Position 2004/553/CFSP
China (excluding Hong Kong and Macao)	EU embargo	The whole year	European Council Declaration 27 June, 1989

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2005	REFERENCE
Liberia	UN embargo some exemptions EU embargo some exemptions	The whole year	UNSCR 1343 (2001) UNSCR 1478 (2003) UNSCR 1497 (2003) UNSCR 1509 (2003) UNSCR 1521 (2003) UNSCR 1579 (2004) UNSCR 1647 (2005) Common Position 2004/137/CFSP <i>amended by:</i> -Common Position 2006/31/CFSP EC Regulation no. 234/2004
Rwanda	UN embargo some exemptions Restrictions on sales of weapons to persons in neighbouring states if the weapons are to be used in Rwanda	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 some exemptions EU embargo some exemptions	The whole year	UNSCR 1171 (1998) UNSCR 1299 (2000) Common Position 98/409/CFSP
Somalia	UN embargo some exemptions EU embargo some exemptions	The whole year	UNSCR 733 (1992) UNSCR 1356 (2001) UNSCR 1425 (2002) Common Position 2002/960/CFSP

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2005	REFERENCE
			Council Regulation no. 147/2003
Sudan	UN embargo EU embargo some exemptions	The whole year	UNSCR 1556 (2004) UNSCR 1591 (2005) Common Position 2005/411/CFSP EC Regulation no. 131/2004 <i>amended by:</i> - EC Regulation no. 1353/2004 - EC Regulation no 838/2005
Usama bin Laden, al-Qaida and the Taliban	UN embargo EU embargo	The whole year	UNSCR 1390 (2002) UNSCR 1333 (2000) UNSCR 1452 (2002) Common Position 2002/402/CFSP <i>amended by:</i> -Common Position 2003/140/CFSP
Uzbekistan	EU embargo some exemptions	In force from 14.11.2005	Common Position 2005/792/CFSP EC Regulation no.1859/2005
Zimbabwe	EU embargo some exemptions	The whole year	Common Position 2004/161/CFSP <i>changed by:</i> - Common Position 2006/51/CFSP EC Regulation no. 314/2004

29 Annex 7: Explanations

Catch-all. This mechanism makes it possible to subject dual-use goods that are not included in the export control lists to export controls. An exporter must apply for an export licence if the export control authority has informed it that the item that it wishes to export may be intended for the production of weapons of mass destruction. The same applies where the exporter is aware that the item is intended for production of such weapons.

Chemical Weapons Convention. The UN Convention on Prohibition of the Production, Development, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC) entered into force on April 29 1997. It provides for the destruction of chemical weapons and production plants and control of the chemical industry in order to prevent further production of chemical weapons. The Organization for the Prohibition of Chemical Weapons (OPCW), which is located in The Hague and now has 157 member states, is responsible for implementation of the Convention.

Denial. Refusal to grant permission for a company's exports of military equipment to a particular country. Permission may be refused, for example, because of the potential threat to human rights in the recipient country or risks to regional peace, stability and security. Members of multilateral cooperation structures are expected to inform co-members of denials.

Export control regimes. There are currently five such regimes: the Zangger Committee (ZC), the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Wassenaar Arrangement (WA) and the Missile Technology Control Regime (MTCR). Their objective is to identify goods and technologies that should be made subject to export controls, to exchange information about proliferation risks and to promote non-proliferation in contacts with countries that do not belong to the regimes.

Export licences. When applying for export licences companies state the amount for which a contract has been concluded with another country. Usually, deliveries then continue for several years and seldom start in the same year as the contract was concluded. Therefore, the goods covered by export licences are not the same thing as actual deliveries; they merely indicate the volume of orders won by Swedish companies in the international market in a given year.

Intangible transfers. Transfers of software or technology from one country to another with the help of electronic media, fax, telephone or person to person.

Non-proliferation. Measures that are taken in various international (multilateral) forums in order to prevent the proliferation of weapons of mass destruction. The main results of these measures are a number of international agreements and cooperation in several export control regimes.

No undercut. When a denial is issued, the other members of the multilateral regime are expected to consult the issuing state if they are

considering an application for an export licence in respect of a similar transaction. The purpose of this is to make sure that the refused buyer does not try to find a supplier in another country and that countries' export controls do not lead to competitive distortions.

Outreach. Activities designed to raise awareness, provide information or services to citizens or interest individuals or organizations in a specific cause.

Peer review. Evaluation of an activity by equals or experts in the same field.

Weapons of mass destruction. Nuclear, biological and chemical weapons. Efforts to prevent the proliferation of weapons of mass destruction also address certain weapon carriers such as long-range ballistic missiles and cruise missiles.

30 Annex 8: A guide to other sources

Further information about the subject matter of this Communication can be found on the websites listed below. Most of these belong to organizations outside the Government Offices. Consequently, the Government Offices are not responsible for the content or accuracy of the information contained in these websites. The references listed below should therefore be regarded as an optional guide for interested readers.

Lagrummet - joint website for Swedish public sector legal information	www.lagrummet.gov.se
The Australia Group (AG)	www.australiagroup.net
The European Union (EU)	www.europa.eu.int
The Export Control Council	www.isp.se/km/kmekr.htm
The Ministry for Foreign Affairs	www.ud.se
The Missile Technology Control Regime (MTCR)	www.mtcr.info
The Swedish Inspectorate of Strategic Products (ISP)	www.isp.se
The Nuclear Suppliers Group (NSG)	www.nuclearsuppliersgroup.org
The Organization for Economic Co-operation and Development (OECD)	www.oecd.org
The Stockholm International Peace Research Institute (SIPRI)	www.sipri.se
The Swedish government	www.regeringen.se
The Riksdag (Swedish Parliament)	www.riksdagen.se
The United Nations (FN)	www.un.org
The Wassenaar Arrangement (WA)	www.wassenaar.org
The World Bank	www.worldbank.org
The Zangger Committee	www.zanggercommittee.org

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