



Swedish Arms Exports in 1996

A Government Report

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Swedish Exports of Military Equipment in 1996

The Government hereby submits this report to Parliament

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Göran Persson

Leif Pagrotsky
(Ministry for Foreign Affairs)

Principal contents of this report:

In this report the Swedish Government presents Swedish exports of military equipment in 1996.

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Swedish Exports of Military Equipment 1996

Preface

A defence industry is essential in a country such as Sweden which does not participate in military alliances but secures its independence by means of a strong defence. The industry provides the defence force with a measure of independence from foreign military equipment. Sweden is too small for such an industry to survive only on the orders it receives from the Swedish armed forces. Exports are necessary if we are to pursue our chosen line of security policy.

A third of the defence industry's deliveries in the 1992–1996 period went to export. This was the equivalent of just over one half per cent of total world military equipment exports in the same period.

The end of the Cold War and reduced tension between the great powers has, inter alia, resulted in many eastern and western countries which have long squandered their resources in a devastating arms race, now spending ever smaller amounts on military equipment and the development of new weapons. During a five-year period, the total cost of purchases of military equipment in the world has been halved.

Great challenges face the defence industry today, due, among other things, to shrinking markets, harder international competition and a fragmented European market. This, combined with rising costs for product development created a need for increasing cooperation between defence industries in Europe. The Government considers that this type of cooperation should receive support in order to meet Swedish defence and security policy interests.

Sweden's restrictive policy of arms export controls remains unchanged. Our membership of the European Union and participation in multilateral cooperation on export controls gives us a platform on which to act internationally in this field. We wish to work towards an internationally more restrictive export control policy and greater transparency in this field. The Government's annual report to the Swedish Parliament on the previous year's military equipment exports is an expression of our efforts towards transparency.

I Military Equipment Exports 1996

Since 1985, the Government has submitted annual reports to Parliament on Swedish arms exports. Parliament is thereby provided with assembled information about military equipment exports while also providing the grounds for a broader public debate. Based on details received from arms manufacturers, the National Inspectorate for Strategic Products (ISP) submits the foundation of the 1996 report in the form of statistics (see Appendix).

Exports of military equipment in 1996 decreased from 6.8 per cent or SEK 3,313 million in 1995 to SEK 3,087 million in 1996. At the same time, total export of goods declined by 0.2 per cent. Military equipment is divided into two categories: *military equipment for combat purposes* and *other military equipment* (see also chapter 2). *Exports of military equipment for combat purposes* decreased by 1.0 per cent or SEK 1,148 million in 1995 to SEK 1,136 million in 1996. A 9.9 per cent decrease was noted in the exports of *other military equipment*, the equivalent of a reduction from SEK 2,165 million in 1995 to SEK 1,951 million in 1996.

Calculated in fixed prices, exports declined by 6.2 per cent in 1996 compared with 1995. The corresponding figures for *military equipment for combat purposes* and *other military equipment* was a reduction of 0.3 and 9.3 per cent respectively.

Swedish exports of military equipment represented 0.54 per cent of the total export of goods from Sweden in 1996 compared with 0.58 per cent in 1995. According to the Stockholm International Peace Research Institute (SIPRI), seen in a global perspective, Swedish exports of heavy conventional weapons represented 0.56 per cent of world trade in these weapons between 1992–1996.

In 1996, ISP and the Government have granted export permits for the sale of military equipment to a value of SEK 2,859 million, of which SEK 662 million represents *military equipment for combat purposes* and SEK 2,197 million *other military equipment*. Several of the permits were for deliveries over a number of years. The value of export permits granted declined by 56.3 per cent in 1996 compared with 1995. The decline in permits for *military equipment for combat*

purposes amounted to 67.0 per cent and 51.5 per cent for *other military equipment* compared with 1995.

Calculated in fixed prices, the value of export permits granted declined by 56 per cent in 1996. The corresponding decrease in value for *military equipment for combat purposes* was 67 per cent while a 51 per cent decrease was noted for *other military equipment*.

A correction has been made in this year's Government Report to the value of export permits from 1989–1995 following the discovery that the registration of some export permits had been duplicated in earlier years.

2 The Military Equipment Act

The Military Equipment Act (1992:1300) and corresponding Ordinance (1992:1303) regulate the manufacture and export of military equipment. Both the Act and Ordinance entered into force on 1 January 1993, replacing the Act concerning Control over the Manufacture of Military Equipment, etc (1983:1034), the Act concerning the Prohibition of the Exportation of Military Equipment etc (1988:558) and the appurtenant ordinances.

The new legislation proposed by the Government in Bill 1991/92:174, was based on a comprehensive review of arms export issues. Parliament subsequently approved the Bill (Report 1992/93:UU1, Parliamentary Notification 1992/93:61).

The present Act is in all essentials based on previous legislation and previous practice. It contains, however, some simplification, clarification and modernisation of the provisions which apply to the overall control of the manufacture and supply of military equipment and a broadening of the concept of military equipment.

In Bill 1995/96:31, the Government proposed to establish a new authority to monitor military equipment and other strategically sensitive products, known as dual-use products. The Swedish Parliament gave its assent to the Government proposal (Report 1995/96:UU3, Parliamentary Notification 1995/96:93). The new body, the National Inspectorate for Strategic Products (ISP) began operations

on 1 February 1996. ISP replaced the Inspectorate-General of Military Equipment (KMI) and the department at the Ministry for Foreign Affairs responsible for the export control of strategic products. It is responsible for matters concerning the export of military equipment as well as dual-use products.

Under the Military Equipment Act, military equipment may not be manufactured without the permission of the ISP. In addition, an ISP licence is also required for all defence industry cooperation with other countries. Such cooperation is defined as the export, or other forms of supply, of military equipment, the allocation or transfer of manufacturing rights, agreements with another party on developing military equipment or methods of producing such equipment jointly with or on behalf of such a party, or the joint manufacture of military equipment with a party from abroad. In considering whether a permit should be granted for such cooperation, Swedish defence policy requirements are taken into account. Finally, with certain exceptions, a government permit is required to provide training with a military orientation.

Under the new Act, military equipment is divided into two categories. Weapons and service ammunition are classified as military equipment for combat purposes and non-destructive matériel is classified as other types of military equipment. Provisions concerning the type of matériel which is included in the two categories are contained in the Military Equipment Ordinance.

3 Government Guidelines for Arms Exports

Government guidelines are applied to all forms of joint action with other countries which is regulated in the Military Equipment Act (1992:1300). This comprises exports and cooperation as well as, inter alia, deliveries related to earlier exports.

The overriding purpose of the guidelines is to provide a stable and general base for assessing permit applications. Each export transaction is, however, assessed individually.

When assessing individual export transactions from a foreign policy point of view, the guidelines emphasise the importance which should be attached to respect for human rights in the recipient country. The human rights criterion must always be taken into consideration, even in cases involving the export of matériel which in itself cannot be used to violate human rights.

As mentioned earlier, the broadening of the concept of military equipment was accompanied in 1993 by the classification of matériel into two categories. Guidelines which differ in certain respects have been drawn up for the export of such equipment, according to whether it is of a destructive or non-destructive nature. On the whole, the earlier guidelines continue to apply for military equipment for combat purposes, i.e., the Government should not issue an export permit to a state which is involved in armed conflict with another state, a state involved in an international conflict that is feared may lead to armed conflict, a state in which internal armed disturbances are taking place or a state in which extensive and serious violations of human rights occur.

In cases of the export of other military equipment, which largely consists of products not subject to controls prior to 1993, an export permit should be granted to countries not engaged in armed conflict with another state, are not subject to internal armed disturbances or where there are no extensive and serious violations of human rights.

The different guidelines for military equipment for combat purposes and other military equipment mean that a greater number of countries may be considered as potential recipients of other military equipment, i.e., non-destructive matériel rather than military equipment for combat purposes. By broadening the concept of military equipment, exports are reported and made visible which were previously unregulated. These exports are now also subject to political assessment.

4 The National Inspectorate of Strategic Products

The Inspectorate-General of Military Equipment (KMI) and (from 1 February 1996) the National Inspectorate of Strategic Products (ISP) exercises control over the manufacture of military equipment. KMI was established in 1935 and was part of the Trade Department of the Ministry for Foreign Affairs. KMI was also the government drafting body in matters concerning arms exports.

As from 1 February 1996, ISP will decide in cases concerning permits for the export of military equipment. The authority is, however, obliged to submit cases of principal significance or which are otherwise important for consideration by the Government.

Companies are required to provide quarterly reports to the ISP on their marketing abroad. Besides their decision-making function concerning permits, ISP analyses the obligatory notifications from arms manufacturers which are to be submitted at least four weeks prior to their offer of tender, entering into an export agreement or other overseas cooperation concerning military equipment. Finally, exporters of military equipment must notify their deliveries of military equipment. ISP is in continuous touch with the companies on these matters.

A report from the Standing Committee on Foreign Affairs (1995/96:UU3) pointed out that it “assumes that the activities of the new authority would be included in the annual report of Swedish exports of military equipment”. The underlying cause of this was a comment from the Standing Committee on the Constitution to the Standing Committee on Foreign Affairs to the effect that “the Government should ensure that there is a follow-up of the first year’s activities, a report of which is included in the annual report of arms exports presented to the Swedish Parliament in the Spring 1997”.

The authority to take decisions rests solely with the head of the ISP, which is organized in three departments that deal with military equipment, dual-use products and the Chemical Weapons Convention respectively. A staff of 17 was employed in 1996.

With an appropriation of SEK 10.55 million in 1996, ISP registered a deficit totalling SEK 434,000 in this period. The Inspectorate adopted 21 February 1997 for its first annual report. The National Audit Bureau (RRV) report of 26 March 1997 judged “the annual report (for ISP 1996) was substantially correct”.

The ISP has a budget of SEK 13,557 million for the current year. In 1996 ISP has borrowed a total of SEK 5,348 million for investment in fixed capital assets. After repayments, the authority had an outstanding debt of SEK 4,843 million at the end of the financial year. The maximum loan granted by the National Debt Office was SEK 6,750 million.

The Ministry for Foreign Affairs and the authority have met regularly twice a month during the 1996 financial year. Besides the customary exchange of information, some division of work took place vis-à-vis participation in international and bilateral meetings, etc. The first dialogue concerning goals and results between the Government and the head of the ISP is planned to take place at the end of May this year.

As was earlier the case with KMI, the ISP is self-financing in that a fee is charged to manufacturing companies which is estimated on the invoiced value in excess of SEK 2.5 million per year.

The number of export permit cases totalled 1,923 in 1996, of which 142 were transferred from the previous year, 549 involved dual-use goods, 131 were from arms dealers and 49 were transit cases. The aim of the ISP has been to complete the assessment of export permit applications within a month of their receipt and two weeks in due course.

In the question of reconsidering some of the decisions made by the authority, the Ministry for Foreign Affairs follows events closely in this area. Their experience so far has not led to the conclusion that the system of reconsideration requires reviewing.

5 Export Control Council

Under Chapter 10, Section 6 of the Instrument of Government, the Government must, where possible, consult the Advisory Council on Foreign Affairs before taking a decision on a matter of major importance concerning foreign affairs. Some cases involving arms exports are of a kind that call for consultation with the Council. It is deemed desirable to achieve a broader basis for examining other individual export transactions of principal importance. The Swedish Parliament therefore decided in 1984 that an Advisory Board on Exports of Military Equipment should be established on the basis of the Bill on greater insight and consultation in questions involving the export of military equipment (1984/85:82). The Board was reformed and broadened in structure on 1 February 1996 and became the Export Control Council when the ISP was set up. All the major political parties are now represented on the Export Control Council.

The Advisory Board consisted of six members appointed on a parliamentary basis, and was responsible for advising on specific questions concerning arms exports. The Board held two meetings in January 1996 and the Export Control Council had 12 meetings between February and December. As was the case with the Board, the ten members of the Export Control Council are convened by the head of ISP, the Inspector-General of Military Equipment, who also chairs the meetings. The Ministry for Foreign Affairs participates at the meetings, presenting assessments of the recipient countries. The Ministry of Defence also participates with assessments of matters from a defence policy point of view.

All matters of principle importance are subject to consultation at the Council's monthly meetings. Further, members receive continuous reports on all decisions taken on exports, giving them complete insight into the way in which the Government deals with issues concerning the export of military equipment. This procedure ensures that the Swedish Parliament has insight into the work of the ISP.

The Export Control Council has not replaced the Advisory Council in matters on which the Government must consult the Advisory Council in accordance with the Instrument of Government.

6 The Technical–Scientific Council

A special Technical-Scientific Council was established in 1984, with representatives from several institutions with expertise in the application of technology in civilian and military spheres, to assist the Inspector-General in preparing for the classification of military equipment. The Council held three meetings in 1996. With the establishment of the ISP, the Council's field of work has been extended to include dual-use products.

7 Information concerning the Arms Export Policy

The handbook compiled by the Inspectorate-General (KMI) provides guidance for the defence industry and government authorities concerned with the manufacture and export of military equipment. It describes current legislation, regulatory structure and procedures employed in issuing permits. The new Inspectorate (ISP) intends to publish a revised edition in 1997. It also plans to continue holding seminars and information meetings about its activities and field of work.

A summary of Sweden's arms export policy (Sweden's Policy on Arms Exports, Ministry for Foreign Affairs Information 1993:4) describes the part played by arms exports in Swedish security policy, the Swedish defence industry, the guidelines for exports of military equipment and international cooperation in the control of arms exports. This publication has also been issued in English, French and German in order to improve awareness in other countries about Sweden's policy in this field. A revised edition of this publication is also planned.

Since the autumn of 1996 the text of last year's report together with a translation in English is available on Internet. The address is:

<http://www.regeringen.se/info/rosenbad/departement/utrikes/vapenexport>

The same address can be used to access this report.

8 The UN Register and International Transparency regarding Arms Transfers

In December 1991, the United Nations General Assembly adopted a resolution urging member states to report both their imports and exports of certain categories of heavy conventional weapons to a conventional arms register. Trade in the following seven categories of weapons is to be reported: tanks, armoured combat vehicles, heavy artillery, combat aircraft, attack helicopters, warships and missiles/missile launchers.

In consultation with the defence authorities and ISP, the Ministry for Foreign Affairs compiles current information which is submitted to the UN in accordance with the above-mentioned resolution.

The fourth year of the UN register was 1995, and by January 1997, 92 of the UN's 185 member states (and also Switzerland which has observer status) had submitted information about their exports and imports of these seven categories of heavy weapons. Since all the major exporters with the exception of North Korea report to the register and all the major importers except some countries in the Middle East, it is estimated that over 90 per cent of world trade in these weapons is covered by the register.

Sweden only participates to a minor extent in world trade in the relevant types of heavy weaponry.

In 1996, Sweden reported imports from Germany of one Leopard 2 tank and 164 armoured personnel carriers. Sweden reported exports of 4 combat vehicles of type CV 9030 to Norway.

Sweden is working in various ways for increased reporting to the United Nations Register of Conventional Arms and greater transparency in weapon affairs. The 55 participating states in the Organization for Security and Cooperation in Europe (OSCE) have agreed in the Security Forum to observe certain principles in the transfer of weapons, including reporting annually to the UN register. Since 1995, consultations on reporting have been held with the other members of the EU. So that the register may become more usable, the

EU has sent a letter to the UN Secretary-General urging other members of the UN to provide information on their weapon holding as well as on their own production of military equipment covered by the register. Sweden submitted this type of information to the register for the first time in 1997. The United Nations is planning a review of the register in 1997 to be reported to the UN General Assembly in the autumn of 1997.

As part of Sweden's endeavours to achieve greater transparency in this area, the Government has since 1990 submitted an English translation of its annual report to Parliament on exports of military equipment to the United Nations. Since autumn 1996 the information submitted to the UN register has been available on Internet. The address is:

<http://www.un.org/depts/dpa/cda/register/register.htm>

9 The Wassenaar and Other Export Control Arrangements

At a meeting in Vienna in July 1996 under the chairmanship of Sweden's Inspector-General of Military Equipment, Ambassador Staffan Sohlman, 33 countries (mainly the OECD group and, amongst others, Russia and other central and eastern European countries) agreed to finally adopt the Initial Elements text which is the basis for the new export control system, the Wassenaar Arrangement (WA). In contrast to the previous NATO dominated system COCOM, which was terminated in 1994, the new arrangement is in principle open to all countries and its main task is to prevent the spread of both weapons and dual-use goods that may have a militarily destabilizing effect and threaten international and regional peace and security.

The new export control arrangement is named after the suburb, Wassenaar, outside the Hague in the Netherlands, where a principle decision to establish the arrangement was taken at a meeting in December 1995. The arrangement was previously known under the provisional name New Forum. The WA established a secretariat in Vienna in December 1996.

As in the case of other international export arrangements in which Sweden participates, no binding decisions are taken through the WA. It is a political undertaking in which the participating countries retain their influence over export control. The WA is not directed against any individual state or group of states. It is to be applied globally and in a non-discriminatory manner and is not intended to impede bona fide civil transactions. Hence, the aim is to develop a common view on the development trends and risks connected with transfers of these products through exchanges of information (export statistics and notification that export permits have not been granted) and discussions about sensitive regions. It may be mentioned that the areas discussed include Afghanistan (initiated by the United States) and Central Africa (initiated by Sweden). As of 1 November 1996 exchange of information is compulsory. First reports were submitted in late March and April 1997 regarding exports, etc. of dual-use goods and military equipment respectively.

In support of the arrangement, lists of products have been compiled covering both dual-use goods and military equipment. These are to be reviewed regularly and are coordinated with the EU lists of export controlled products.

Sweden also participates in other existing export control arrangements, namely the Nuclear Suppliers' Group (NSG), the Australia Group (AG), and the Missile Technology Control Regime (MTCR). Their aim is to prevent, or at least to impede, the proliferation of weapons of mass destruction and their carriers, that is to say nuclear weapons (NSG), biological and chemical weapons (AG) and missiles (MTCR).

Each arrangement has some thirty member states. In most cases, the chairmanship rotates every year. Sweden held the chairmanship of the MTCR during the period 1994–95. Sweden is actively participating in all these arrangements. Today, export control is perhaps the most effective operative method available for preventing the proliferation of weapons of mass destruction. Sweden's participation in the arrangements is essential for our credibility in international non-proliferation work.

10 EU Export Control Cooperation

Exchanges of information on export control matters take place within the framework of the Common Foreign and Security Policy (CFSP). Information is regularly exchanged within a Council working group responsible for questions concerning exports of conventional weapons (COARM). In 1996, work in COARM focused on attempting to concretize the interpretation and application of eight jointly identified criteria regarding exports of military equipment. In addition, there is some exchange of information concerning individual recipient countries. Sweden is working to achieve greater transparency, above all in the exchange of information on individual countries with a view to reaching greater consensus in the long term. EU cooperation is based on the principle that each EU member country has its own national legislation on exports of military equipment and that Article 223 of the Treaty establishing the European Community enables member states to exempt production and trade in military equipment from EU common rules.

Furthermore, the possibilities of simplifying internal EU trade in military equipment is being discussed within a temporarily appointed working group, POLARM. In the military equipment area, the group is studying three aspects: economic policy, export policy and procurement policy.

The EU Council of Ministers decided in 1996 to maintain a moderate weapons embargo in relation to the former Yugoslavia and Afghanistan. In addition, an embargo against Nigeria was extended. Countries subject to EU embargoes from an earlier date include Burma, Iraq, China, Libya, Sudan and Zaire. There are weapons embargoes decided by the UN against Angola, Iraq, Liberia, Libya, Rwanda and Somalia.

The control of exports of dual-use goods also involves exchange of information within the framework of the CFSP. The EU has a common Council Regulation (EC) no. 3381/94 for control of exports of dual-use goods which has been in force since 1 July 1995. The aim of the Regulation is to achieve the free movement of such products (with some exceptions) within the EU and the control of exports to

third countries. As a result of the creation of the Wassenaar Arrangement, the Council of Ministers decided in 1996 on certain amendments to and updating of the Annexes to the Regulation. The application of the Regulation on the control of exports of dual-use goods is the subject of regular discussions in a special coordination group for this purpose.

II The Swedish Defence Industry and International Cooperation in the Field of Military Equipment

In government bill 1996/97:4 “The Renewal of Sweden’s Defence”, it was established that in the light of, inter alia, Sweden’s limited domestic market, the increasing difficulties in maintaining the necessary range of products within Sweden’s own defence industry and the weakening international market for defence matériel, substantially increased international cooperation appears to be a precondition for the survival of the Swedish defence industry and for the military authorities’ ability to adapt.

Sweden maintains well established cooperation with the United States and hence has considerable defence industry interests to safeguard. There is also a major and growing potential in European cooperation. Sweden’s role in this is becoming of increasingly topical interest on account of the discussions taking place within the EU on extended cooperation in the defence matériel sector. It is therefore essential to create within the framework of the existing legislation enhanced opportunities for the Swedish defence industry to participate on equal terms in this European restructuring. The rate of rationalization in the defence industry has been high in the United States at the same time as company mergers in the industry have progressed at a rapid pace. The corresponding development in Europe, up to now at least, must be considered rather modest in comparison.

If this international cooperation is to come into being, amongst other things Swedish industry and Swedish authorities need to be able

to contribute advanced technical know-how. It is also of particular importance that the form and scope of support given by the authorities facilitates cooperation. It may be a question of cooperation among buyers, training support or the establishment of a formal framework for cooperation.

Tougher competition on the export markets has made it more difficult for Swedish companies to grasp export opportunities. It is established in the bill that if it is to be possible to utilize the export potential of Swedish companies, the Government and Swedish authorities must actively and in a structured way support the export endeavours of the defence industry to undertake major defence matériel projects, on condition that these endeavours are in line with the guidelines for exports of military equipment.

A group for defence industry matters and exports of military equipment at State Secretary level was formed in 1996 with the aim of promoting exports of military equipment to approved countries.

12 Development in the International Arms Trade

In a global perspective, Sweden's share of arms exports in recent years has been between 0.5 and just under 3.0 per cent of world trade, depending on the type of statistics used. According to the Stockholm International Peace Research Institute (SIPRI), Sweden was responsible for 1.19 per cent of world exports of heavy conventional weapons in 1996 compared with 0.75 per cent in 1995. For the five-year period 1992–1996, the corresponding Swedish share amounted to an average 0.56 per cent, which is equivalent to a 14th place among the world's weapons exporters. During the same period the United States was the largest exporter with an average share of 51.72 per cent followed by Russia with 12.97, Germany 7.31, the UK 6.12, France 5.42, China 3.67 and the Netherlands 1.84 per cent. According to the same source world trade in these weapons fell by 0.9 per cent in fixed prices between 1995 and 1996.

Statistics on exports of weapons and ammunition compiled by the Standard International Trade Classification SITC 891 show that in 1995 Sweden was in ninth position as an exporting country and was responsible for 1.94 per cent of world trade in these products. The largest exporter was again the United States with a share of 56.3 per cent followed by the United Kingdom with 9.94 per cent, Canada 4.58, Italy 4.45, Germany 3.58, the Netherlands 2.99 and Austria 2.10 per cent.

The United States had the highest proportion of exports of these products in 1994 also, or 52.43 per cent, followed by the United Kingdom with 14.13 per cent, Italy 4.33, Canada 3.76, Germany 3.65, Sweden 2.91 and Austria 2.28 per cent. However, these statistics cannot be considered complete since, inter alia, they do not include such an important export country as Russia.

Appendix

Swedish Exports of Military Equipment in 1996

I General Background

The National Inspectorate of Strategic Products (ISP) continuously monitors the marketing and export of military equipment from Sweden. Companies that are licensed to conduct activities in the military equipment area – at present about 200, of which some 40 are active – are obliged to submit reports to ISP in various contexts. These reports, together with information obtained by the Inspectorate in other ways, are analysed and studied by ISP. In the Bill concerning greater insight and consultation in questions involving the export of military equipment (1984/85:82), the Government declared its intention of submitting an annual report to Parliament on Swedish exports of military equipment. The following report concerns Swedish exports of military equipment in 1996.

2 Export Permits

In recent years, the number of applications for permits has been in the region of 2,000. Most of the applications have concerned exports for purposes other than sale, such as export prior to or following repair, for demonstration purposes or for testing. In 1993, which was the first year in which the new Military Equipment Act was in force, a considerable number of applications were initially received for export

permits for sales of “other military equipment” for which permits had not previously been required. Many of these permits related to deliveries spread over several calendar years.

Until 31 January 1996, decisions about export permits were taken only by the Government. In cases which did not involve major exports or were not particularly significant in other respects, decisions about permits were taken by the Minister responsible for matters relating to the export of military equipment. In 1995, Government decisions on exports represented 98 per cent of the total value of permits granted. In January 1996, the Government took decisions in 15 cases relating to exports. Since 1 February 1996, decisions on export matters are primarily taken by ISP except in cases that are deemed to be of principle significance or otherwise of special importance, which are submitted to the Government for a decision.

It was discovered in 1996 that the information on the value of export permits granted reported in previous years had overestimated the true value, as some export permits had been registered twice. These cases concerned extensions which are required if exportation has not been completed within the period of validity of the original permit. Some extensions of this type were registered as new sales despite the fact that it was the same matériel as had already been reported under export permits granted. Permits registered twice have been removed from the total figure reported for the respective year in this year’s table.

Table 1 below indicates the total value of export permits granted, calculated in current fixed prices.

Table 1. *Export Permits Granted^{1,2} for Sales of Military Equipment in the Period 1989–1996 at Current and at 1990 Prices³ and the Percentage Change in Volume*

Year	Total value at current prices			Total value at fixed prices			Percentage volume change in fixed prices compared with previous year		
1989	7,245								
1990	2,869			2,869					
1991	2,487			2,396			-16		
1992	2,992			2,877			+20		
	Total	MEC	OME	Total	MEC	OME	Total	MEC	OME
1993	6,106	1,942	4,164	5,319	1,692	3,627	-	-	-
1994	4,268	1,991	2,277	3,604	1,682	1,923	-32	- 1	-47
1995	6,543	2,011	4,532	5,399	1,659	3,739	+50	- 1	+94
1996	2,859	662	2,197	2,374	550	1,825	-56	-67	-51
	(-56.3%) (-67.1%) (-51.5%)								

¹ Values for the 1989–1995 have been corrected bearing in mind the discovery that some export permits had been registered twice.

² Includes the value of Government decision in January 1996 before the new authority had been established, and also the value of decisions submitted to the Government by ISP.

³ Statistics Sweden's export price index for fabricated metal products, machinery and equipment (1990=100) has been used in the recalculation of prices.

3 Actual Deliveries

ISP export statistics are based on information supplied by the exporting companies regarding the value of equipment delivered.

Table 2 shows the value of Swedish exports of military equipment over the past ten years at current and 1990 prices. The table also indicates the proportion of military equipment in Sweden's total exports of manufactured goods.

In 1996, "military equipment for combat purposes" to a value of SEK 1,136million and "other military equipment" to a value of SEK 1,951 million were exported, i.e. with a total value of SEK 3,087 million. Compared with 1995, exports of military equipment decreased by 6.8 % in 1996. The corresponding figure for "military equipment for combat purposes" was -1.0% and for "other military equipment" -9.9%. Calculated in fixed prices, total exports of military equipment fell by 6.2%.

Table 2. *Value of Exports of Swedish Military Equipment in the Period 1987–1996 at Current and 1990 Prices⁴, etc*

Exports of military equipment							
Year	Sweden's total export of goods (current prices)	Current prices SEK M	Share of total exports %		Fixed prices SEK M	Change in fixed prices %	
1987	281,433	4,427	1.57		-	-	
1988	304,782	6,155	2.02		-	-	
1989	332,580	6,005	1.81		-	-	
1990	339,850	3,327	0.98		3,327	-	
1991	332,779	2,705	0.81		2,606	-21.6	
1992	326,031	2,753	0.84		2,647	+ 1.6	
		Total	MEC	OME			
1993	388,290	2,863	1,216	1,647	0.74	2,494	-
1994	471,602	3,181	1,347	1,834	0.68	2,687	+ 7.7
1995	567,836 ⁵	3,313	1,148	2,165	0.58	2,733	+ 1.7
1996	566,480 ⁶ (-6.8%)	3,087 (-1.0%)	1,136 (-9.9%)	1,951	0.54	2,564	- 6.2

⁴ Statistics Sweden's export price index for fabricated metal products, machinery and equipment (1990=100) was used for conversion purposes.

⁵ Data for Sweden's total exports of goods for 1995 have been corrected in this year's report, compared with the corresponding information in Government Report 1995/96:204 on military equipment exports in 1995. The correction means that the proportion of military equipment in the total exports of goods has decreased from 0.59% to 0.58%.

⁶ Preliminary information for exports of goods in 1996.

Exports of military equipment in 1995 amounted to 0.58% of Sweden's total exports of manufactured goods. The corresponding proportion for "military equipment for combat purposes" was 0.20% and for "other military equipment" 0.38%. This proportion declined to 0.54% in 1996, of which 0.20% represented "military equipment for combat purposes" and 0.34% was "other military equipment."

These export statistics, which are based on manufacturers' delivery notifications to ISP, are the only figures that are directly linked to legislation on military equipment. Apart from certain narrowly defined areas, Swedish general foreign trade statistics, based on information supplied by the customs authorities to Statistics Sweden, do not distinguish between military equipment and civilian products. (See also the Appendix, Chapter 5).

Changes from one year to the next do not provide a basis for long-term assessment of development trends. A marked fall in exports occurred, however, both in terms of current and fixed prices in the period 1990–93, while a slight increase occurred in 1994 and 1995 and a minor decline in 1996.

A comparison between Tables 1 and 2 above shows that the total value of export permits granted may differ substantially from the value of actual deliveries in the same year. This is because permits often apply for exports over several calendar years, and also the fact that permits are not fully utilized in some cases. The decrease in the number of export permits recorded in 1996 should thus be reflected in export statistics for future years.

Table 3. *Value of Swedish Exports of Military Equipment in the Period 1995–1996 in SEK million, in Accordance with the Main Areas Covered by the Military Equipment Classification*

		1995	1996
Military Equipment for Combat Purposes			
MEC1	Small-calibre barrel weapons	0	0
MEC2	Cannons, anti-tank guns	80	111
MEC3	Ammunition	65	147
MEC4	Missiles, rockets, torpedoes, bombs	172	501
MEC5	Firing control equipment	113	146
MEC6	ABC weapons	0	1
MEC7	Gunpowder and explosives	78	109
MEC8	Warships	580	28
MEC9	Combat aircraft	0	0
MEC10	Combat vehicles	60	94
MEC11	Directed energy weapon systems	0	0
	TOTAL	1,148	1,136

Other Military Equipment

OME21	Small-calibre barrel weapons, parts, etc.	2	1
OME22	Cannons, anti-tank guns, parts, etc.	97	47
OME23	Ammunition for training purposes, etc.	237	299
OME24	Training rockets, sweeping equipment, etc.	30	95
OME25	Reconnaissance and measurement equipment	658	311
OME26	Protective equipment, etc.	2	12
OME27	Gunpowder and explosives components	0	0
OME28	Surveillance vessels, etc.	146	213
OME29	Aircraft designed for military use, etc.	133	144
OME30	Vehicles designed for military use, etc.	161	218

		1995	1996
OME31	Directed energy weapon systems	0	0
OME32	Fortifications	0	0
OME33	Electronic equipment for military use	146	186
OME34	Photographic and electro-optical equipment	0	0
OME35	Training equipment	541	323
OME36	Manufacturing equipment	11	101
OME37	Software	2	1
<hr/>			
	TOTAL	2,165	1,951
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4 Geographical Distribution

Table 3 shows the total extent of military equipment exports and their distribution into principal categories according to the military equipment list.

In 1996, in its first record of exports of military equipment, Norway presented the recipient countries for the principal categories in the Norwegian list of military equipment. The Swedish Government is considering the possibility of reporting in a corresponding manner in future.

The regional summary in Table 4 indicates that the proportion of Swedish military equipment exports to the Nordic countries and other Western European countries had a tendency to increase in 1996. While amounting to 42% in 1994, it fell to 36% in 1995 and then increased to 44% in 1996. At the same time, Asia's share decreased from 38% in 1994 and 36% in 1995 to 20% in 1996. The North American share fell from 22% in 1995 to 20% in 1996.

However, no far-reaching conclusions about development trends in the area can be drawn from these changes. A single large transaction can cause major shifts in proportions of the relatively limited total exports.

Table 4. *Exports of Military Equipment by Region, Percentage of Value in the Period 1994–1996⁷*

	1994			1995			1996		
	Total	MEC	OME	Total	MEC	OME	Total	MEC	OME
Nordic countries	18	10	24	15	14	15	19	21	18
Other West European countries	24	23	25	21	16	24	25	23	25
Central and Eastern Europe	0	0	0	0	1	1	0	1	0
North America	13	13	12	22	7	30	20	11	24
Latin America	1	1	1	1	2	0	9	15	5
Australia and New Zealand	6	2	9	4	5	4	7	4	8
Asia	38	51	28	36	55	26	20	24	18
Africa	1	1	1	0	1	0	0	0	0
Total no. countries	46			45			48		

⁷ Exports to the United Nations are not included in this table.

The following table shows the proportion of exports of military equipment to recipient countries. Table 5 includes all countries where exports of military equipment have exceeded SEK 1.0 million in any year in the period 1994–1996. Exports of military equipment of Swedish manufacture in 1996 were supplied to 48 countries and to the United Nations. In 14 cases the value of exports was under SEK 1 million. Permits have also been granted for the export of firearms for hunting and sporting purposes to 25 countries including Argentina, Australia, Austria, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, India, Italy, Japan, Norway, New Zealand, Poland, Portugal, Slovakia, Spain, South Africa, Switzerland, Tanzania, the United Kingdom and the USA.

To summarize, it can be noted that the predominant recipients of Swedish military equipment are still the OECD countries, i.e. chiefly the Nordic countries, other West European countries, North America, New Zealand and Australia, representing about 71 per cent of exports in 1996 compared with 62 per cent in 1995. At the same time, the proportion of exports to Asia fell from 36 per cent in 1995 to 20 per cent in 1996. However, a considerable change has taken place compared with 1993 when the OECD countries received as much as 84 per cent of Swedish exports compared with 14 per cent in Asia. This changed in 1994 in that the OECD countries reduced their share to 61 per cent at the same time as Asia's share rose to 38 per cent. This development trend was broken in 1996, however, when the OECD countries' share rose to 71 per cent while Asia's share dropped to 20 per cent.

Exports of military equipment to EU countries amounted to SEK 964.5 million in 1996 compared with SEK 913.9 million in 1995, an increase of 5.5 per cent. Calculated as a share of total exports, this increased for the EU's part from 27.6 per cent in 1995 to 31.2 per cent in 1996.

In 1996 the United States was the largest recipient country for Swedish military equipment, valued at SEK 562.3 million, followed by Norway, SEK 353.9 million, Germany SEK 338.8 million, Austria SEK 235.8 million, Australia SEK 211.6 million, Pakistan SEK 189.7 million and Denmark SEK 186.3 million.

Exports of military equipment valued at under SEK 50,000 are indicated in Table 5 with SEK 0.0 million.

Table 5. *Exports of Military Equipment by Country 1994–1996 in SEK million*

	1994			1995			1996		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
Australia	23.0	165.8	188.8	58.8	80.6	139.4	47.6	164.1	211.6
Austria	226.9	84.7	311.6	85.0	49.9	134.8	182.1	53.8	235.8
Bahrain	-	3.0	3.0	-	-	-	-	2.1	2.1
Bangladesh	-	0.3	0.3	-	1.7	1.7	3.5	0.0	3.5
Belgium	38.6	4.3	42.9	0.0	5.8	5.8	0.7	12.4	13.1
Brazil	6.8	4.8	11.6	21.9	8.8	30.6	81.7	101.8	183.5
Canada	87.6	77.2	164.8	22.0	189.9	211.9	18.9	21.3	40.3
China	-	-	-	-	2.4	2.4	-	-	-
Denmark	11.5	45.7	57.2	54.9	51.8	106.7	100.8	85.5	186.3
Finland	2.8	58.3	61.1	1.8	120.1	122.0	1.3	54.7	56.0
France	0.6	42.6	43.2	0.3	21.3	21.6	0.6	12.3	12.9
Germany	4.5	72.2	76.7	59.6	124.4	184.0	46.8	292.0	338.8
India	-	158.4	158.4	-	117.3	117.3	-	147.7	147.7
Indonesia	11.7	0.8	12.5	-	-	-	59.9	4.6	64.5
Ireland	-	0.5	0.5	2.5	0.1	2.6	0.3	2.5	2.8
Italy	1.6	2.6	4.2	0.8	2.5	3.3	0.9	7.5	8.4
Japan	-	18.7	18.7	-	27.8	27.8	0.2	14.0	14.2
Republic of Korea	-	5.4	5.4	-	7.9	7.9	-	12.9	12.9
Kuwait	-	8.0	8.0	-	-	-	-	-	-
Lithuania	-	-	-	-	-	-	5.8	0.8	6.6
Malaysia	33.3	90.5	123.8	16.4	70.2	86.6	29.7	31.2	60.9
Mexico	-	2.0	2.0	-	-	-	-	-	-
Netherlands	1.3	12.0	13.3	28.4	8.6	37.0	24.5	7.6	32.1

	1994			1995			1996		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
New Zealand	0.0	6.7	6.7	0.3	1.7	2.0	2.8	1.1	3.9
Norway	113.5	349.0	462.5	98.4	157.2	255.6	134.9	219.0	353.9
Oman	-	2.2	2.2	-	-	-	-	0.3	0.3
Pakistan	57.1	0.9	58.0	35.9	-	35.9	177.0	12.8	189.7
Poland	-	0.0	0.0	7.0	1.2	8.1	1.9	-	1.9
Portugal	-	-	-	-	0.1	0.1	1.2	0.1	1.3
Singapore	580.6	155.2	735.8	582.0	92.7	674.8	2.8	85.5	88.3
Spain	0.0	2.5	2.5	0.4	2.5	2.9	1.7	6.8	8.5
Switzerland	40.0	15.0	55.1	4.1	14.9	19.0	4.9	29.9	34.8
Thailand	-	53.8	53.8	1.9	238.0	239.9	2.4	34.7	37.0
Tunisia	8.9	11.0	19.9	9.3	4.4	13.7	-	2.5	2.5
United Arab Emirates	-	15.5	15.5	-	0.1	0.1	-	1.1	1.1
United Kingdom	2.1	226.1	228.2	0.7	291.4	292.1	2.9	65.6	68.5
United Nations	-	0.7	0.7	-	5.2	5.2	-	7.6	7.6
USA	94.5	134.1	228.6	56.2	461.9	518.1	108.1	454.1	562.3
Uruguay	-	2.0	2.0	-	-	-	-	-	-
Venezuela	-	-	-	-	0.0	0.0	89.4	-	89.4
Other countries	-	1.3 ⁸	1.3	-	2.7 ⁹	2.7	0.8 ¹⁰	1.3 ¹¹	2.1
TOTAL	1,347	1,834	3,181	1,148	2,165	3,313	1,136	1,951	3,087

⁸ Andorra, Argentina, Estonia, Greece, Hungary, Iceland, Mauritius, Namibia, New Caledonia and Saudi Arabia.

⁹ Andorra, Argentina, Chile, Czech Republic, Estonia, Greece, Hongkong, Hungary, Israel, Mauritius, Namibia and Zimbabwe.

¹⁰ Andorra, Botswana, Czech Republic and Iceland.

¹¹ Andorra, Argentina, Chile, Czech Republic, Hungary, Iceland, Luxemburg, Mauritius, Namibia, Philippines, South Africa and Zimbabwe.

5 Arms Export Statistics

In addition to the statistics on exports of military equipment reported in this document, which are based on information from ISP, other statistics pertaining to this area are available. However, there are differences between these statistics and those based on the classification given in the Swedish Military Equipment Act. Comparisons should therefore not be made unless there is complete awareness of the definitions underlying the statistics presented. Statistics in this area are available chiefly from the UN Register of Conventional Arms, the Stockholm International Peace Research Institute, SIPRI, Statistics Sweden, and the Association of Swedish Defence Industries.

The UN Register of Conventional Arms comprises the following seven categories: battle tanks, armoured combat vehicles, large calibre artillery systems, combat aircraft, attack helicopters, warships, and missiles and missile launchers. Swedish exports in 1996 according to the UN Register are reported in Chapter 8 of this document, where the number of units in each respective category are given.

In its country statistics, SIPRI reports heavy conventional weapons, which are defined as aircraft, warships, artillery, armoured combat vehicles, missiles and homing and radar systems. According to SIPRI, Sweden was in fourteenth position in the world regarding average exports during the period 1992-1996, representing 0.56 per cent of world trade in these products during the period in question. The report was in USD at 1990 price level.

Statistics Sweden reports exports of "Weapons and Ammunition" in accordance with the Standard International Trade Classification SITC 891. This is divided into four subordinate groups, namely 891.1, 891.2, 891.3 and 891.9. Under the currently applicable customs tariffs these groups comprehend the following categories of goods:

- 891.1 87.10 "Tanks and other armoured vehicles, motorized, whether or not fitted with weapons, and parts of such vehicles."

- 93.01 “Military weapons other than revolvers and pistols and side-arms under 93.07.”
- 93.02 “Revolvers and pistols other than those of heading 93.03 and 93.04.”
- 93.07 “Side-arms e.g. swords, cutlasses and bayonets and parts thereof and scabbards and sheaths therefor.”
- 891.2 93.06 “Bombs, grenades, torpedoes, mines, missiles and similar munitions of war and parts thereof, including shot and cartridge wads.”
- 891.3 93.03 “Firearms and similar devices which operate by the firing of an explosive charge e.g. sporting shotguns and rifles, muzzle-loading firearms , Very pistols and other devices designed to project only signal flares, pistols and revolvers for firing blank ammunition, captive-bolt humane killers, line-throwing guns.”
- 93.04 “Other arms (e.g. spring, air or gas guns and pistols, truncheons) excluding those at heading 93.07.”
- 891.9 93.05 “Parts and accessories of articles under heading 93.01–93.04.”

Exports of SITC 891 are reported at current prices in SEK. However, SITC 891 does not cover for example warships and aircraft.

Exports of military equipment reported by the Association of Swedish Defence Industries may be seen in Chapter 10. The scope of these exports is defined as member companies’ invoiced deliveries abroad of “military equipment and non-military goods to military customers”. Exports are reported at current prices in SEK.

Thus, it may be established that the Standard International Trade Classification SITC 891 is not as extensive as ISP’s military equipment concept at the same time as the Association of Swedish Defence Industries extends beyond ISP’s definitions. Regarding conventional arms only, SIPRI’s definitions are more far-reaching than those of the UN.

A graph illustrating export permits and arms exports based on different definitions during the period 1989–1996 is given in the addendum to the Appendix.

6 Transfer of Manufacturing Rights, Cooperation, etc

Two permits were granted in 1996 for the transfer of manufacturing rights abroad, these cases referred to Australia and Brazil.

In addition, two permits were granted for extensions of previous transfers of manufacturing rights. The countries concerned were Pakistan and Spain.

Eight cooperation agreements were examined and approved for joint development or production with the following countries: the United States (two permits), Denmark, Finland (two permits), Netherlands (two permits) and Germany.

In assessing cases involving the transfer of manufacturing rights and cooperation with foreign partners, the stricter criteria applied to exports of military equipment for combat purposes are employed, irrespective of the type of export, because this kind of cooperation normally results in lengthier commitment than with regular exports. The scope of such agreements, their duration, re-export clauses, etc. are examined in detail in this context.

Under the Military Equipment Act, the Government has prescribed that those who transfer manufacturing rights for military equipment to a party in a foreign country, have an obligation to report annually on whether the agreement is still in force, whether manufacture or other cooperation in accordance with such an agreement still continues and how such cooperation is pursued.

In 1996, 13 companies reported a total of 161 transfers of licences and cooperation agreements in 23 countries. Of these, 12 companies had 85 licence agreements in 20 countries and 7 companies 76 cooperation agreements in 18 countries.

7 Training for Military Purposes

Under the Military Equipment Act, with certain exceptions, foreign subjects may not be given training which has a military orientation within or outside Sweden without the consent of the Government.

No such permission has been granted in 1996.

8 Reporting Ownership in a Foreign Legal Entity

Under the Military Equipment Act, companies that have received permission to manufacture or supply military equipment must report annually regarding ownership of foreign legal entities which pursue the development, manufacture, marketing or sales of military equipment.

In 1996, six companies have reported ownership in 23 foreign legal entities in 13 countries

9 Export Companies

Some 200 companies are licensed to manufacture military equipment. Of these, 40 exported such equipment in 1996.

The following were the largest exporters of military equipment in 1996: Bofors AB, Ericsson Microwave Systems AB and Saab Training Systems AB. Bofors AB was responsible for exports in excess of SEK 500 million but less than SEK 1 billion. The two other companies were each responsible for exports exceeding SEK 200 million but less than SEK 500 million. In addition, six companies exported to a value exceeding SEK 100 million, viz. Bofors Explosives AB, Bofors Underwater Systems AB, CelsiusTech Electronics AB, CelsiusTech Systems AB, Hägglunds Vehicle AB and Kockums Submarine AB.

Four companies each exported to a value of between SEK 50 million and SEK 100 million, namely Chematur Engineering AB, Norma Precision AB, Scania CV AB and Volvo Aero AB.

Eight companies exported for an amount between SEK 10 million and SEK 50 million. They were Bofors Carl Gustaf AB, Bofors SA Marine AB, Dockstavarvet AB, FFV Aerotech AB, FMV, Saab AB, Saab Dynamics AB and Åkers Krutbruk Protection AB.

Other companies with exports in excess of SEK 1 million included Bofors LIAB AB, Degerfors Formings AB, Flodins Filter AB, Mipro AB, Sundströms Safety AB and Volvo Aero Support AB.

In all, the above-mentioned 27 companies represented almost 100 per cent of Swedish exports of military equipment in 1996.

10 Employment Developments in Arms Export Companies

Fourteen of the largest manufacturers of military equipment in Sweden are members of the Association of Swedish Defence Industries which was founded in 1986. Member companies are responsible for the majority of exports of military equipment.

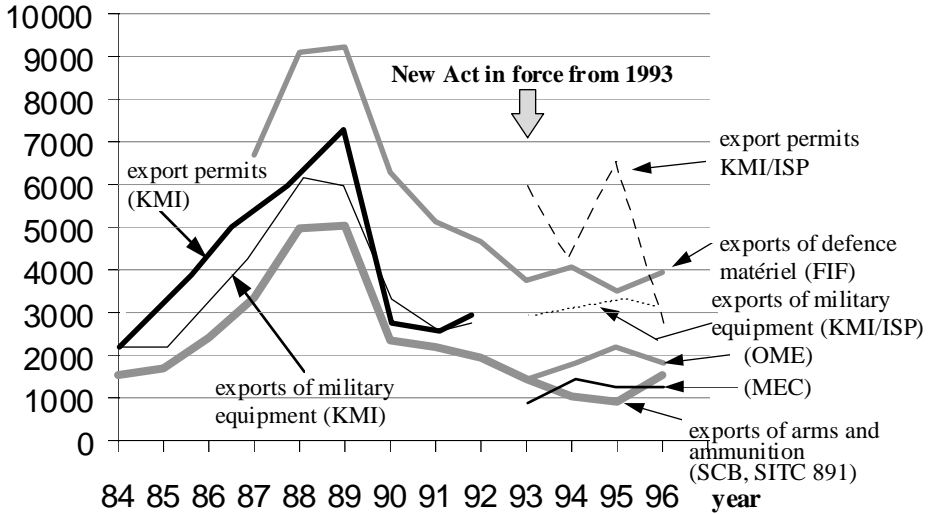
Member companies employed 26,400 people in their military equipment departments in 1987. This number has subsequently fallen to 22,780 in 1990 and 15,400 in 1996.

These companies' exports of military equipment represented a value of SEK 6,700 million in 1987, SEK 6,294 million in 1990 and SEK 3,942 million in 1996. Compared with 1995, exports of military equipment increased by 14 per cent in 1996. The companies' sales to the Swedish armed forces decreased during the same period from SEK 9,823 million to SEK 9,675 million, which is equivalent to 1.5 per cent.

Exports of Military Equipment and Export Permits, 1984-1996

Parliamentary Notification
1996/97:138
Appendix
Addendum

million SEK (at current prices)



Ministry for Foreign Affairs

Extract from the minutes of the Cabinet Meeting
held on 22 May 1997.

Those present: the Prime Minister, Göran Persson, chairman, and the following Cabinet Ministers, Peterson, Freivalds, Wallström, Tham, Åsbrink, Schori, Andersson, Winberg, Uusmann, Ulvskog, Sundström, Lindh, Johansson, von Sydow, Klingvall, Åhnberg, Pagrotsky, Östros, Messing.

Items on the agenda presented by: Leif Pagrotsky, Cabinet Minister

The Government decides to present to Parliament Report 1996/87:138, Swedish Exports of Military Equipment in 1996.

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