Government Communication 2006/07:114

Strategic Export Controls in 2006 – Military Equipment and Dual-Use Products

Communication 2006/07:114

The Government hereby presents this Communication to the Riksdag.

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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 products in 2006. The Communication also contains a presentation of actual exports of military equipment in 2006 and describes the ongoing cooperation in the EU and other international fora on matters relating to military equipment and dual-use products.

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Part I – Introduction

1 The Government Communication on strategic export controls

This is the twenty-second 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 or comparative data. 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 also take 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 I 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 Sweden's exports of military equipment and 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 frameworks and a list of international arms embargoes.

As part of the continued efforts for increased transparency in the field of export control, this year's Communication has been further expanded compared with last year. At the request of the Government, ISP and the Swedish Nuclear Power Inspectorate (SKI) have contributed broader material for the Communication. New for this year are:

- an Annex to the Communication entitled "Important trends in Swedish and international export control" compiled by ISP,
- information about Swedish exports of small arms and light weapons,

- information about Swedish exports of MANPADS (man-portable air defence systems),
- information on leasing,
- more detailed information of transfer of manufacturing rights outside Sweden and cooperation agreements with foreign companies,
- information about the composition of the Export Control Council (EKR),
- a more detailed description of dual-use products in Annex 4 and more detailed statistics (including by country) on advance decisions and enquiries,
- a more detailed description of control of exports of nuclear fuel and nuclear equipment in Section 9,
- a description of UN Security Council resolutions 1718 and 1737 (2006) on sanctions against North Korea and Iran respectively and on implementation of these sanctions by the EU.

2 Exports of military equipment in 2006 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 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 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 the changes that have taken place in recent years in foreign, security and defence policy. The commission presented its report in February 2005, KRUT A reformed regulatory framework for trade in defence equipment (SOU 2005:9). The report has been subsequently circulated for comment and the report and the comments received are being considered at the Government Offices.

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 non-proliferation and uncontrolled flows of

conventional weapons. In this respect, the EU is regarded as a domestic market for most dual-use products.

Common European legislation has applied since 2000 in all EU member states (currently 27 countries after the accession of Bulgaria and Romania to the Union on 1 January 2007) to exports of dual-use products. On 19 December 2006, the Commission presented a proposal for revision of the common European regulatory framework. 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 27 countries. The overall result is that export controls have been greatly strengthened and become more restrictive in the EU as a whole.

This Communication reports on Swedish exports of military equipment och dual-use products in 2006. The Swedish Inspectorate for Strategic Products (ISP) has submitted documentation for this report and gives its view on important trends in Swedish and international export control in an annex to the Communication (see Annex 2).

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. It is of key importance to ensure that the guidelines for arms export are complied with.

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.

In all, 57 countries received deliveries of Swedish military equipment in 2006, compared with 55 in 2005 and 56 in 2004. Of the 57 countries, 10 only received hunting and sport shooting ammunition and/or ammunition for competition shooting, namely Brunei, Bulgaria, Kazakhstan, Mauritius, Namibia, Romania, Russia, Ukraine, Iceland and Slovakia (also New Caledonia).

The regional development of exports shows the normal pattern which is that the largest part of Swedish exports of military equipment is to EU member states, other European countries and North America. In 2006, 56.2% of total exports went to these destinations, 45.9% to the EU and the rest of Europe.

The value of the Swedish defence industry's invoiced sales of military equipment (both in Sweden and abroad) in 2006 totalled SEK 19 518 million, which represents an increase of 25% on 2005. The value of actual export deliveries in 2006 was SEK 10 372 million, an increase of 20% at current prices compared with the previous year. A breakdown into military equipment for combat (MEC) and other military equipment (OME) shows that MEC deceased by 18% while OME increased by 47%. This means that the category OME, i.e. equipment which is not destructive, accounted for 72% of total exports in 2006. Exports accounted for about 53% of the defence industry's total invoiced sales of military equipment during the year, which is a decrease compared with 2005, when the share was 55%. The largest single recipient country of Swedish military equipment in 2006 was South Africa (SEK 1 862 million), followed by Pakistan (SEK 1 201 million), The Netherlands (SEK 1 018 million), the United States (SEK 953 million) and Finland (SEK 927 million). These five countries together accounted for 57% of the total Swedish exports of military equipment

The group of "largest recipient countries" varies from year to year. The explanation for this is that large single orders can have a very sharp impact on the statistics in a particular year. An example of this is Hägglund's successful exports in recent years of Combat Vehicle 90 to Norway, Switzerland and Finland. In 2006, South Africa was the largest recipient country of SEK 1 862 million of exports due to an order for JAS 39 Gripen. At present, exports mainly consist of components and equipment for aircraft which will be delivered at a later date.

Another large recipient country in 2006 was Pakistan. This is due to the start of deliveries of the airborne surveillance system Erieye, which Saab concluded a contract for in spring 2006. The total value of exports for 2006 was SEK 1 201 million. In the 1970s and 1980s, Pakistan was an important export market for the Swedish defence industry. Pakistan uses the air defence system RBS70, marine command and control systems, torpedoes and Swedish Giraff radar. This leads to deliveries of spare parts today.

India has also traditionally been a recipient of Swedish military equipment. The equipment systems exported to India are field artillery, field howitzers and the CarlGustaf medium anti-tank weapon. During 2006, spare parts for equipment delivered previously have been exported to a value of around SEK 370 million. No new contracts have been concluded during the year.

Other countries in Asia have also increased in importance as export markets. The exports of military equipment in question here are mainly surveillance systems such as radar, command and control systems and AA cannons.

In all, ammunition and light anti-tank weapons were exported for just over SEK 1 billion in 2006. France and the United States were the largest recipients of AT4 light anti-tank weapons. In the case of ammunition and

spare parts for the Carl Gustaf medium anti-tank weapon, the largest recipients being the United States and Australia.

There has been a reduction of exports to some traditional recipient countries, in particular Switzerland, but also the United Kingdom. Exports to the United States were larger in 2006, SEK 953 million, compared with 2005 (SEK 745 million). In 2006, exports to South Africa have increased compared with 2005, from SEK 1 200 to 1 862 million.

The value of the exports for which licences were granted in 2006 was SEK 15 034 million, a small decrease compared with 2005 (SEK 15 146 million). The value of the export licences granted can vary 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

Apart from control of exports of military equipment, the second main purpose of export controls is to prevent the proliferation of products that are manufactured for civilian use but can also be used to produce and supply 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 products 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 regular 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 could 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. Active work in 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 during 2006. The EU has continued to make the question of membership, among other issues, a priority in these regimes since a number of new EU member states are still not members of some of these regimes. This work has continued during 2006. Eight EU member states (Cyprus, Estonia, Latvia, Lithuania, Malta, Slovakia, Slovenia and Romania) are still not members of MTCR and Cyprus is not a member of WA.

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.

Extensive work has taken place during 2005 and 2006 to identify needed improvements in the European regulatory framework. In 2006, the Commission has prepared proposals for changes in the regulatory framework, which the member states are to examine and negotiate on from 2007 onwards.

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 this 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 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 EC and towards third countries. The annual report is published in the Official Journal of the European Communities (OJEC). The latest report was published on 16 October 2006 in OJ C 250, 16.10.2006, p. 1.

To promote information access in this area at the international level, the Government has, since the 1960s, provided funding for the 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. ISP also makes available up-to-date regulatory frameworks and lists both of military equipment and dual-use products. As usual, 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 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 products.

According to the Military Equipment Act (1992:1300), export controls cover 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 point 4.1).

Export controls of dual-use products (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 Products 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 (See point 4.2). As reported below (Section 5), the KRUT report (SOU 2005:9) is at present being considered at the Government Offices.

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.

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 government's guidelines on exports of military equipment, which have been approved by the Riksdag. 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 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. The Code of Conduct was revised in 2004 and 2005 to further reinforce it as an instrument for export control. A modernised and updated text is now ready. Agreement has been reached to adopt the Code of Conduct as a common standpoint in accordance with the EU Treaty, although the date for adoption has not yet been set. It is hoped that it will be adopted as a common standpoint as soon as possible. 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. It therefore lies in Sweden's security interests that we should maintain long-term and continuous cooperation with like-minded

countries. This mutual cooperation, including collaboration projects, is based on both exports and imports of military equipment.

Continued participation in international cooperation on military equipment will promote Sweden's long-term foreign, security and defence policy interests, in among other ways by collaboration with and export to countries that are of fundamental importance for Sweden's security and defence policy interests. The defence policy aspects are based, inter alia, on Sweden's non-participation in military alliances and the need for a high level of Swedish defence technology. The foreign and security policy interests in this area include Sweden's ability to contribute to international peace and security by effective participation in international peace-promoting activities.

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 industrial countries 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 of 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.

Export promotion

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 export promotion 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 control

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 products. The trade between EU member states is not exports, but transfers of products and technologies to non-EU countries are exports. This means that all 27 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 can be 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 and constitute a basis for decisions to grant or deny export licences. (This Annex was most recently updated by Council Regulation (EC) No. 394/2006 amending and updating Regulation (EC) No. 1334/2000 setting up a Community regime for the control of exports of dual use items and technology). 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 their 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 comment and the report and the comments received are being considered at the Government Offices.

6 Sweden's defence industry – structure and products

Background and development

The Swedish defence industry developed to its present size and competence during the Cold War. Sweden's neutrality policy, as formulated after the Second World War, required strong armed forces, which in turn required a strong national defence industry. The ambition was maximum independence from foreign suppliers. The defence industry became an important part of Swedish security policy.

The collapse of the Soviet Union and the dissolution of the Warsaw Pack were the starting signal for a total reorganisation of the armed forces, which led in turn to extensive restructuring of the defence industry.

The undoubtedly largest change was the merger between Saab and Celsius where aircraft, robot and avionic manufacture were concentrated at Saab, while artillery activities, including intelligent ammunition was transferred to BAE Systems Bofors. Saab has become the clearly predominant defence industry company with the focus on defence, aircraft, space and security. The acquisition of Ericsson Microwave Systems 2006 and its unique radar and sensor activities have reinforced the picture of Saab as a complete supplier of defence and security systems.

On the naval side, both surface ship and submarine development has been concentrated at Kockums.

Ammunition and gunpowder manufacture is now located at the Norwegian-owned Nammo Sweden and the Swedish/Finnish/French-owned EURENCO and its Swedish company EURENCO Bofors.

On the vehicle side, BAE Systems Hägglunds has acquired a leading position in the field of combat and tracked vehicles, not least by sale of Combat Vehicle 90 to Sweden, Denmark, Finland, Norway, Switzerland and the Netherlands.

The larger companies also include Volvo Aero with its expertise both in the sphere of military and civil aircraft engines.

The picture of an advanced Swedish defence industry must be complemented by a large number of small and medium-sized enterprises (SMEs), which are important sub-contractors but which also develop and sell their own civil and military products.

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,
- Land and sea-based 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 products that are being developed are at a very high technological level and are competitive. Furthermore, a number of larger and small enterprises in Sweden are active in other areas of the defence industry.

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 plc, through its US company BAE Systems Inc, thus owns the companies BAE Systems Bofors and BAE Systems Hägglunds. BAE Systems plc also owns 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. Volvo Aero is today the only large defence industry company wholly owned by Swedish industrial interests. The large Swedish ownership stake in Saab (80%), the clearly predominant company, means, however, that around 75% of the industry's total turnover can be said to originate from Swedish-owned parts of the industry. Since 2006, Saab has marketed the JAS Gripen fighter aircraft on new markets. BAE Systems will be responsible in the future for targeted measures relating to JAS Gripen on "taken markets".

International operations

Globalisation can be clearly noted in the industry's activities. At the same time as there is substantial foreign ownership in Sweden, Swedish companies are making large investments abroad. Examples that can be given are Saab's companies in Australia, the United States, South Africa and Finland and Volvo's in the United States and Norway.

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.

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 2006, continued to exceed 50 per cent.

Export successes, as well as research and technology developed for the needs of the Swedish armed forces, 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.

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 of 22 June 2000 setting up a Community regime for the control of exports of dual use items and technology. The general licence EU 001 applies with some exceptions to the whole product annex (Annex I) and to Australia, the United States, 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, a company is obliged to make a fee declaration if the company has manufactured controlled products and the invoiced value of products sold by the manufacturer during the year exceeds SEK 2.5 million. In 2006, 20 companies submitted fee declarations. According the information currently available from 19 companies, sale of dual-use products amounted to SEK 27 769 million in 2006.

The predominant part of the dual-uses 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

According to the Ordinance (2005:117) containing Instructions for the Swedish Inspectorate for Strategic Products, the 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 Products 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.

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. ISP accordingly celebrated its tenth anniversary during 2006, which has been commemorated, in among other ways, by a seminar on export control and publication of a book on export control issues "Exportkontroll i tiden – från nationellt försvar till globalt ansvar" ("Export Control in Our Time – from National Defence to Global Responsibility").

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 plans. 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 14 inspection visits in 2006 at companies to monitor their internal export control organisation. This activity takes place in close cooperation with the Board of Customs and with the Police in certain cases.

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 Products 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. No licence is required to purchase or manufacture dual-

use products, neither to sell them within Sweden or – usually – within the EU.

Within the framework of its outreach activity, the ISP has participated in a seminar at SIPRI on control of bacteria and viruses and a seminar at the Royal Institute of Technology on proliferation of nuclear technology.

Financing

The ISP is financed by annual fees paid by the companies manufacturing military equipment and dual-use products. 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 Ministry of Finance and not to the ISP, in order to avoid any direct connection between the Inspectorate's operations and the payments made by the industry. The Inspectorate's current activities are financed by a budget appropriation in the normal way. The annual fees are paid by the industry in arrears, when the actual cost of operations and the value of companies' invoiced deliveries are established.

In 2006, the review of the fee system initiated in 2005 has resulted in a report by a working group recommending a changed fee system for financing ISP's activities. The report has been circulated for comment and the report and the comments received are being considered at the Government Offices.

Applications

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

	No. of ME applications	No. of DUP applications
2006	1038	305
2005	1141	371
2004	1042	366
2003	1070	321

(ME: Military Equipment, DUP = Dual-Use Products)

In 2006, there was a decrease in the number of export licence applications compared with the previous 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 decrease in the export of dual-use products subject to licence can be noted, which can be attributed to the increasing number of global licences issued in recent years.

In 2006, 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 companies has been quality assured in 2006 by improved routines based on a customer survey carried out in 2005.

The proportion of export licence applications processed electronically by the companies was 70 % for military equipment and 50 % for dual-use products.

The Export Control Council (EKR)

The Riksdag passed a Bill (1984/85:82) in 1984 that proposed greater transparency and consultation in matters relating to exports of military equipment and the establishment of an Advisory Board on Exports of Military Equipment. The Board was reorganised on 1 February 1996 in connection with the establishment of the National Inspectorate of Strategic Products (ISP) and was renamed the Export Control Council (EKR). The rules on the composition and activities of the Board were included in the instructions for the ISP. Since 2003, all parliamentary parties have been represented on the EKR, 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 date 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 shall consult the Council before the Inspectorate submits an application to the Government for consideration under the Military Equipment Act or the Dual-Use Products Act. The Director-General shall also keep the Council informed of the Inspectorate's activities with regard to export controls.

At meetings of the Export Control 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 Director-General can also request other experts to attend. The Council seeks to interpret the guidelines in order to provide further guidance for the ISP.

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). From 2005, the ISP has also started to report all preparatory proceedings for dual-use products in the Export Control Council.

All in all, this procedure ensures parliamentary insight into the application of the Military Equipment Act and the Dual-Use Products 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 (in the Riksdag), and not the Export Control Council, is still consulted in cases where this is prescribed by the Instrument of Government.

Eight meetings of the Export Control Council were held in 2006.

During the period 2003-2006, the following members were appointed to the Export Control Council at ISP;

Åke Carnerö (kd), ex-Member of Parliament (MP),
Karin Falkmer (m), ex-MP
Lars Johansson (s), MP
Sören Lekberg (s), ex-MP
Göran Lennmarker (m), MP
Peter Pedersen (v), MP
Lennart Rohdin (fp), ex-MP
Åsa Torstensson (c), MP
Majléne Westerlund Panke (s), MP
Lars Ångström (mp), MP.

(The abbreviations stand for the following parties: (kd) Christian Democrats, (m) Moderate Party, (s) Social Democratic Party, (c) Centre Party, (mp) Green Party, (v) Left Party, (fp) Liberal Party.)

On 1 February 2007, the Government decided to appoint the following persons as members of the Export Control Council. The appointments apply until further notice although at the longest until 31 December 2010:

Jan Andersson (c), MP
Annicka Engblom (m), MP
Lars Johansson (s), MP
Björn Leivik (m), MP
Göran Lennmarker (m), MP
Else-Marie Lindgren (kd), MP
Peter Pedersen (v), MP
Lennart Rohdin (fp), ex-MP
Tone Tingsgård (s), MP
Majléne Westerlund Panke (s), ex-MP
Lars Ångström (mp), ex-MP.

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. One meeting was held in 2006. An up-to-date list of the members of the Council will be found on ISP's website (www.isp.se).

During 2006, the composition of the Technical and Scientific Council has changed and all members have been appointed until the end of 2008. By that date, the Director-General of the ISP will have reviewed the forms for the provision of advice by the Technical and Scientific Council. It is intended that the agency should appoint its own technological and scientific expertise from and including 2009.

9 The Swedish nuclear industry and the Swedish Nuclear Power Inspectorate

The Swedish Nuclear Industry

The Swedish nuclear industry operates in an open, international and commercial market. Nowadays, there is both private and state ownership, which operate both nationally and internationally.

There are ten nuclear reactors in operation in Sweden. State-owned Vattenfall is the main owner of Forsmark Kraftgrupp AB (three reactors) and Ringshals AB (four reactors). German E-on is the main owner of OKG AB, Oskarshamn (three reactors).

Westinghouse Electric Sweden AB in Västerås produces nuclear fuel for reactors, certain reactor components and carries out service work at nuclear power plants. Their customers are both in Sweden and abroad. The Swedish company is a subsidiary of the US Westinghouse Electric Company, LLC. In 2006, the Japanese Toshiba Corporation took over ownership of Westinghouse Electric Company from the British BNFL Group. Studsvik Nuclear AB (which is the direct successor to the previously state-owned AB Atomenergi) carries out research and development work in the field of nuclear safety and decommissioning. 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 plant 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 tubes specially intended for manufacture of reactor fuel.

Export controls

All export from the EU of nuclear material (uranium and plutonium) and nuclear equipment are regulated in Council Regulation (EC) no.1334/2000 of 22 June 2000 setting up a Community regime for the control of exports of dual use items and technology. The Regulation also provides rules for the controls of transfers within the EU of special sensitive nuclear material and all nuclear equipment. 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.

Special sensitive nuclear material refers to uranium enriched to more than 20% and separated plutonium. Other nuclear material (including ordinary reactor fuel) may be transferred within the Union without an export licence. This was decided through Council Regulation (EC) 2889/2000 amending Regulation (EC) no. 1334/2000. The reason given for this in Regulation (EC) 2889/2000 (see OJ L 336, 30.12.2000, p. 14) was that it has become apparent that controls on less proliferation-sensitive nuclear materials were hampering trade without improving the level of protection already conferred by the Euratom Treaty. The controls imposed on such materials should therefore be abolished.

When making decisions on granting export licences under Regulation, (EC) no. 1334/2000, the member states shall, under Article 8 of the Regulation, take into account all relevant considerations including the obligations and commitments they have each accepted as a member of the relevant international non-proliferation regimes 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 Treaty on the Non-Proliferation of Nuclear Weapons, NPT. Basic regulations in such decisions are stated in the guidelines issued by the Nuclear Suppliers Group (NSG), which the Participating Governments have approved.

NSG's guidelines mean 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 Treaty, 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 produced with the aid of the products exported from Sweden, without obtaining the corresponding assurances.

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

NSG's guidelines have been further developed during 2006. In June 2006, the governments participating in the NSG approved the updated guidelines that, among other respects, are more stringent in control of equipment for isotope separation. They come into force in spring 2007. when the IAEA document "INFCIRC/254/Rev.9/Part 1" is published.

The government assurances provided for in NSG's guidelines can be obtained from the recipient government on each occasion of export or by bilateral or multilateral agreements.

All EU member states have acceded to the treaty establishing the European Atomic Energy Community (The Euratom Treaty), the main purpose of which is to establish a common market for special material and equipment in the field of nuclear energy and to guarantee that nuclear material is not used for other than the intended purposes. Under the Euratom Treaty, nuclear activity within the EU is subject to the EU Commission's safeguard control, which, among other things, ensures that nuclear material transferred between EU member states is only used for civilian purposes. Moreover, all EU member states have signed the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and, accordingly, the EU's non-nuclear-weapon states have assured that they do not intend to manufacture or otherwise acquire nuclear weapons. Fifteen of the EU's non-nuclear-weapon states and Euratom also have a common safeguard agreement with IAEA with full right of control including expanded inspection rights. (see INFCIRC/193 and INFCIRC/193/Add.8 published by IAEA). The other ten non-nuclear-weapon states have concluded similar arrangements on the right of control, including inspection rights.

All member states of the EU have undertaken to report all export of nuclear material and nuclear equipment to IAEA. For Sweden, this means that the EU Commission, through its safeguard control under the Euratom Treaty, shall report all export of nuclear material to IAEA and that the Nuclear Power Inspectorate shall report all export of nuclear equipment to IAEA.

Sweden considers that the existing licensing procedure for trade within the EU according to Regulation (EC) no. 1334/2000 and the commitments of the member states within the framework of Euratom normally provide sufficient protection in transfers of nuclear material and nuclear equipment between EU states and is in accordance with NSG's guidelines. In the normal case, the Swedish government therefore does not need to obtain additional assurances from the recipient government in the event of such transfers. This would cause unnecessary barriers to trade without increasing protection.

The Swedish Nuclear Power Inspectorate

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 nuclear activity in Sweden, the application shall include an assurance that the exporter 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. On the basis of this article, the EU member states have adopted 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 behaviour 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, which is available, among other places, at the website http://www.consilium.europa.eu/exportcontrols) and a user's guide that provides more details on implementation of the agreements in the Code on exchange of information and consultations and on how these criteria for export control shall be applied.

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 2006, Sweden received 357 notifications of denials from 17 member states. Sweden rejected 10 applications for export licences in 2005. No applications were received by ISP in 2006 which led to a denial.

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's Guide

To complement the Code of Conduct, there is a User's Guide available to assist the licensing authorities in the member states. This is available at 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 guide also contains more detailed guidelines for application of the criteria of the Code of Conduct. The User's Guide is regularly updated, most recently in December 2006.

COARM's activities

The Council Working Group on Conventional Arms Exports (COARM) is a forum in which the member states of the EU 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 in OJ C 250, 16.10.2006, 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 operational provisions, have been tightened up. It is proposed, for example, that the Code should be declared applicable to licences for arms brokering and 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. During the Finnish Presidency in autumn 2006, efforts were made within the EU to achieve agreement among member states to adopt the revised Code of Conduct. Negotiations took place in a number of EU fora, and also at ministerial level, although it was not possible to reach agreement. Sweden has endeavoured for the Code to be adopted as soon as possible.

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. 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 autumn 2006, Sweden participated in a working group under the leadership of the Netherlands on guidelines for application of criteria 3 and 4 of the Code concerning the internal

situation in the recipient country and maintenance of regional peace and stability.

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 and 2006. 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 member state or on a bilateral basis between a single EU member state 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 presidency 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 2007:

- Efforts to increase the information and quality of the statistics submitted for the annual report and for the report to be published as early as possible during the year,
- Further discussion on control after delivery, with a view to including additional text about this in the User Guide,
- Further development of guidelines for implementation of criteria 1, 5 and 6 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,
- Continued efforts towards the adoption of a global Arms Trade Treaty,
- Monitoring of efforts aimed towards all EU member states becoming members of the Wassenaar arrangement.
- 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, 2006), and after a proposal by the then 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. These

concern how long the measures are last and the content of the exchange of information. The pace of work on the toolbox has also slackened after discussions on removing the China embargo came to a halt. However, Sweden hopes that it will be possible to adopt the toolbox in the near future. Despite the idea having arisen as a consequence of 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.

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. In COARM, member states seek to develop appropriate forms for exchanging of information among themselves on registered arms brokers. In Sweden, 35 companies are registered as brokers of products classified as military equipment, see Annex 3.

11 International reporting on arms transfers

The UN Register and other international reporting on arms transfers

In December 1991, the United Nations General Assembly adopted a resolution on transparency in the arms trade urging member states to voluntarily report both their imports and exports of major conventional weapon systems to a Register of Conventional Arms administered by the UN Department for Disarmament Affairs. 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, most recently in 2006, the definitions of the categories have been broadened to include more weapon systems. It has also been made possible to report trade with small arms and light weapons. Particular importance is now placed on portable anti-aircraft rockets which have been included in the category missiles/missile launchers since 2003. The voluntary reporting also includes information on the weapons of the categories in question held by states and procurements from their own arms industry. In consultation with defence agencies, and the ISP, the Ministry for Foreign Affairs therefore compiles annual information which is submitted to the UN in accordance with the above-mentioned resolution.

The frequency of reports has varied over the years. The largest number of countries, 126, reported on their arms trade in 2001. Altogether 170

states have submitted a report at some time since 1992. In the fourteenth year of the UN Register, 2005, 115 of the 192 UN member stages have presented a report. Since reports have been made by all of the large exporters, with the exception of North Korea and from most large importers, it is estimated that at least 95 % of the world's trade in heavy conventional weapon systems is covered by the Register.

Sweden's share of world trade with major conventional weapon systems continues to be modest. In 2005, which is the last year for which information has been submitted, Sweden reported exports of 14 combat 90 vehicles to Finland, 44 combat vehicles 90 to Switzerland and two 206S tracked carriers to Germany. In addition, leasing of 14 JAS Gripen to the Czech Republic were reported. RBS 15 missile was sold to Finland and Germany and RBS 70 missile to Australia, Thailand, the Czech Republic and Germany. In 2005, Sweden did not report any imports in any of the seven weapon categories.

The information submitted to the UN Register is available at http://disarmament.un.org/cab/register.html.

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 18 in this Communication) is based on the seven categories reported to the UN Register, 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

Sweden is working actively for more reporting to the UN Register and took the initiative as early as 2002 to collaboration with the UN Secretariat in this area. As part of this collaboration, Sweden contributed financing and participation in a meeting in Bangkok in December 2006 for 16 countries in Asia on reporting to the UN Register and, in particular, on the possibilities for also reporting trade in small arms and light weapons in future.

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 Organisation for Security and Cooperation in Europe (OSCE) 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. These EU decisions 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. For a list of embargoes see the website http://ec.europa.eu/comm/external_relations/cfsp/sanctions/measures.htm. SIPRI's website also contains information about embargoes, see http:// www. sipri.org/contents/armstrad/embargoes.html.

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 2006

In 2006 Sweden applied 17 arms embargoes against 16 countries (one embargo relates to Usama bin Laden and members of al-Qaida). The EU was involved in embargoes against 14 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 2006.

A process began at the end of 2005 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.

On 11 August 2006, the UN Security Council adopted Resolution 1701, according to which an arms embargo was introduced against Lebanon. The EU subsequently decided on an arms embargo against Lebanon in a Common Position on 15 September 2006. On 14 October 2006, the UN Security Council introduced, inter alia, an arms embargo against North Korea and the EU adopted a Common Position on an arms embargo against North Korea on 20 November 2006.

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 elected to apply the embargo strictly and has not allowed any exports of military equipment to China. In the conclusions from the meeting of the European Council in December 2004, it was agreed that the union should work to lift the embargo, although this should not lead to an increase in arms exports to China, neither in qualitative nor 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). Renewed discussion took place on the embargo during the Finnish EU presidency in autumn 2006. The issue of lifting the EU arms embargo against China was discussed by the Council for External

Relations in December 2006. It was again noted that no unanimity existed in the Union for lifting the embargo. Sweden was one of the countries that considered that the prerequisites for lifting the embargo did not exist.

13 An international Arms Trade Treaty

In response to a British proposal, the EU decided in 2005 to work for the UN to start work on a global, legally binding treaty for control of the arms trade (Arms Trade Treaty). This would mean that all transfers of arms (import, export and transit) are to be controlled and an international system of rules prepared with common criteria and agreed principles. At a meeting of the UN General Assembly in autumn 2006, it was decided that the UN Secretary-General should consult member state governments during the period until the next meeting to obtain their points of view and opinions on this matter.

14 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 rockets. 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. In 2000, the Organization for Security and Cooperation in Europe (OSCE) 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. An EU strategy with an action plan to prevent the destabilising accumulation and spread of small arms and light weapons (SALW) was adopted by the European Council in December 2005. 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. In accordance with the programme of action, a review conference was held in New York in 2006. At the review conference, the participating states were unable to agree on a final document and the proposal to expand the programme of action could not therefore be adopted. However, the programme of action continues to be implemented. In autumn 2006, the UN General Assembly adopted a resolution according to which the meeting that the states are to hold every other year in accordance with the programme of action will be held at the latest during 2008.

Swedish exports of small arms and light weapons

As part of the continuous efforts to achieve increased transparency in the sphere of export controls, this year's document has been expanded with information about small arms and light weapons. The export of small arms and light weapons – according to the definition in the UN Register of Conventional Arms (see Section 12 on the Register and reports made to it) – is presented in point 23.3.10. The value of exports of such weapons from Sweden in 2006 amounted to SEK 1 389 million.

Swedish exports of MANPADS (Man-Portable Air Defence Systems)

Within the framework of an endeavour to increase transparency in the sphere of export control, this year's document has also been expanded with information about MANPADS. Export of MANPADS – according to the definition in the UN Register of Conventional Arms (see Section 11 on the register and reporting to it) – is reported in point 23.3.11. The value of exports from Sweden of such weapons in 2006 totalled SEK 364.9 million.

15 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 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 2006, work continued in four of the six working groups, with continuous reports to the international executive committee that has existed since 1998. Sweden holds the Presidency of the Executive Committee from July 2006 to June 2007. During 2006, the working group for export control issues has continued to study the prerequisites for facilitating a flow of military equipment products between the six countries, which would be extended to all EU member states at a later stage. These studies are continuing in 2007. Some progress has been made during the year concerning a general licence to facilitate collaboration between perhaps fewer countries than all six LoI countries.

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 European 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. The

board also meets in other constellations. 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.

EDA has now completed its second year of operations and has a staff of around 90. During the year, the member states within EDA have initiated a Code of Conduct for procurement of military equipment. 22 of 24 member countries have acceded to the Code which increases transparency and encourages competition in the sphere of military equipment. EDA's board has also, with a broad majority, adopted a long-term vision to strengthen the ability of the EU to deal with emergencies which is to lead to a European Capacity Plan for the next 25 years or so. EDA's board has also made decisions on creation of a common investment fund to increase research around protection of military forces. This research will extend over three years and the budget is over EUR 54 million. The Swedish contribution amounts to 2.79 % corresponding to SEK 15 million. Sweden and 17 other member states as well as Norway participate in this fund. During the year, the EDA has taken over all activity from the Western European Armaments Group (WEAG) which has been wound up, and also some activity from WEAO. The number of new projects within EDA has increased.

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

Western European Armaments Organization (WEAO)

The organisation was set up in 1996, the intention being eventually to transform it into a European armaments agency. Its main activity has been to contract for research and technology (R&T) projects and monitor their progress on behalf of 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 9 June 2001, for the approval of the Riksdag. The agreement, which as regards

export controls is largely modelled on the Framework Agreement between the LoI states, 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 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 2006, ISP has worked with the Defence Matériel Administration within what is known as the helicopter 14 project. The Defence Matériel Administration is preparing two matters relating to this collaboration project. These relate to the annex agreement with Finland and Norway on maintenance and upkeep of HKP 14 and relating to agreements with Finland on joint procurement of training aids for HKP 14.

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. Two meetings took on this matter in 2006. The parties hope to be able to sign an agreement in 2007.

16 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 21 965 million in 2005 to USD 26 765 million in 2006.

During the five-year period 2002-2006 Sweden was ranked in 9th 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 1.84% of world export, which totalled USD 106 543 million during the same period. The largest exporter, the United States, accounted for 39.2% of global exports during that period followed by Russia (28.6%), Germany (8.5%), France (8.3%), and the United Kingdom (4.2%).

The leading importer of major conventional weapons during the period 2002-2006 was China, which accounted for 13.7%, followed by India (9.5%), Greece (6.8%), the United Arab Emirates (6.6%) and South Korea (3.6%). Sweden was in 49th place during the period with 0.3% of total imports of major conventional weapons. More information is available in the SIPRI Arms Transfers database on the website www.sipri.org.

17 Combating 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 a number of years to combat corruption in the arms trade. This problem has been discussed at meetings with representatives of government, the armed forces, industry, and the academic world. On the basis of these discussions, a work programme has been prepared including the Integrity Pacts and the establishment of an industrial consortium against corruption in international tendering procedures. 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 bribes and other undue benefits. The parties also conclude an agreement that a third party, often a prominent lawyer, shall monitor the process. The industrial consortium has facilitated the production of common ethical guidelines. In 2005, TI has started the work with Swedish funding of producing a model for an Integrity Pact in the area of military equipment. TI presented a report at a

meeting in Stockholm in March 2006 with participation from agencies, the Swedish defence industry and business organisations. Sweden has also made a financial contribution to a TI project in Poland for an Integrity Pact in procurement of aircraft.

18 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 regimes 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 or equipment 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.

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 had already provided for this mechanism in EC Regulation 1334/2000 on dual-use items, played an active part in promoting these efforts, as did 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 and 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 states 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 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. Through Resolution 1673 adopted on 27 April 2006, the UN decided to extend the mandate of the 1540 Committee by two years to 27 April 2008. This resolution urged all states which had not yet submitted a first report on measures they had undertaken or intended to undertake to implement Resolution 1540, to submit such a report to the Committee without delay. Furthermore, the Security Council decided that the 1540 Committee should intensify its efforts to facilitate complete implementation of Resolution 1540 by all states through a work programme which is to include a compilation of information on the implementation by states of all aspects of the resolution and external contacts, dialogue, assistance and collaboration. 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 brokering, transit and trans-shipment. The Regulation is currently being reviewed. The Government Offices plan to make a review of Swedish implementation of Resolution 1540 as regards the parts of the Resolution on non-proliferation and export control, in order to be able to assess whether the EU rules should be supplemented with Swedish national provisions in these areas.

Resolution 1718 (2006) of the UN Security Council

Due to the North Korean nuclear weapons test of 9 October 2006, the UN Security Council adopted Resolution 1718 on sanctions under UN Charter, Chapter VII, Article 41. These sanctions, which, inter alia, include prohibition against export of military equipment, dual-use products which can be misused for weapons of mass destruction, missile technology and luxury goods, will be implemented jointly by all EU Member States through a Common Position adopted by the Council on 20 November 2006 and by a supplementary Council Regulation. The Common Position has been published in OJ L 322, 22.11.2006, p. 32.

Resolution 1737 (2006) of the UN Security Council

Inter alia, because Iran according to the UN Security Council did not comply with the requirements made by the Security Council in Resolution 1696 (2006), the Council decided on 23 December 2006 to make more stringent demands on Iran. This took place through Resolution 1737 (2006) on sanctions in accordance with the UN Charter, Chapter VII, Article 41. In this resolution, it was decided that Iran should cease with a number of sensitive nuclear activities. As regards export control, all states should carry out necessary measures to prevent export to Iran of products controlled by the Nuclear Supplier's Group (NSG) and the Missile Technology Control Regime (MTCR). All states must furthermore prevent exports of other products if the state considers that these products could contribute to Iran's enrichment-related, reprocessing or heavy-water related activities or to the development of nuclear weapon delivery systems.

Work has been initiated within the EU to implement Resolution 1737 by a Common Position and a supplementary special regulation.

Implementation in Sweden of sanctions against North Korea and Iran

When the EC regulations on sanctions against North Korea and Iran respectively have been adopted by the EU Council of Ministers, these will have the status of Swedish law. It will then be the responsibility of the relevant agencies to implement the sanctions and the increased controls.

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).

In 2006, the Czech Republic took over the presidency of the Zangger Committee. Work continued on a review of the Committee's role and activities, among other things, in the light of similar work carried out by the Nuclear Suppliers Group (NSG). The Zangger Committee decided during the year to include in its control list valves that had been specially designed and produced for use in enrichment plants. 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.8/Part 1 and INFCIRC/254/Rev.7/Part 2).

NSG's work in 2006 included, among other things, exchange of information and analysis of current proliferation threats. The regime urged all states to exercise the utmost vigilance to ensure that no exports of products and technologies contributed to nuclear weapons programmes. NSG's member countries recognised that UN Security Council Resolution 1540 plays a crucial role in developing an efficient mechanism for preventing proliferation of weapons of mass destruction, their means of delivery and equipment pertaining to these weapons to or from states and non-state actors, and welcomed the extension of the mandate of the 1540 Committee for a further two-year period. NSG further decided to continue the work aiming to strengthen the regime's guidelines relating to export control of particularly sensitive equipment as well as the work on compliance by non-member countries with NSG's guidelines to ensure a broader implementation of comprehensive and effective control systems. During the year, NSG also decided to include in the control list of nuclear products those valves that were specially designed and produced for use in enrichment plants. Sweden (FOI) was appointed to lead the work in a technical working group and is to report to the plenary meeting in 2007. Information about 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.

At the centre of the AG's work in 2006 were, among other things, exchange of information on the development of new technologies that can potentially constitute a threat in the field of non-proliferation. It was decided to include chemical production and enrichment equipment manufactured of niobium and niobium alloys in the continued work of updating the regime's control lists. It was further decided to include three new substances in the biological control list. Decisions were also made on a common approach among AG's members on control of exports to dealers and to hold a seminar on control of brokering activities. In the work during the year, a number of strategies were also adopted for AG's contacts with third countries and it was decided to continue to examine

matters concerning control of intangible transfers of technology and software.

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, work continued on reviewing the content of the lists of controlled products, exchanging information on sensitive proliferation of missile equipment and engaging in outreach activity targeted on a number countries, in Asia among other places. At the plenary meeting in 2006, the members noted the increased risk for proliferation of weapons of mass destruction and missiles. The proliferation in north-east and southern Asia, as well as in the Middle East was particularly alarming. The members again confirmed their willingness to reinforce export control of equipment which can have this kind of use. Strong support was expressed for UN Security Council Resolution 1695 (2006) on North Korea. Members reached agreement on measures to strengthen the exchange of information and requested that all countries should take the necessary measures to implement the measures in 1695 (2006).

The members emphasised the importance of controlling intangible transfers of technology and software via the Internet and agreed that MTCR's guidelines apply to both tangible and intangible transfers.

Denmark, which was elected to chair MTCR in 2006/2007, intends to hold an international conference on missile proliferation in Copenhagen in April 2007 in conjunction with the 20-year anniversary of the establishment of the regime. 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 Products and Technologies, which covers technologies with civilian and military uses that are not included in the control lists of the other control regimes.

In 2006, WA commemorated the tenth anniversary of the establishment of the regime during 2006. The activity during the year led, among other things, to the adoption of guidelines for export control of intangible transfers of technology and software and for licensing of products on WA's control lists relating to dual-use products. Moreover, decisions were made on a number of updates of the regime's control lists. Contacts were carried out with a number of third parties to promote the regime's aims. The plenary meeting urged the regime's member countries to promote WA's guidelines in relation to third countries for export control of portable air defence systems, known as MANPADS. In the run up to a planned review in 2007 of WA's activities, a framework was adopted for evaluation of the regimes' work and special work groups were set up to work with the review. Sweden chaired the WA's expert group for matters relating to licensing and enforcement in 2006.

South Africa was accepted as the fortieth member of the regime.

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

19 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 Products*) which works with policy issues and updates the control lists provided for by EC Regulation no. 1334/2000 of 22 June 2000 setting up a Community regime for the control of exports of dual-use items and technology. The following paragraphs take up the work in WPDU.

This 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 been inserted in the EU's control list by Regulation (EC) no. 394/2006 of 27 February 2006 amending and updating Regulation (EC) no. 1334/2000, which came into force in Sweden in mid-March 2006.

Activities in 2006

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. Within this framework, the activities in the WPDU in 2006 have consisted of:

- a database with member states' notifications of denials of applications for export licences under Regulation (EC) no. 1334/2000 has been designed. A pilot version is at presently in use containing member state denials in the Australia Group and the Nuclear Suppliers' Group;
- member states have notified changes in their internal regulatory frameworks to the Commission;
- the expert group with technical expertise from the member countries to provide advice in matters relating to product classification has continued its work;
- coordination between member states has increased with regard to handling control of products not included in the control lists. This has mainly concerned establishing more in-depth collaboration to prevent proliferation of nuclear products and missile products to Iran;
- outreach activity to the business sector has been reinforced;
- contacts between member states and the Commission have been intensified in connection with the Commission preparing proposals on an amended regulation for dual-use products.

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. 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, Slovakia, Slovenia and Romania. With regard to the Wassenaar Arrangement, the same applies to Cyprus.

20 Raising awareness about export control policy – outreach

An EU-coordinated information activity and technical assistance on export controls

The ISP accounts for much of the information about export controls in Sweden, but a great deal of information internationally is also provided by a number of countries and organisations. 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 in the field of military equipment has been on the EU Code of Conduct on Arms Exports and how it works in practice. This work is described in more detail in Section 10.

In the area of dual-use products, the focus has been on informing about Council Regulation (EC) no. 1334/2000 of 22 June 2000 setting up a Community regime for the control of exports of dual-use items and technology and how it is applied in particular Member States. Within the framework of the EU strategy against proliferation of weapons of mass destruction, work has been initiated in recent years aiming at strengthening national export control in third countries by seminars and technical assistance on the part of the EU. This work is also based on UN Security Council Resolution 1540 (2004). The projects in question have to date concerned Russia, China, Ukraine, Bosnia and Herzegovina, Serbia, Montenegro, The United Arab Emirates and Pakistan. Sweden contributes actively with technical expertise, in particular through ISP.

During 2006, ISP has participated in three EU projects aimed at exchanging experiences within the field of export control of dual-use products. The three projects have been led by BAFA (Bundesamt für Wirtschaft und Ausfuhrkontrolle), Germany's equivalent to ISP;

- Collaboration projects with Serbia and Montenegro have after separation of the two countries become two projects. ISP has informed in these countries about how the agency works in Sweden.
- In the EU project with Ukraine, ISP has been in Kiev and reported how the EU's export control list is arranged and the experiences that ISP has had of the list.
- The EU project with Russia was initiated by a three-day visit of a Russian delegation to Stockholm. The delegation was informed about the work in Sweden and collaboration between different agencies. On a return visit to Russia, a comparison the countries' legislation in the sphere of export control was presented.

During the year, Sweden has also participated in an export control seminar in Pakistan under the auspices of the EU.

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.

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.

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 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) of 22 June 2000 setting up a Community regime for the control of exports of dual-use items and technology 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 transfers 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 transfers 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 transfers are 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 and to 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, two export control regimes have decided on guidelines and good advice in connection with member states' handling of export control of intangible transfers of technology via the Internet.

In December 2006, the Wassenaar Arrangement adopted "best practices". These have been published on the Arrangement's website: http://www. wassenaar.org/publicdocuments/press120796.html.

WA emphasises that control over intangible transfers is critical to the credibility and effectiveness of the national systems. This type of control is complex and difficult to implement. WA therefore emphasises that there should be national legislation with clear definitions and a

description of what constitutes an intangible transfer export. Member states must cooperate and inform industry and academia and promote self-regulation by industry. It is also important to exercise surveillance and monitor transfers by industry and academic institutions. These must keep records of transfers of sensitive technology and identify all recipients of such technology. Training must be provided to enforcement authorities to enable them to identify when a prohibited transfer has taken place. There must be rules on sanctions when such violations are detected.

MTCR reached agreement on similar guidelines and advice at its plenary meeting in October, although these were rather a number of options that member states can consider when handling export controls for intangible transfer of technology and software via the Internet. MTCR will clarify the provision of advice to Member States.

22 Galileo – a European 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 during the period 1999–2006 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). A special authority, the European Supervisory Authority for Global Navigation Satellite Systems (GNSS) has been established. A long-term agreement on public and private financing of Galileo is being negotiated.

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 and the planned Chinese system COMPASS 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 United States and the European Community and its member states in June 2004. A crucial issue from the United States 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 United States 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 United States 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 presided over by Sweden. The security agreement was signed by Sweden and the United States. 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 March 2006, the EU member states, under Swedish chairmanship, and the United States have concluded an additional agreement on security policy issues. This was entered into in connection with the EU and the United States reaching agreement on a joint improvement of Galileo's and GPS's open signals for the mass market. The security policy agreement establishes that the proposed new greatly improved signals will not disrupt other signals in Galileo and GPS and can thus be transmitted by satellites. The signals will be interoperable and users will be able to have receivers which automatically accept signals from all Galileo and GPS satellites providing considerably improved precision and quality in other respects.

During 2006, security policy requirements, including non-proliferation and export control, have also been included in cooperation agreements on Galileo between the EC and its member states on the one hand and various third countries (Morocco, South Korea, among others) on the other hand. These requirements have been drawn up by the Galileo Security Board.

The issue of proliferation of sensitive components and technology continues to be acute in the Galileo programme and the Galileo Security Board is examining proposals for different solutions.

Annexes

23 Annex 1: Swedish exports of military equipment in 2006

23.1 Introduction

The National 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 the 2005 report as well as this year's report has 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, etc. (categories of military equipment, export licences, actual deliveries, follow-on deliveries, leasing, transfers of manufacturing rights and cooperation, military-oriented training)

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 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 23.3.14. 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 2006, 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.

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 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 in ISP's statistics. These figures cannot be compared with ISP statistics and are not included in this report.

Leasing

As part of the continuous efforts to increase transparency in the sphere of export control, this year's communication has been expanded with information about leasing, as below.

The Swedish defence industry as well as the Defence Materiel Administration (FMV) have, in recent years, increasingly entered into various forms of leasing contracts with foreign customers. The background to this can be sought in the international development in recent years where international operations often entail immediate operational needs for equipment and there is no time for a normal procurement procedure.

Modern equipment manufactured for the Swedish armed forces has also become available as a result of the reduced size of the organisation and the changed threat scenario without an immediate threat to Sweden.

An example of this is the leasing of the radar reconnaissance aircraft to Greece at the beginning of the 2000s in conjunction with Greece acquiring this system. Another example is the leasing that took place to the United Kingdom, Canada and Italy of artillery location radar a few years ago.

During 2005, FMV has delivered 14 JAS 39 Gripen to the Czech Republic due to the leasing agreement for the period 2005-2015 concluded between Sweden and the Czech Republic in 2004. The contract value was around SEK 5.7 billion.

Leasing contracts with foreign customers are not included in the basis for the export statistics since no sale is involved. However, contracts can mean a considerable income for the defence industry and the state, as shown above.

During 2006, the following leasing deliveries took place: FMV delivered 8 JAS 39 Gripen (of a total of 14) to Hungary. This delivery is a result of the agreement that FMV originally entered into with Hungary in 2001 for leasing, and the supplementary agreement entered into in 2003 on upgrading of the aircraft and leasing during the period 2006-2016 and purchase of the aircraft at the end of the leasing period. According to the agreement between the parties, the financing conditions and technical details are subject to commercial secrecy during the leasing period.

In addition, measurement equipment for marine fire control system has been leased to Malaysia and an armoured cross-country vehicle has been leased by FMV to BAE systems OMC, South Africa for demonstration in the United Arab Emirates. (All material was returned to Sweden during 2006).

Transfers of manufacturing rights, cooperation, etc.

Seven licences were granted in 2006 for the transfer of manufacturing rights to other countries. The countries concerned were Japan, Norway, Poland, Switzerland (3) and the United States.

Ten cooperation agreements were examined and authorised for joint development or production in 2006. The agreements relate to coopeation between Swedish and foreign companies and are distributed by country as follows: Canada, Denmark, Italy, Japan, the United Kingdom, Germany, the United States, Germany/Italy/France, Germany/Norway and the United States/South Africa.

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

In addition to the expanded information in this year's Communication on leasing, additional information has also been provided on the granting of manufacturing rights and collaboration agreements through the tables under 23.3.8 about the companies and products concerned.

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 National 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.

No permits for military-oriented training have been issued in 2006.

23.3 Statistical tables

23.3.1 Value of export licences granted, 2002-2006, broken down into military equipment for combat purposes (MEC) and other military equipment (OME)

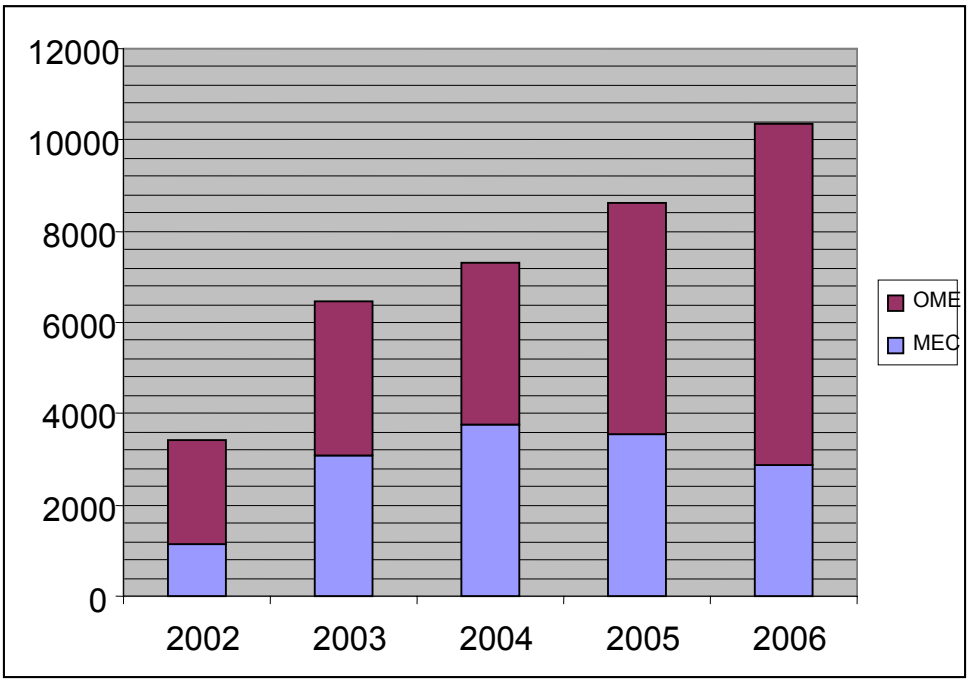
Year	Amount in current prices, SEKm			Change in %		
	Total	MEC	OME	Total	MEC	OME
2002	5 882	3 094	2 788	-75.4	-85.4	+4.3
2003	9 021	4 383	4 638	+53.4	+41.8	+66.4
2004	6 491	2 077	4 413	-28	-53	-5
2005	15 147	10 214	4 933	+133	+571	+12
2006	15 034	2 132	12 902	-0.7	-79	+162

23.3.2 Actual exports, 2001-2006

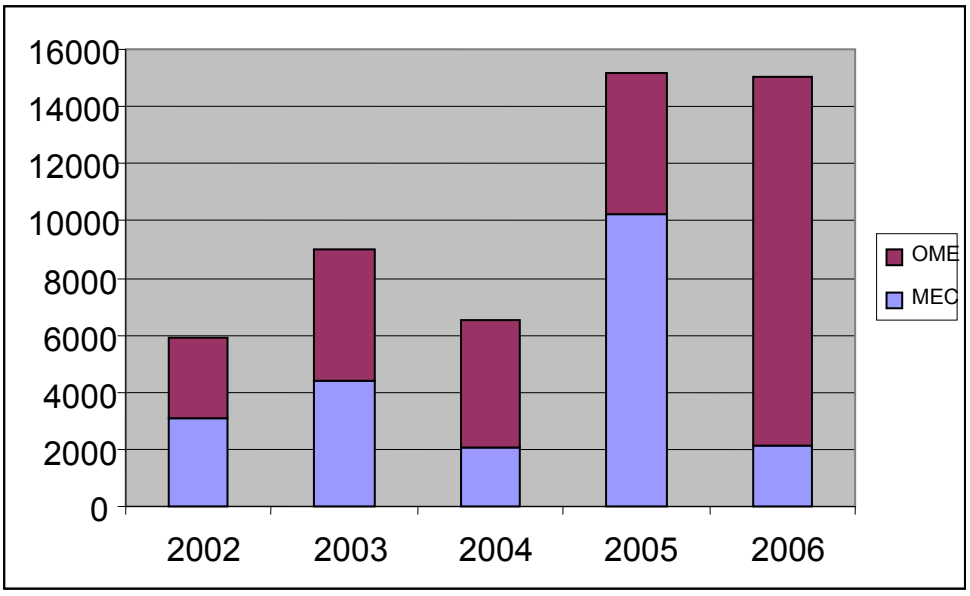
Year	Sweden's total exports of goods (current prices) SEKm	Exports of military equipment						
		Share of total ex-ports %	Current prices, SEKm			Change in %		
			Total	MEC	OME	Total	MEC	OME
2002	805 800	0.42	3 440	1 120	2 320	+12.4	-10.2	+28
2003	825 800	0.78	6 479	3 069	3 410	+88.3	+174	+46.9
2004	904 000	0.81	7 291	3 740	3 551	+12	+22	+4
2005	972 900	0.88	8 628	3 533	5 095	+18	-5	+43
2006	1 087 000	0.95	10 372	2 877	7 495	+20	-18	+47

23.3.3 Export licences and actual exports between 2002 and 2006, broken down into OME and MEC

Actual exports 2002-2006 in SEK million



Export licences granted 2002-2006 in SEK million



23.3.4 Export licences and actual exports in 2006 by recipient region and country, including statement of product categories

Amounts in SEKm

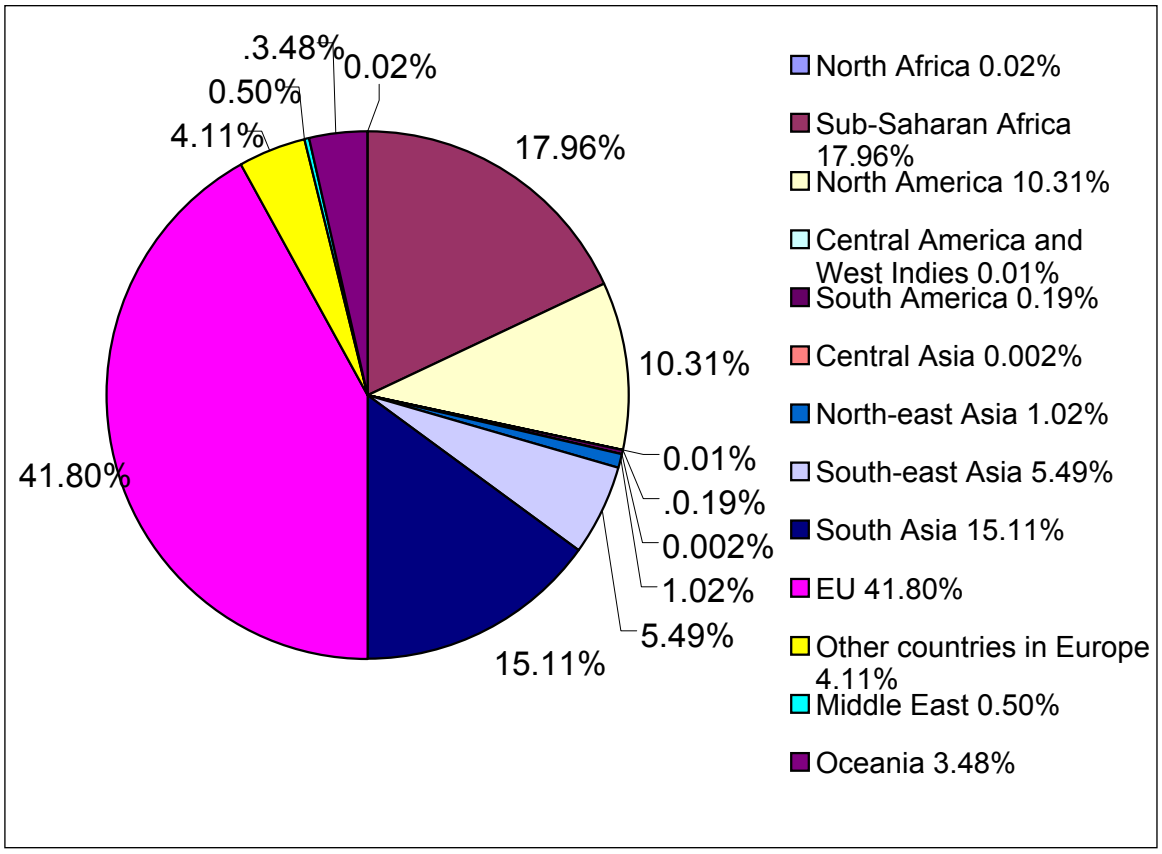
Region / country	Licences granted			Actual exports	
	No. of licences granted	Main category for which export licences were granted (EU military list)*	Value of licensed items, SEK m	Main category of actual exported equipment (EU military list)	Export value, SEK m
EU	**281**		**4 249**		**4 335**
Belgium	1	8	0,2	3, 5, 8	2.5
Cyprus	-		-	1	0.005
Denmark	19	1, 3, 5, 6, 8, 21	66.3	2, 3, 5, 6, 9, 10, 21	95.4
Estonia	6	3, 5, 14	11.6	3, 5, 14	9.5
Finland	39	2, 3, 4, 5, 6, 8, 10, 13, 14, 18, 21	277.3	1, 2, 3, 4, 5, 6, 8, 10, 13, 14	927.1
France	24	1, 3, 5, 8, 10, 11,21	832.4	1, 2, 3, 5, 8, 10, 15	739.4
Greece	3	1, 8	2.3	2, 5, 6, 8	89.0
Ireland	1	5	1.5	3, 4, 5, 14	5.2
Italy	12	1, 5, 6, 8, 10, 11,14	202.7	1, 3, 5, 6, 8, 10, 11, 18	194.3
Latvia	12	1, 4, 5, 6, 14	184.6	1, 3, 5	35.6
Lithuania	2	3	1.8	3, 14	1.7
Netherlands	13	2, 3, 5, 6, 8, 14	637	1, 2, 3, 5, 6, 8, 10, 13, 14	1 018.7
New Caledonia (F)	-		-	3	0.2
Poland	9	3, 4, 8	15.2	3, 4, 5, 8	56.7
Portugal	2	3	4.5	2, 3, 14	7.1
Slovakia	3	3, 8	1.7	3	0.5
Slovenia	8	3, 5	7.7	3, 5	0.9
Spain	4	3, 6, 8	1.4	3, 5, 6, 8	11.8
United Kingdom	31	2, 3, 4, 5, 8, 10, 11, 14	224.1	2, 3, 4, 5, 6, 8, 10, 11, 14, 18	156.1
Czech Republic	14	2, 3, 5, 6, 8, 10, 14	339.3	2, 3, 4, 5, 10, 14	265.1
Germany	56	2, 3, 4, 5, 6, 7, 8, 14, 18, 21	1410	2, 3, 4, 5, 6, 7, 8, 9, 11, 14, 18	704.7
Hungary	5	3, 5, 8	1.8	3, 5, 8	2.6
Austria	17	1, 3, 4, 5, 6, 7, 8, 10, 14, 18	26	1, 2, 3, 4, 5, 6, 7, 8, 10	11.2
Non-EU Europe	**70**		**282.1**		**426**
Bulgaria	2	3	0.6	3	0.5
Iceland	-		-	3	0.2
Croatia	2	5	0.03	3, 5	0.3

* A comparison between the EU military list and the Swedish military list is shown in Table 1.3.11. The Swedish military list is shown in Annex 5.

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, SEK m	Main category of actual exported equipment (EU military list)	Export value, SEK m
Norway	42	1, 2, 3, 5, 8, 10, 18, 21	187.8	1, 2, 3, 4, 5, 6, 8, 9, 10, 14	337.9
Romania	4	3	1.8	3	0.3
Russia	2	3	8	3	3.1
Switzerland	17	3, 4, 5, 6, 10, 18, 21	83.7	3, 5, 6, 14	83.0
Ukraine	1	3	0.2	3	0.4
North America	**80**		**969.9**		**1 070**
Canada	12	2, 3, 8, 14	106.3	2, 3, 5, 8, 14	116.6
USA	68	1, 2, 3, 5, 8, 13, 14, 15, 18	863.6	1, 2, 3, 5, 6, 8, 9, 10, 11, 13, 14, 18, 21	953.1
Central America and the Caribbean	**1**		**23.6**		**0.6**
Mexiko	1	9	23.6	3	0.6
South America	**15**		**48.4**		**19.4**
Brazil	7	2, 3, 14, 21	4.1	2, 3, 5, 14	11.5
Chile	6	1, 2, 14	13.7	1, 2, 14	7.9
Venezuela	2	3, 14	30.6	-	-
North-East Asia	**16**		**283.2**		**105.4**
Hongkong, China	1	1	0.02	9	0.006
Japan	12	2, 3, 8, 10, 14, 18	253	2, 3, 4, 5, 8, 14	21.9
The Republic of Korea	3	1, 5, 8	30.2	5, 18	83.6
Central Asia	**-**		**-**		**0.2**
Kazakhstan	-		-	3	0.2
South-east Asia	**34**		**56.8**		**569.2**
Brunei	1	3	0.004	3	0.005
Indonesia	2	2	3.8	2	3.8
Malaysia	3	2, 3	1.8	2, 3, 5, 18	16.1
Singapore	20	4, 5, 8, 9, 18, 21	47.8	2, 3, 4, 5, 8, 9, 14, 18, 21	521.5
Thailand	8	2, 3, 4, 5, 14	3.4	2, 3, 4, 5, 14	27.8
South Asia	**32**		**8 514.5**		**1 567.5**
India	28	1, 2, 5, 13	218.5	2, 5, 13	366.0
Pakistan	4	4, 5, 10, 14, 18, 21	8 296	4, 5, 10	1 201.5
Middle East	**6**		**88.1**		**51.6**
Bahrain	-		-	5	0.7
Egypt	1	14	11.5	14	12.2
United Arab Emirates	2	5, 21	42	1, 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, SEK m	Main category of actual exported equipment (EU military list)	Export value, SEK m
Oman	1	5	31.2	5	32.6
Saudi Arabia	2	1, 5, 14	3.4	11, 14	2.9
North Africa	**1**		**1.5**		**2.5**
Tunisia	1	5	1.5	4, 5	2.5
Africa south of the Sahara	**3**		**2**		**1 863**
Mauritius	1	3	0.3	3	0.06
Namibia	1	3	0.4	3	0.6
South Africa	1	8	1.3	1, 3, 5, 8, 10	1 862
Oceania	**45**		**514.4**		**361.3**
Australia	37	1, 2, 3, 4, 5, 8, 15, 18, 21	508.4	1, 2, 3, 4, 5, 8	353.9
New Zealand	8	1, 3, 5, 14	6	2, 3, 5, 14	7.4
TOTAL	**584**		**15 034**		**10 372**

23.3.5 Pie chart of exports of military equipment, broken down by region as a percentage of their value, 2006



23.3.6 Export of military equipment 2004-2006 by country and broken down into MEC and OME

Amounts in SEKm

Region / country	2004			2005			2006		
	MEC	OME	Total	MEC	OME	Total	MEC	OME	Total
EU	**1 073**	**1 616**	**2 689**	**1 197**	**2 754**	**3 951**	**1 559**	**2 776**	**4 335**
Belgium	0.9	5.8	6.6	6.6	2.4	9	0.2	2.3	2.5
Cyprus	-	-	-	-	-	-	-	0.005	0.005
Denmark	1	52.1	53.1	3.3	87.8	91.1	42.5	52.9	95.4
Estonia	13	0.4	13.3	0.05	2.3	2.4	6.2	3.3	9.5
Finland	827	145.7	972.7	527.5	298	825.5	491.1	436.0	927.1
France	9.1	361.2	370.3	52.1	609.9	662	240.2	499.2	739.4
Greece	-	169.6	169.6	490.9	101.3	592.2	1.9	87.1	89.0
Ireland	33.9	16	49.9	4.5	34.6	39.1	0.4	4.8	5.2
Italy	0.7	5.8	6.5	1.2	218.2	219.4	1.9	192.4	194.3
Latvia	1.4	4.4	5.8	0.01	0.8	0.8	0.02	35.6	35.6
Lithuania	24.1	2.3	26.4	0.02	0.6	0.6	0.02	1.7	1.7
Netherlands	0.1	64.3	64.4	0.06	578.6	578.6	400.1	618.6	1 018.7
New Caledonia	-	0.2	0.2	-	0.2	0.2	-	0.2	0.2
Poland	57.6	35.6	93.2	2.7	0.6	3.3	2.8	53.9	56.7
Portugal	0.1	0.1	0.2	0.01	0.3	0.4	5.9	1.2	7.1
Slovakia	-	0.3	0.3	0.002	0.3	0.3	0.2	0.3	0.5
Slovenia	0	2	2	0.07	2.5	2.6	0.01	0.9	0.9
Spain	1.8	24.8	26.5	0.1	34.2	34.3	0.3	11.5	11.8
United Kingdom	89.7	431.8	521.5	67.1	286.3	353.4	48.3	107.8	156.1
Czech Republic	0.4	1.8	2.2	14.7	36.2	50.9	262.2	2.9	265.1
Germany	11.4	239.6	251.1	26	417.2	443.2	53.9	650.8	704.7
Hungary	0.1	5.2	5.3	0.3	1.2	1.5	0.4	2.2	2.6
Austria	0.9	46.7	47.6	0.5	40	40.5	0.7	10.5	11.2
Non-EU Europe	**1 724**	**307**	**2 032**	**1 326**	**280**	**1 606**	**242**	**184**	**426**
Bulgaria	-	0.9	0.9	0.02	0.1	0.2	-	0.5	0.5
Iceland	0	0.1	0.1	0.02	0.08	0.1	0.03	0.2	0.2
Croatia	-	-	-	-	0.4	0.4	0.03	0.3	0.3
Norway	31.6	200.3	231.9	67.1	164	231.1	242.1	95.8	337.9
Romania	-	-	-	-	-	-	-	0.3	0.3
Russia	0.1	3.4	3.4	-	3.5	3.5	-	3.1	3.1
Switzerland	1 693	101.7	1 794	1 258.6	112	1 370.6	0.1	82.9	83.0
Turkey	-	0.9	0.9	-	0.2	0.2	-	-	-
Ukraine	-	0.1	0.1	-	0.05	0.05	-	0.4	0.4
North America	**371**	**419**	**790**	**461.2**	**335.1**	**796.3**	**617**	**453**	**1 070**

Region / country	2004			2005			2006		
	MEC	**OME**	**Total**	**MEC**	**OME**	**Total**	**MEC**	**OME**	**Total**
United States	369.6	400.5	770.1	458.7	286.6	745.3	597.9	355.2	953.1
Canada	1.1	18.6	19.7	2.5	48.5	51	19.0	97.6	116.6
Central America and Caribbean	**-**	**175**	**175**	**-**	**19.6**	**19.6**	**0.6**	**-**	**0.6**
Mexico	-	174.6	174.6	-	19.6	19.6	0.6	-	0.6
South America	**25**	**17**	**42**	**32.6**	**5.5**	**38.1**	**9.7**	**9.7**	**19.4**
Brazil	5.9	6.9	12.8	0.5	3.3	3.8	2.5	9.0	11.5
Chile	19.3	9.8	29	17.5	2.1	19.6	7.2	0.7	7.9
Venezuela	-	-	-	14.7	-	14.7	-	-	-
North-East Asia	**111**	**11**	**123**	**117.7**	**9.2**	**127**	**95.2**	**10.2**	**105.4**
Hong Kong. China	-	0.4	0.4	-	-	-	-	0.006	0.006
Japan	111.5	9.4	120.9	117.7	9.2	126.9	13.8	8.1	21.9
Republic of Korea	-	1.5	1.5	-	-	-	81.5	2.1	83.6
Central Asia	**0.1**	**0.1**	**0.1**	**-**	**0.05**	**0.05**	**-**	**0.2**	**0.2**
Kazahkstan	-	0.1	0.1	-	0.05	0.05	-	0.2	0.2
South-east Asia	**62**	**114**	**177**	**11**	**184.5**	**193.5**	**98.9**	**470.3**	**569.2**
Brunei	-	-	-	-	0.002	0.002	-	0.005	0.005
Indonesia	-	5.4	5.4	-	18.3	18.3	-	3.8	3.8
Malaysia	48.2	5.9	54	-	12.7	12.7	-	16.1	16.1
Singapore	2.3	101.2	103.5	1.2	147.8	149	80.7	440.8	521.5
Thailand	12	1.9	13.9	9.7	5.7	15.4	18.2	9.6	27.8
South Asia	**335**	**92**	**427**	**177**	**56.5**	**233**	**-**	**1 567.5**	**1 567.5**
India	334.8	67	401.7	177	34.8	211.8	-	366.0	366.0
Pakistan	-	25.3	25.3	-	21.6	21.6	-	1 201.5	1 201.5
Middle East	**3**	**89**	**91**	**2.4**	**72**	**74.4**	**0.005**	**51.6**	**51.6**
Bahrain	-	-	-	-	1.6	1.6	-	0.7	0.7
Egypt	-	-	-	-	-	-	-	12.2	12.2
United Arab Emirates	2.8	87.4	90.3	0.6	64.5	65.1	0.005	3.2	3.2
Oman	-	0.2	0.2	1.8	1.5	3.3	-	32.6	32.6
Saudi Arabia	-	1	1	-	4.5	4.5	-	2.9	2.9
North Africa	**0**	**3**	**3**	**0.08**	**3.1**	**3.2**	**-**	**2.5**	**2.5**
Tunisia	0	3.4	3.4	0.08	3.1	3.2	-	2.5	2.5
Africa south of the Sahara	**3**	**633**	**636**	**0.8**	**1 200**	**1 200.3**	**1.3**	**1 862**	**1 863**
Botswana	2.6	-	2.6	-	-	-	-	-	-
Mauritius	-	0	0	-	0.05	0.05	-	0.06	0.06
Namibia	-	0.2	0.2	0.03	0.3	0.3	-	0.6	0.6

Region / country	2004			2005			2006		
	MEC	**OME**	**Total**	**MEC**	**OME**	**Total**	**MEC**	**OME**	**Total**
South Africa	0.7	632.3	632.9	0.7	1 199.2	1 200	1.3	1 861	1 862
Oceania	**33**	**75**	**108**	**207.5**	**176**	**383.5**	**253.1**	**108.2**	**361.3**
Australia	29.7	73	102.6	207.5	173.3	380.8	249.6	104.3	353.9
New Zealand	2.9	2.2	5.1	0.01	2.7	2.7	3.5	3.9	7.4
Other countries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**3 740**	**3 551**	**7 291**	**3 533.5**	**5 095.2**	**8 628.7**	**2 877**	**7 495**	**10 372**

23.3.7 Follow-on deliveries in 2006

Country	No. of licences	Follow-on licences	New licences
Egypt	1		1 (simulator system)
United Arab Emirates	2	2	
India	28	28	
Indonesia	2	2	
Mexico	1	1	
Oman	1	1	
Pakistan	4	3	1 (6 radar reconnaissance aircraft, etc.)
Saudi Arabia	2	2	
Thailand	8	8	
Tunisia	1	1	
Venezuela	2	2	

23.3.8 Transfer of manufacturing rights, cooperation agreements in 2006

Licences granted by ISP for leased manufacturing rights granted outside Sweden in 2006

Country	Company	Extent
Poland	Saab Microwave Systems AB	Tracking radar for air defence systems
Switzerland	Saab AB, Saab Systems	Maintenance of sights
Switzerland	Saab AB, Saab Systems	Sights for combat vehicles
Switzerland	Saab AB, Saab Avitronics	Drop tanks for JAS 39
Norway	Volvo Aero AB	Parts for aircraft engines
Japan	Kockums AB	Glass fibre composites
USA	N. Sundin Dockstavarvet AB	Combat boats

Partnership agreements with foreign companies approved by ISP in 2006

Country	Company	Extent
Japan	Saab Barracuda AB	Camouflage equipment
USA	Saab Microwave Systems AB	Artillery location radar
Italy	Saab Microwave Systems AB	Future radar systems
Germany, Italy, France	Volvo Aero AB	Aircraft engines
Germany	BAE Systems Hägglunds AB	Armoured tracked vehicle
Denmark	BAE Systems Hägglunds AB	Turret for combat vehicle 90 DK
United Kingdom	BAE Systems Hägglunds AB	Future combat vehicles
Canada	Saab AB, Saab Systems	Command system
Germany, Norway	Saab AB, Saab Systems	Planning systems for helicopters
USA, South Africa	Saab AB, Saab Avitronics	Countermeasure systems

23.3.9 Value of actual exports 2005-2006 by product category

Amounts in SEKm

Military equipment for combat (MEC)		**2005**	**2006**	**Other military equipment (OME)**		**2005**	**2006**
Swedish military list	**EU military list**			**Swedish military list**	**EU military list**		
MEC1	1	-	-	OME21	1	32.5	21.3
MEC2	2	464.5	383.4	OME22	2	99.6	429.8
MEC3	3	523.2	829.8	OME23	3	338.1	380.3
MEC4	4	194.9	282.2	OME24	4	248.1	287.1
MEC5	5	1 001.1	524.9	OME25	5	821.5	918.5
MEC6	7	1	0.3	OME26	13	52.7	101.8
MEC7	8	114.9	138.9	OME27	8	3.1	2.9
MEC8	9	-	27.0	OME28	9	141.6	421.2
MEC9	10	-	-	OME29	10	1 606	3 618.0
MEC10	6	1 233.9	690.6	OME30	6, 17	1 062.5	1 046.8
MEC11	19	-	-	OME31	19	-	-
				OME32	13	-	-
				OME33	15	144.8	74.5
				OME34	15	-	-
				OME35	14	390.5	163.0
				OME36	18, 22	50.3	3.4
				OME37	21	103.9	26.3
Total MEC		**3 533.5**	**2 877.1**	**Total OME**		**5 095.2**	**7 494.9**

23.3.10 Swedish exports in 2006 of small arms and light weapons as defined in the UN Register of Conventional Arms

Amounts in SEK 000s

Category according to UN Register	Country	Product	No. of licences	Amount in SEK 000s
Small arms				
1. Revolvers and automatic pistols	No exports			
2. Rifles and carbines	No exports			
3. Sub-machine guns	No exports			
4. Assault rifles	No exports			
5.Light machine guns	No exports			
6. Other				
	Australia	ammunition	1	206
	Belgium	ammunition	1	2
	Denmark	ammunition	1	626
	Estonia	ammunition	1	121
	Finland	ammunition	1	477
	Finland	components ammunition	5	5 012
	France	ammunition	1	26
	Iceland	ammunition	1	26
	Ireland	ammunition	1	374
	Italy	ammunition	1	1021
	Japan	ammunition	1	411
	Latvia	ammunition	1	22
	Lithuania	ammunition	1	22
	Netherlands	ammunition	2	952
	Norway	ammunition	5	177 587
	Poland	ammunition	1	8
	Portugal	ammunition	1	3
	Switzerland	ammunition	2	5280
	Slovenia	ammunition	1	13
	Slovakia	ammunition	1	213
	United Kingdom	ammunition	1	1 234
	Spain	ammunition	1	85
	Germany	ammunition	3	436
	Hungary	ammunition	1	2
	USA	ammunition	8	125 602
	Czech Republic	ammunition	1	87
	Austria	ammunition	2	68
	Croatia	ammunition	1	2
	Australia	sights for attachments etc.	3	12
	Chile	sights for attachments etc.	2	7
	Cyprus	sights for attachments etc.	1	5
	Finland	sights for attachments etc.	6	21
	Croatia	sights for attachments etc.	2	28
	Latvia	sights for attachments etc.	1	66
	Norway	sights for attachments etc.	2	10
	France	sights for attachments etc.	2	850
	Netherlands	sights for attachments etc.	4	15
	Italy	sights for attachments etc.	2	219

	Switzerland	sights for attachments etc.	2	32
	South Africa	sights for attachments etc.	2	45
	United Arab Emirates	sights for attachments etc.	12	26
	USA	sights for attachments etc.	12	19 972
	Austria	sights for attachments etc.	5	51
		Total	**106**	**341 277**
Light weapons				
1. Heavy machine guns (12.7 mm machine gun)				
	Norway	ammunition 12.7 mm	1	923
		Total	**1**	**923**
2. Grenade attachment for mounting on weapon (40 mm grenade attachment)				
	Denmark	ammunition - parts	1	165
	Spain	ammunition - parts	1	13
	Portugal	ammunition - parts	1	4
	Romania	ammunition - parts	1	4
	Germany	ammunition - parts	1	4
	Australia	ammunition - parts	1	32
	Malaysia	ammunition - parts	1	4
	Slovakia	ammunition - parts	1	16
	Slovenia	ammunition - parts	1	4
	France	ammunition - parts	1	24
	Brunei	ammunition - parts	1	4
	Hungary	ammunition - parts	1	33
	Norway	ammunition - parts	1	4
	Finland	ammunition - parts	1	4
	Canada	ammunition - parts	1	34
	Poland	ammunition - parts	1	4
	Ireland	ammunition - parts	1	4
		Total	**17**	**357**
3. Portable anti-tank guns	No exports			
4. Recoilless weapons (medium anti-tank weapon systems)				
	India	components	2	198 499
	Australia	spare parts	2	1 664
	Australia	ammunition	3	174 132
	Australia	medium anti-tank weapon etc.	1	441
	Brazil	ammunition etc.	2	2 202
	Canada	spare parts, etc.	5	63 522
	Canada	ammunition	5	35 029
	Denmark	spare parts	1	199
	Estonia	ammunition	1	8 849
	Japan	components	3	581
	Japan	exercise equipment	2	377
	Netherlands	spare parts	1	2
	Lithuania	ammunition	1	1 082
	New Zealand	spare parts	1	33
	New Zealand	ammunition	1	3 465
	Poland	ammunition	1	1 319
	Portugal	medium anti-tank weapon etc.	1	2 452
	Portugal	ammunition	1	4 114
	Singapore	spare parts	1	130
	Singapore	ammunition	1	84 473
	Thailand	medium anti-tank weapon	1	18 235

		etc.		
	Czech Republic	medium anti-tank weapon etc.	1	13 227
	USA	spare parts	3	3 072
	USA	ammunition	3	167 746
	USA	medium anti-tank weapon etc.	1	4 511
	Austria	spare parts	1	118
		Total	**46**	**789 474**
5. Portable anti-tank weapons				
	Brazil	AT 4	1	3 114
	Chile	AT 4	2	7 544
	France	AT 4	1	227 286
	USA	AT 4	3	9 231
	USA	AT 4 parts	1	18
	Austria	RBS 56 - spare parts	2	490
	Ireland	NLAW - components	1	2 758
	Norway	M 72 - components	2	923
	United Kingdom	NLAW - components	1	2 323
		Total	**14**	**253 687**
6. Mortar with calibre less than 75 mm	No exports			
7. Other (hand grenades)				
	Norway	smoke hand grenade	3	3 320
	Finland	smoke hand grenade	1	4
		Total	**4**	**3 324**
		Grand total	**188**	**1 389 042**

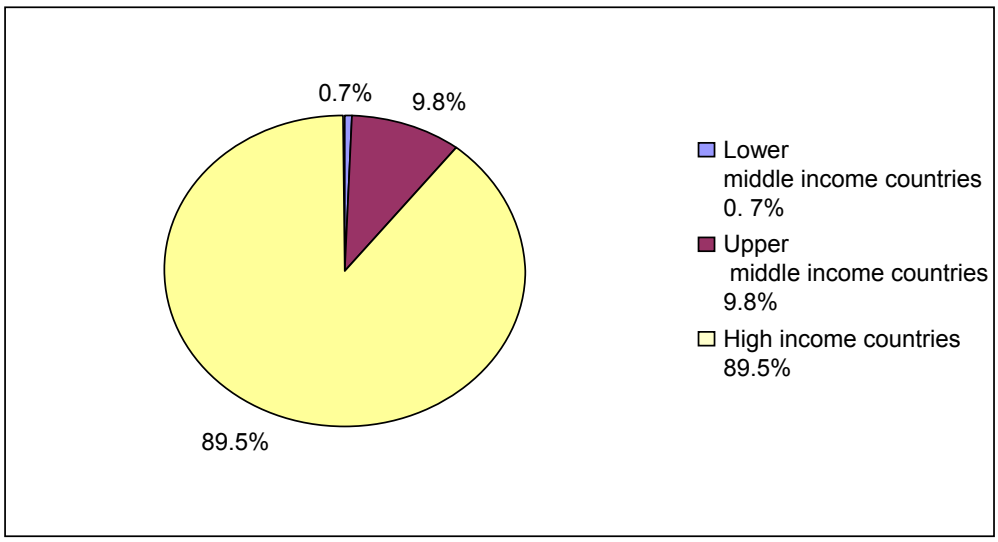
23.3.11 Swedish export in 2006 of MANPADS (Man-Portable Air Defence Systems) as defined in the UN Register of Conventional Arms

Amount in SEK 000s

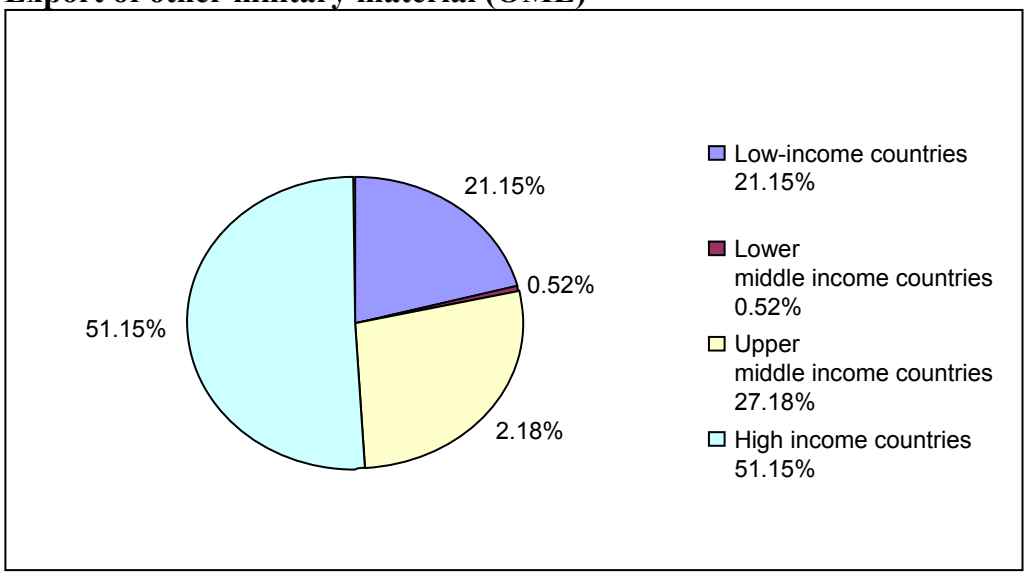
Country	Equipment	Export licence	Amount SEK
Australia	Spare parts, missiles etc.	10	135 216
Finland	Firing units, missiles etc.	1	160 024
Ireland	Spare parts, etc.	1	238
Pakistan	Spare parts etc.	3	6 860
Singapore	Spare parts etc.	2	1 048
Thailand	Spare parts etc.	3	1 091
Czech Republic	Firing units etc.	2	58 866
Tunisia	Spare parts etc.	1	1 557
Total		**23**	**364 900**

23.3.12 Exports of military equipment broken down by country according to income[1]

Export of military equipment for combat (MEC)

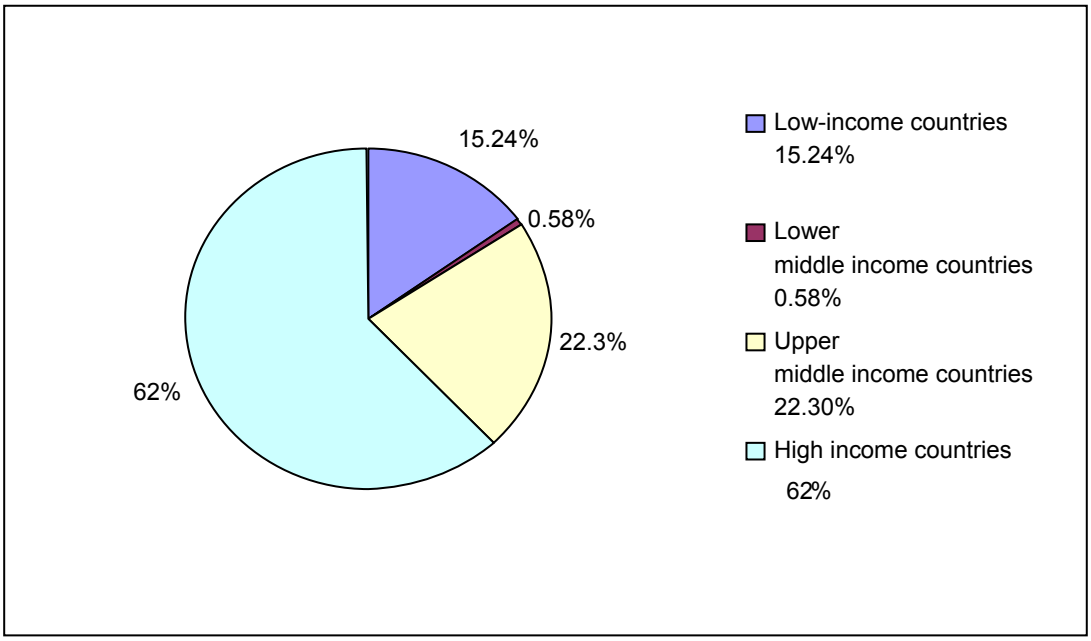


Export of other military material (OME)



[1]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 in 2006 comply with the grouping:
High-income countries: Australia, New Zealand, Saudi Arabia, United Arab Emirates, Bahrain, Singapore, Brunei, Republic of Korea, Japan, Hong Kong, China, Canada, United States, Norway, Iceland, Austria, Germany, United Kingdom, Spain, Slovenia, Portugal, New Caledonia (FR), Netherlands, Italy, Ireland, Greece, France, Finland, Denmark, Cyprus, Belgium. **Upper-middle income countries:** Mauritius, South Africa, Oman, Malaysia, Chile, Mexico, Russia, Romania, Croatia, Hungary, Czech Republic, Slovakia, Poland, Lithuania, Latvia, Estonia. **Lower-middle income countries**: Tunisia, Namibia, Egypt, Thailand, Indonesia, Kazakhstan, Brazil, Ukraine, Bulgaria. **Low-income countries**: Pakistan, India.

Total exports



23.3.13 Exporting companies in 2006

Companies with exports exceeding SEK 10 million, in SEK million

Företag	MEC	OME	Total
Saab AB	-	2 206	2 206
Saab Bofors Dynamics AB	1 042	531	1 573
BAE Systems Hägglunds AB	671	560	1 231
Saab AB, Saab Surveillance Systems	-	1 182	1 182
Saab AB, Saab Microwave Systems	270	590	860
Scania CV AB	-	569	569
Kockums AB	27	417	444
BAE Systems Bofors AB	233	118	351
Saab AB, Saab Systems	180	121	301
Vanäsverken AB	287	5	292
FFV Ordnance AB	-	199	199
Volvo Aero AB	-	192	192
BAE Systems SWS Defence AB	-	165	165
EURENCO Bofors AB	133	3	136
Saab Training Systems AB	-	130	130
Norma Precision AB	7	119	126
Exensor Technology AB	-	109	109
Saab AB, Saab Avitronics	-	89	89
FLIR Systems AB	-	35	35
Saab Barracuda AB	-	33	33
Aimpoint AB	0	21	21
Scanjack AB	20	-	20
Polyamp AB	-	14	14
Botnia Production AB	-	13	13

The following companies exported for between SEK 1 million and SEK 10 million in 2006:
Saab AB, Saab Aerotech, Saab Underwater Systems AB, Nammo Vingåkersverken AB, Degerfors Formnings AB (Deform), Cross Country Systems AB, Nammo LIAB AB, N. Sundin Dockstavarvet AB, INM Mekaniska AB, Chelton Applied Composites AB, Airsafe Sweden AB, Befyraem Technologies AB, PartnerTech Karlskoga AB, Åkers Krubruk Protection AB, Schill Reglerteknik AB.
A number of companies exported for less than SEK 1 million in 2006: Techsonic Aerosystems AB, Filtrator, Värme & Vent AB, Optronic Partner dp AB, Ekenäs Mekaniska AB, Waltreco AB, Comtri Produktion AB, Comtri AB, Saab Bofors Test Center AB.

23.3.14 Categories of military equipment – the Swedish military list and the EU list[2], description of types of products

EU military list Lista	Swedish military list (MEC)	Swedish military list (OME)
1	1	21
2	2	22
3	3	23
4	4	24
5	5	25 a-b, d
6	10	30a-c,e
7	6	26 a (part), b
8	7	27
9	8	28
10	9	29
11		33 part of MEC 4, 10, OME 28, 29
12		
13		26 a (part), c-d, 32
14		35
15		33,34
16		
17		25 c, 30d
18		36a-b
19	11	31
20		
21		37
22		36c

Swedish military list	Type of equipment
MEC1	**Small-calibre barrel weapons**
MEC2	**Canons, anti-tank guns**
MEC3	**Ammunition**
MEC4	**Missiles, rockets, torpedoes, bombs**
MEC5	**Firing control equipment**
MEC6	**NBC weapons**
MEC7	**Gunpowder and explosives**
MEC8	**Warships**
MEC9	**Combat aircraft**
MEC10	**Combat vehicles**
MEC11	**Directed energy weapon system**
OME21	**Small-calibre barrel weapons, parts etc.**
OME22	**Canons, anti-tank guns, parts etc.**
OME23	**Exercise ammunition etc.**
OME24	**Training rockets, sweeping equipment, etc.**
OME25	**Reconnaissance and measurement equipment, etc.**
OME26	**Protective equipment, etc.**
OME27	**Gunpowder and explosive components**
OME28	**Surveillance vessels, etc.**
OME29	**Aircraft designed for military use, etc.**
OME30	**Vehicles designed for military use, etc.**
OME31	**Directed energy weapon system**
OME32	**Fortifications**
OME33	**Electronic equipment for military use**
OME34	**Photographic and electrooptic equipment**
OME35	**Exercise material**
OME36	**Manufacturing equipment**
OME37	**Software**

[2] There is a link to the EU military list at the website http://www.consilium.europa.eu/export-controls

24 Annex 2: The Swedish Inspectorate of Strategic Products on trends in Swedish and international export control

The following text is a contribution from ISP (Swedish Inspectorate of Strategic Products), where the agency presents its view on important trends in Swedish and international export control during 2006.

Important trends in Swedish and international export control

ISP's vision: A responsible control of strategic products – our contribution to a safer world

The traditional threat scenario, dominated by conflicts between East and West no longer exists. The Warsaw Pact has been wound up. Previous Warsaw Pact states and Soviet republics have become members both of NATO and the European Union (EU). Since 2001, Sweden has participated together with France, Italy, Spain, the United Kingdom and Germany in the "LOI collaboration". The goal of this collaboration is to facilitate restructuring of the European defence industry (Government Bill 2000/01:49).

In parallel with this development, the proliferation of weapons of mass destruction (WMD) appears as an ever greater threat to global security. It is important that Swedish industry does not unconsciously – or deliberately - contribute to this development by export of dual-use products and technology to states or non-state actors with WMD ambitions. Likewise, it is important that the products of the Swedish defence industry do not end up in countries that may use them for aggressive purposes or to oppress their own population.

The tasks of the ISP, the Inspectorate of Strategic Products, is to manage Swedish export control. This is to take place in an effective and responsible way. The following section presents the most important trends in Swedish and international export control with regard to dual-use products and military equipment and the ISP's role.

Dual-use Products

Background

Export control of dual-use products – civilian products with a military use – is in principle managed in two ways: based on the product or on the end use**. A product-specific approach** means working with lists of products that are considered to have an important military significance. For Swedish export control, this is based on the list in Annex 1 to the European Council Regulation (EC) 1334/2000 of 22 June 2000 setting up a Community regime for control of exports of dual-use items and technology. This list includes all agreements that have made on control of products within the Wassenaar Arrangement, MTCR, NSG, the Australia Group and CWC. An

export licence is required if anyone wishes to export a product which is listed in Annex 1 to a country outside the EU.

Taking **end use** as the basis means that it is known or suspected that there are military projects in the recipient country to which Sweden does not wish to contribute. To manage this control, ISP and the collaborating agencies must acquire knowledge of the businesses, organisations and individuals that serve as channels for procurement for the undesirable end use. In accordance with Article 4 of Regulation 1334/2000, ISP is able to place unlisted dual-use items under control to a defined recipient if it is suspected that the product may be used in a mass destruction programme or for a missile programme.

The current situation

In recent years ISP has developed forms for global licences. Global licences are broad licences granted to companies with a well-developed internal control programme. Thanks to the use of global licences, resources are freed at ISP for the more complex licensing issues at the same time as it enables efficient use of resources at the exporting companies. A continued high quality of export control is ensured by supervision of the companies' internal control programmes.

During 2006, collaboration with the Board of Customs, the Swedish Security Service (SÄPO), the Military Intelligence Service (MUST), the National Defence Radio Establishment (FRA) and the Swedish Defence Research Agency (FOI) has been further developed and intensified. The focus has been both on products and end use. This collaboration is a central prerequisite for effective institutional application of the "catch-all"-instrument according to Article 4 of the EC Regulation 1334/2000. ISP has produced a process and an evaluation model for "catch-all" cases with a view to further quality assurance of the processing of this type of case.

The number of enquiries and "catch-alls" has shown a clear increase during 2006. This is a consequence of increased awareness which is a result of the UN resolutions adopted in 2005 and 2006: Resolution 1540, which requires all member countries to control products associated with weapons of mass destruction and missiles, and Resolutions 1696 and 1737 and 1695 and 1718 respectively which are aimed at Iran's and North Korea's nuclear and missile programmes. These resolutions are partly based on product lists although it is the emphasis placed on end use control which is of greater interest for future development.

On the basis of UN Resolution 1540, work is in process within the EU to update Regulation 1334/2000. Requirements are made here on introduction of control of the transit, transhipment and brokering. Regardless of the further treatment of the UN resolution by the EU, the Swedish legislation should be reviewed to enable central elements of this to be incorporated into the Swedish regulatory framework.

The coming five years

Product control will continue to serve as the basis for Swedish export control with the focus on the increasing proportion of global licences for companies with well-developed internal export control programmes and individual licences for others. At the same time, there is a trend, which places increasing focus on end use control of unlisted products. The following components in particular deserve to be particularly emphasised as regards export control in a future perspective:

Product control

An increasing emphasis on industry's knowledge of its customers and products with expanded responsibility within the framework of the companies' internal export control programmes. ISP's role in this situation will be to make guideline decisions, to grant broad licences with frameworks for the activity and to provide training, information and support to those responsible for export control at the companies. One means of carrying out this work is to utilise and guide the companies' quality processes – e.g. ISO 9000 – and to monitor their control processes during inspection visits. This means that the already expanding supervisory activity will be even more extensive and important.

End use control

Enquiries about the suitability of a particular export to a particular end user and thus potential "catch all" applications will increase. This increase is based on a greater awareness of the problem of proliferation depending on the work in the UN and the EU and the information provided to business and academic institutions by the Board of Customs, the Swedish Security Service (SÄPO) and ISP. In the past year, the Board of Customs has been more active in the sphere of export control. It will accordingly become increasingly common for the Board of Customs to stop a consignment to check whether it can be permitted to a particular recipient. This places two new demands on ISP in the form of shorter response times and higher accessibility. It also makes new demands for improved communication between the agencies concerned.

The export controllers at the exporting companies will have to work in a similar way as when the Board of Customs stops and checks a consignment. If they notice that a planned delivery deviates from the normal pattern in one or another way, they should stop it. The export controller can then seek assistance and possibly a decision from ISP. Part of the companies' increased self-control is also that all staff should be aware of the risks of proliferation and export control. To achieve this end, Saab and Ericsson, for instance, have developed training programmes for their employees.

To conclude, it can be noted that we can expect a strong increase in end use control as regards unlisted products. This will make new demands on the responsible agencies as regards their way of working together and communicating. Furthermore, increased awareness and greater responsibility will be required of the exporting companies. In certain cases, an end user certificate may not be sufficient but the companies must provide guarantees that the exported products will be actually used at the designated facilities. This development is necessary due to the increasing complexity of these cases. ISP is at present considering how this is to be dealt with. Increased demands for training and assistance to businesses are also of key importance. Monitoring will then take place through inspection visits.

Military equipment

Background

The Military Equipment Act (1992:1300) has now been in force for over 14 years. In the preparatory legal materials on the Act, it is stated that foreign policy impediments were not considered to exist for export of military

equipment to countries within the EU, the Nordic countries or traditionally neutral countries within Europe. Today, the EU consists of 27 nations compared with 12 when the current legislation came into force. Countries such as the Czech Republic, Hungary and Slovakia on the one hand and Estonia, Latvia and Lithuania on the other have thus become wholly normal destinations for export of Swedish military equipment.

In the Government Bill 2004/05:5, ”Our Future Defence – The Focus of Swedish Defence Policy 2005 – 2007”, it was noted that Sweden’s international equipment collaboration should ultimately be focused on the countries that can best meet our national needs for international expertise in the provision of equipment. The countries stated here were the countries within the LoI collaboration (United Kingdom, France, Germany, Spain, Italy and Sweden), the Nordic countries and the United States.

Export of military equipment in 2006

Swedish export of military equipment totalled around SEK 10.3 billion in 2006, which is an increase of almost 20 per cent (SEK 1.7 billion) compared with 2005. The export of military equipment to the EU – including Switzerland and Norway – accounted during the year for around 46 per cent of total exports. **The United States** is another important export destination and currently accounts for around nine per cent of total exports. Exports mainly consist of the light anti-tank weapon AT 4, marine air defence systems, giraffe radar, artillery location radar and ammunition for weapon systems delivered previously. **Canada** and **Australia** also belong to the group of well-established recipient countries for Swedish exports.

The group of ”largest recipient countries” varies from year to year. The explanation for this is that a single large order in a particular year can have a great impact on the statistics. Hägglunds successes with export of the combat vehicle 90 to **Norway**, **Switzerland** and **Finland** at the beginning of the 2000s thus had a great impact during the years these deliveries were made.

In 2006, it is instead **South Africa**, which has become the largest recipient country with an export of SEK 1.8 bn due to the order of JAS 39 Gripen. At present, exports mainly concern components and equipment for the aircraft which will be delivered at a later date.

Another major recipient country in 2006 is **Pakistan.** This is due to the deliveries that have now started of the airborne surveillance system Erieye, which SAAB signed a contract for in spring 2006. The total export value in 2006 amounted to around SEK 1.2 bn. During the 1970s and 1980s, Pakistan was an important export market for the Swedish defence industry. Pakistan thus uses the RBS70 air defence system, marine command systems, torpedoes and Swedish Giraffe radars. This leads to deliveries of spare parts today.

The neighbouring country of **India** has also traditionally been a recipient of Swedish military equipment. Large equipment systems exported to India are field artillery, field howitzers and the Carl Gustaf medium anti-tank weapon. During 2006, spare parts for equipment previously delivered have been exported to a value of around SEK 370 million. No new contracts have been concluded during the year.

An increased interest in exports to other countries in Asia can also be noted; besides India and Pakistan, the Swedish defence industry has focused its efforts on **Japan**, **Singapore**, **Malaysia**, **Thailand** and **the**

Republic of Korea. The export of military equipment which is in question here is primarily surveillance systems and marine systems such as radar, control systems and AA cannons.

In all, ammunition and light anti-tank weapons were exported for just over SEK 1 billion. As regards the AT4 light anti-tank weapon **France** and the United States were the largest recipient countries. As regards ammunition and spare parts to the Carl Gustaf medium anti-tank weapon, the largest recipients were the United States and **Australia**.

In the preparatory legal materials for the current military equipment legislation (Government Bill 1991/92:174), the minister presenting the legislation noted the importance of purchasers having good guarantees for being able to obtain spare parts and ammunition for the material purchased. According to the Bill

> "…Subsequent deliveries of spare parts etc. for equipment previously purchased should therefore be made regardless of the conditions that I have previously specified as impediments to export, with the exception of those impediments that ensue from international agreements, decisions of the UN Security Council or the international law rules on exports from a neutral country during a war, i.e. the unconditional impediments." (page 57)

It has been possible to approve some export to other destinations within the framework of the prohibition legislation – mainly of other military equipment. Export destinations with an export value exceeding SEK 5 million were **Brazil, Chile, Oman**, **Egypt, Tunisia** and **New Zealand**. Export to these countries has primarily consisted of other military equipment. Export of hunting and sport shooting ammunition has, however, taken place to some 20 countries – both established and non-established export destinations.

International collaboration

An important basis for Swedish and international export control is the increased multilateralisation of the defence industry. Today, large parts of the Swedish defence industry are foreign-owned. Kockums AB is now owned by German Thyssen Krupp Marine System. Hägglunds and Bofors Defence are fellow subsidiaries under Swedish BAE Systems AB; a wholly-owned subsidiary of the US BAE Systems North America Inc. Saab is 20% owned by BAE Systems UK.

Within the ammunition industry, restructuring has taken place in the Nordic countries, whereupon Nammo has been established with owners in Norway and Sweden. In the explosives industry, France, Finland and Sweden have together established the company Eurenco, where Swedish and Finnish owner interests amount to 40 % while the French owner interests account for 60 %. In parallel with this, Swedish defence industries have acquired companies abroad, in Australia, South Africa, the United States and Denmark, among other places.

As a result of the South African acquisition of JAS 39 Gripen and the increased industrial collaboration between Sweden and South Africa, the ISP has entered into a collaboration agreement with South Africa with the authorisation of the Government in the sphere of export control. During 2006, consultations were carried out between the South African and the Swedish export control authority in Stockholm and in Pretoria. Thanks to these discussions, it has been possible to create flexible processes for the growing defence industry collaboration while at the same time being able to

take into consideration conceivable third country export to avoid this conflicting with the respective country's export legislation.

Alongside the new owner structures, a new development of defence equipment is taking place in collaboration between countries and companies. The following four examples are particularly worth pointing out:

1. Collaboration is taking place between the Swedish and UK authorities and Saab Bofors Dynamics AB and the British company Thales to develop NLAW, an anti-tank gun. ISP is taking part in a joint working group with the task of establishing acceptable export destinations.
2. SAAB is participating in the French technological demonstrator project NEURON (unmanned armed aircraft). The technical development that SAAB has undertaken is important for the further development of the JAS system.
3. The development of smart ammunition is taking place in collaboration between Sweden and the United States in a project run by BAE Systems Bofors and Raytheon Missile Systems. Bofors is the largest sub-contractor and is responsible for the development and design of the sub-systems, ballistics and tests and integration.
4. Discussions are in process with the United Kingdom for a possible joint development of the new generation of armoured vehicles (SEP/FRES). The Swedish partners are FMV and BAE Systems Hägglunds.
5. In collaboration between the defence agencies and the defence industries in the LOI sphere, development is in process between two future robot systems which the Swedish defence industry intends to use in the Gripen system. These are the radar hunting robot Meteor and the IR robot IRIS—T.

Taking into consideration the increased number of international equipment collaboration projects, it may be justified to quote the guidelines here:

> "…agreements with a foreign party on common development or manufacture of military equipment, the assessment of the licence shall be based on the stated basic criteria. Export to the partner country, which ensues from the agreement, should be allowed unless unconditional impediments arise. If a partnership agreement with a foreign party assumes export from the partner country to a third country, such export should be assessed in accordance with the guidelines from Sweden to the extent that the end product in question has a predominantly Swedish identity.
>
> As regards equipment which has a predominantly foreign identity, export from the partner country to a third country should be allowed within the framework of the partner country's export rules. If there is a strong Swedish defence policy interest in the collaboration coming about and it is a prerequisite on the part of the partner country that some export may take place from the partner country, export to a third country can also otherwise be permitted from the partner country according to the circumstances, within the framework of the export rules of the partner country."

Collaboration also takes place on different levels with the **United States**. Besides the above-mentioned development of new smart ammunition, manufacturing under licence takes place in the United States of marine AA guns and signature-adapted technology. Import from the United States is of key importance for Sweden. For example, JAS 39 Gripen is wholly dependent on US components for the operation of the system.

Within the framework of the collaboration with the United States, a "Declaration of Principles" was signed in 2003 and at the beginning of the 2000s, Sweden also obtained access to the Defense Trade and Security Initiative, DTSI. A special Export Control Working Group has also been established as a forum to improve collaboration within export control.

Discussions on end user certificates are taken place with the United States with a view to creating a basis for any US wishes to re-export Swedish military equipment.

Development of customary practice for military equipment
When the ISP was established on 1 February 1996, the agency was to deal with the cases that had been previously dealt with by the Ministry for Foreign Affairs. The head of the agency was authorised to make the decisions that had previously been made by the responsible minister. With a view to ensuring political insight, the then Advisory Board of the Export Control Council (EKR) was replaced by representation from all of the parties in the Riksdag.

During the first years of the agency's existence, about 15 cases were submitted to the Government for decision. These cases concerned foreign company acquisitions and some cases concerned export destinations, both cases relating to military equipment and dual-use products. Government decisions in these cases contributed to confirming customary practice. In the past five years, no cases have been submitted to the Government. The development of application has instead been dealt with by EKR.

EKR obtains insight into all current cases as regards export to established recipient countries. At the same time, the Council is able to discuss less frequent recipient countries or countries where the political situation over the years has fluctuated in such a way that there are special reasons to consider the prerequisites for export of a particular military equipment system. In this connection, the equipment-specific aspects will be discussed as well as the risks which may exist for the equipment in question being used for unintended purposes. Normally, 15-20 such cases are dealt with in the Export Control Council per year. Consideration of these cases is based on the Swedish guidelines for export of military equipment, but consideration is also given to the EU Code of Conduct on Arms Exports adopted in 1998.

The recommendations of the Council provide guidance for the decisions by the Director-General. With a positive advance decision, the company can expect approval of a future delivery provided that no drastic deterioration takes place in the recipient country in question or other circumstances have occurred. Both the company's intention to submit a tender and to export the equipment require ISP's approval, however.

In connection with the second Iraq war in 2003, it was discussed how export should be discontinued to the countries that took part in the attack, since there was then no UN mandate. In this preparation, it was noted by the Council, that the export applications in question would continue to be considered on a case-by-case basis, in accordance with the current prohibition legislation in the area.

On 21 March 2003, the Swedish government also reported on its view on the case. According to this account

> An armed attack as such with or without a UN mandate always raises the question of whether the export of military equipment from Sweden should be stopped. The assessments made include considerations of international law, which must also be balanced against the great importance placed by the Government on far-reaching defence industry collaboration to secure Sweden's own future supply of equipment. Sweden's national interest takes priority in the balance between different guidelines for export of military equipment. Ultimately, it must be a matter of safeguarding Sweden's long-term security. Reliability of delivery based on a long-term approach is of vital security policy interest for Sweden.

The customary practice developed in export control is to approve the growing export and defence equipment collaboration with the rest of the EU, North America and with such countries as Norway, Switzerland, South Africa, Japan and Australia. The major part of Swedish exports usually goes to these countries. Trade with other countries occurs but is dealt with in a responsible way by a ”case-by-case” assessment. It then mainly concerns other military equipment, i.e. products that cannot be used for aggressive purposes such as airborne reconnaissance radar and certain marine systems. It may also concern subsequent deliveries for weapon systems delivered previously (sometimes as long ago as the 1960s or 1970s) and where there are requirements for reliability of delivery.

Application has moved in the direction of a more equipment-.specific approach. Accordingly, export of marine or airborne surveillance systems ships for the coastguards or marine tasks which can then be equipped with self-protection equipment, radars and sensors may be approved to certain countries. Such exports can contribute to increasing the knowledge of the recipient country as to what is happening at sea and in the air. This in turn facilitates monitoring important events, oil platforms or improves border surveillance in the fight against organised crime and international terrorism. Export of marine and airborne systems to a particular country could thus also be approved at the same time as export of military equipment to that country is stopped.

Sweden has a defence industry whose share of exports develops apace with the changing world and the decreased orders from the Swedish armed forces. Although the Swedish export portfolio includes artillery, combat vehicles and missiles, development is taking place at the same time in a direction where products classified as military equipment are increasingly useful in national security systems for the police, emergency services, customs and coastguards. While exports in 2000 consisted of approximately equal shares of military equipment for combat and other military equipment (OME), the share of other military equipment (OME) is today around 72 per cent.

End user certificate

Swedish defence industry companies which use US components in their production are often confronted by complicated licensing requirements when exporting the finished product to a third country. During the past year, corresponding requirements have also been made by France and the United Kingdom. In certain cases, an end user certificate is required for components or sub-systems which are to be integrated in Sweden into a complete system not just by the company in question but also by the purchaser countries.

This development means that not only does Sweden require an end-user certificate for a system that Swedish industry exports to a particular country but that individual components or sub-system suppliers can also make the equivalent requirements on the purchaser country. The result can be that the purchaser country has to issue a large number of end user certificates. This development risks entailing unnecessary bureaucracy without export control necessarily being more effective.

This development also sharply contrasts with the work conducted within the EU and within the LOI collaboration where simplified procedures for export licences are being discussed. One reason for this differing development is can be found in the fact that responsibility for export control in many EU

countries is shared by different ministries, who are not necessarily well-coordinated.

On the basis of the Wassenaar Arrangement's (WA) ”Elements for Export Controls” of Man-Portable Air Defence Systems (MANPADS) in 2003, increased control of these systems is taking place by requirements for stricter national rules. Sweden as a producer of RBS 70 is responsible for increased end-user control, which can take place both through ”pre-shipment” and through ”post-shipment verification”. The expanded control work is ISP's responsibility but it has to be co-ordinated with FMV's work and with security protection agreements. WA's work with MANPADS is an interesting new approach for dealing with particularly dangerous weapon systems in the international export control collaboration.

Conclusion

The overall Swedish exports of military equipment are less than one per cent of total export of goods. However, this export is very important for the Swedish armed forces. Thanks to its high technological content, it also contributes to the development of Swedish hi-tech expertise. Sweden is one of the few countries with a hi-tech breadth in its defence industry. Sweden is able to develop not only sub-systems but also complete defence systems. It is thanks to this expertise that Sweden is able through export to exchange its own leading-edge technology for such technology that we are unable to develop. This leads to mutual dependence – a perspective that is also becoming important in export control.

It is, of course, of key importance that these dependencies develop in relation to countries with which we seek long-term collaboration. These countries have been identified by the Government. Otherwise, it is important to consider every export application ”case-by-case”. We see how deliveries of weapon systems 20 to 30 years ago still commit Sweden to subsequent deliveries of spare parts and ammunition – also to destinations which would perhaps not have been approved under current legislation. A link in a responsible export control is therefore to carefully consider every new recipient country and every new delivery of an equipment system. The relationship initiated in a delivery can continue for many years to come, which can have both positive and negative consequences.

There is an increased element of self-control both for dual-use products and military equipment companies as a consequence of increased use of general licences (military equipment) global licences (dual-use products) and exemptions from tender notification (military equipment). This requires that companies develop well-functioning control procedures and that ISP develops both dialogue with companies and supervisory activities. For companies, this development means simplification and reduced bureaucracy. For ISP it means that more resources can be devoted to the ”difficult” cases.

25 Annex 3: Swedish arms brokers

Swedish arms brokers

To tackle the problem of uncontrolled arms brokering, the European Council adopted the common posiition 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 föreskrivs 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 2006, 35 companies were registered as suppliers (brokers) of products classified as military equipment.

25.1.1 Registrered brokers in 2006

AB Arnheim, ACAL 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, , 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: Dual-use products

Export control of dual-use products in 2006

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 control only when it is justified. In the nuclear area, a large part of trade to EU member states and all trade outside the EU is subject to licence. These

rules are also applied to other sensitive products and technologies. No licence is required for trade to other EU member states for other dual-use products and technologies (the predominant part of the area). Export of other dual-use products to certain countries, such as the United States, are usually covered by general licences.

26.1 Activities of the Inspectorate of Strategic Products

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 member state 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 Board of 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 lcience 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.

This policy is being reviewed in spring 2007 since all other EU member states require a company that uses general licences to be registered at the export control authority.

Catch-all rules are also used in cases where the exporter wishes to use a general licence. 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.

During 2006, one or more global licences have been issued to Ericsson AB, Hewlett-Packard Sverige AB, Tranter International AB, Ericsson Enterprise AB, Saab Space AB, FLIR Systems AB, Clavister AB, Saab AB and Sony Ericsson Mobile Communications AB.

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 2003-2006

Export applications	2004	2005	2006
Total Export licences, global and individual, of which:	366	371	305
Wassenaar Arrangement	177	144	173
Missile Technology Control Regime	10	10	16
Nuclear Suppliers Group (Part 2)	5	9	13
Australia Group	174	208	103

26.1.2 Number of individual licences for dual-use products granted in 2006

COUNTRY	CONTROL REGIME	NUMBER
Algeria	WA	2
Angola	AG, WA	2
Arab Republic of Syria	AG	1
Argentina	AG	2
Barbados	AG	1
Brazil	AG	3
Bulgaria	MTCR, WA	2
Canada	AG	1
Chile	AG	1
Philippines	WA, AG	5
People's Republic of China	WA, AG, NSG	36
United Arab Emirates	WA, AG	2
Hong Kong, Kina	WA	2
India	AG, WA, MTCR,NSG	28
Indonesia	MTCR, AG	4
Iraq	WA	2
Iran	MTCR, NSG, WA	3
Iceland	WA, AG	6
Israel	AG	5
Jordan	WA	4
Kazakhstan	WA, AG	2
Cuba	AG	1
Libya	NSG	1
Malaysia	MTCR, AG, WA	9
Mexico	AG	2
Namibia	AG	2
Nigeria	WA	3
Pakistan	WA	3
Republic of Korea	AG, WA	5
Russian Federation	AG, WA, MTCR	10
Saudi Arabia	AG	2
Serbia	WA	1
Singapore	WA, AG	5
South Africa	WA, NSG	4
Taiwan	AG, MTCR	13
Thailand	WA, MTCR, AG	10
Trinidad and Tobago	AG	2
Ukraine	WA	2
Venezuela	WA	1

26.1.3 Number of positive advance rulings and enquiries about uncontrolled products

Year	2002	2003	2004	2005	2006
No. of advance rulings	43	43	35	61	64
No. of enquiries about uncontrolled products					50

26.1.4 Number of applications concerning requests for advance rulings – controlled and uncontrolled products in 2006

	Uncontrolled products			Controlled products		
Country	**No action**	**Catch all denial**	**Catch all licence**	**List product positive**	**List product negative**	**Total**
Iran	24	5	9			38
India	4	2		2	4	12
China	1			2		3
Syria			1			1
Pakistan		1				1
Ukraine				1		1
Mexico				1		1
Hong Kong				1		1
Libya	1					1
Saudi Arabia				1		1
Japan	1					1
Russia				1		1
Israel			1			1
Oman				1		1
Total	31	8	11	10	4	64

26.1.5 No. of denials (controlled products) and catch-all-denials (uncontrolled products)

DENIAL	CATCH-ALL DENIAL	
India	4 (MTCR, NSG)	2 (MTCR, NSG)
Iran		5 (MTCR, NSG)
Pakistan		1 (NSG)

26.2 Activity at the Swedish Nuclear Power Inspectorate

In the nuclear area, a large part of trade to EU member states and all export outside the EU is subject to licence. The products and technologies concerned are listed in Annex IV to Regulation (EC) no. 1334/2000. General licences may not be granted.

26.2.1 Export licences granted for products on NSG's list from companies in Sweden to recipient countries[3] (reported by the Swedish Nuclear Power Inspectorate)

Recipient country	2006 Exporting company – no. of licences	2005 Exporting company – no. of licences	2004 Exporting company – no. of licences
Germany	Uddcomb Engineering – 1 Westinghouse - 2	Uddcomb Engineering – 2 Westinghouse – 4	Westinghouse – 3
United States	Westinghouse – 18 AA International - 1	Westinghouse – 19	Westinghouse – 22 Studsvik Nuclear – 1
Norway	Westinghouse - 4	Studsvik Nuclear – 2 Westinghouse – 1	Westinghouse – 2 Studsvik Nuclear – 1
Finland	Westinghouse – 3	Westinghouse – 1	Westinghouse – 1
Japan	Westinghouse – 2	Sandvik Materials Technology – 1	Studsvik Nuclear – 1
Switzerland	Westinghouse - 2	Westinghouse – 1	Westinghouse – 3
All EU member states, USA, Norway, Switzerland (global licence)	Westinghouse – 1 (only to EU and United States)		Westinghouse – 1
Spain	Westinghouse - 3		Westinghouse – 3
China	Sandvik Materials Technology - 1		Sandvik Materials Technology – 1
Mexico			Westinghouse – 1
Lithuania			Svenska Tanso[4] – 2

[3] Transfer of nuclear fuels between EU member states is not subject to licence and therefore not included in the list.

[4] Svenska Tanso AB in Jönköping received two licences in 2004 for export of graphite to Lithuania before the country joined the EU. The graphite was intended for the electronic and engineering industry and had no nuclear connection.

27 Annex 5: Regulatory framework

27.1 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 1 January 1993, replacing the Control of the Manufacture of Military Equipment etc. Act (1983:1034), the Prohibition of Exports of Military Equipment etc. Act (1988:558) and the corresponding ordinances.

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

The Military Equipment Act stipulates that military equipment must not be manufactured without a licence. 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.

27.2 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 emphasise in particular the importance that should be attached, in connection with the assessment of the foreign policy aspects

of each application, to the human rights situation in the recipient country. The human rights criterion must always be taken into account, even in cases involving exports of equipment which in itself cannot be used to violate human rights.

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.

27.2.1 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-authorised recipients, and an End User Certificate or an Own Production Declaration should be presented in connection with exports of military equipment. A state which, despite undertakings given to the Swedish Government, allows, or fails to prevent, unauthorised re-exportation

of Swedish military equipment shall not in principle be eligible as a recipient of such equipment from Sweden as long as these circumstances persist.

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

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

Licences for exports of Military Equipment for Combat Purposes or for other cooperation arrangements with foreign partners involving Military Equipment for Combat Purposes or Other Military Equipment should not be granted where the state in question is involved in an armed conflict with another state, regardless of whether or not war has been declared, is involved in an international conflict that may lead to an armed conflict or is the scene of internal armed disturbances.

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

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

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

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

predominantly Swedish, be considered in accordance with the guidelines for exports from Sweden.

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

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

27.3 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/CFSP[5], 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 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.

[5] 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).

Details to be notified

..... ……..[name of Member State] has the honour to inform partners of he 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: ..... ……

27.3.1 The Swedish military list

Annex 1 to the Military Equipment Ordinance (1992:1303) (point A and B, point C is not included in this Communication)

A. List of military equipment for combat purposes (MEC) in accordance with the Military Equipment Act (1992: 1300)

MEC1. Barrel weapons of less than 20mm calibre, etc.
a. Rifles and carbines manufactured later than 1937 which are designed for combat since they feature facilities for the firing of grenades, have a bayonet mounting or are in other ways specially adapted for military combat, and are also fully automatic weapons such as automatic carbines, sub-machine guns, light machine guns and machine guns,
b. Mechanisms, barrels and boxes for the above weapons.

MEC2. Barrel weapons of 20mm calibre or greater, etc.
a. Artillery pieces, such as cannon and howitzers, mortars, and also anti-tank weapons such as recoilless anti-tank guns and light anti-armour weapons,
b. Flame-throwers,
c. Barrels, mechanisms, gun-carriages, ground plates and recoil mechanisms for the above weapons.

MEC3. Ammunition and warheads for barrel weapons, etc.
a. Ammunition for combat purposes which may be used with MEC 1 and MEC 2 equipment,
b. Projectiles, shell bodies, homing devices and submunitions for the above ammunition.

MEC4. Missiles, rockets, torpedoes, bombs. etc.
a. Missiles, rockets, torpedoes, bombs, hand grenades, rifle grenades, land mines and naval mines for combat purposes,
b. Apparatus and arrangements designed for the arming, deployment and launching of the above equipment,
c. Homing devices, warheads, submunitions, fuses, proximity fuses, motors, control systems, barrels and carriages for the above equipment.

MEC5. Apparatus and gear for the aiming and control etc. of military equipment for combat purposes
a. Firing control equipment functionally integrated in weapons systems and essential for the aiming of weapons under MEC 1, MEC 2 and MEC 4, such as sights, gun-laying instruments, apparatus for gun-laying calculations or trajectory calculations and also sensors,
b. Target tracking and target illumination systems, and also localisation equipment which provide weapons systems with final targeting information.

MEC6. ABC weapons, etc.
a. Nuclear charges, and also radiological, biological and chemical weapons,
b. Apparatus and other arrangements for the dissemination of radiological, biological and chemical weapons,
c. Special components and substances for the above materiel.

MEC7. Gunpowder and explosives, etc.
a. Military gunpowder and fuels for ammunition, missiles, rockets, torpedoes, etc.,
b. Military high explosives for nuclear charges, ammunition, missiles, rockets, torpedoes, bombs, shells, mines, etc.,
c. Military destructive charges and military pyrotechnics,
d. Military fuel thickening agents, including substances (e.g. octal) or mixtures of such substances (e.g. napalm) which are especially designed to produce gel-type incendiary material when mixed with petroleum products, for use in bombs, shells or flame throwers or for other combat purposes.

MEC8. Warships, etc.

Vessels, boats and other surface and submarine craft designed for combat in that they are armed or prepared for the fitting of weapons, or in other respects equipped for the deployment, laying or launching of military materiel.

MEC9. Combat aircraft, etc.

Aircraft and spacecraft designed for combat in that they are armed or prepared for the fitting of weapons or equipped or designed to carry military equipment covered by MEC 4 and MEC 6.

MEC10. Combat vehicles, etc.

Combat vehicles and other armed or armoured vehicles, and also vehicles prepared for the fitting of weapons or designed for the launching or laying of weapons.

MEC11. Directed energy weapon systems

Laser beam, particle beam or micro-wave systems especially designed to damage or destroy targets in the course of military combat.

B. List of Other Military Equipment (OME) in accordance with the Military Equipment Act (1992:1300)

For the purposes of this list, a structural, electrical or mechanical change which involves the replacement of a component by at least one specially designed military component, or the addition of at least one such component is referred to as "specially modified for military use".

A product is considered to be specially designed for military use if it has been primarily developed or designed on the basis of military specifications or objectives, irrespective of whether it also has civilian applications.

The term "special parts and components" refers to parts and components which have been specifically designed for military use or have been modified for such use in accordance with the above definition and have also been subject to final processing to comply with the intended specifications or are incomplete in that only one or a few minor operations are required to achieve completion. However, machine components and electrical and electronic components of standard type do not constitute military equipment if the modification is of a minor nature and does not significantly change the function of the component.

OME21. Barrel weapons of less than 20 mm calibre etc.
a. Rifles and carbines manufactured prior to 1938 or designed for hunting and sport purposes and also hand operated firearms such as revolvers and pistols; with the exception of antique firearms manufactured prior to 1890, reproductions of such weapons, smooth-bore weapons for hunting and sport purposes and also air guns and spring-powered weapons or carbon dioxide weapons with an impact force of less than or equal to 10 joules at a distance of 4 metres from the muzzle.
b. Special parts for weapons covered by sub-section a. which are subject to the provisions of the Weapons Act,
c. Special parts for weapons included in MEC 1.

OME22. Barrel weapons of 20 mm calibre[3] etc.
a. Barrel weapons of a type covered by MEC 2 but exclusively designed for the launching of non-destructive ammunition,
b. Special parts and equipment for barrel weapons of 20mm calibre, etc. as above and as covered by MEC 2.

OME23. Ammunition, etc.
a. Smoke, flare and training ammunition for weapons covered by MEC 1, MEC 2 and MEC 4,
b. Expanding bullet ammunition of a type employed for hunting or sporting purposes,
c. Safety and arming devices, fuse and detonation chain connections.
d. Special parts for ammunition as above and as covered by MEC 3.

OME24. Bombs, torpedoes, rockets and missiles, etc.
a. Training, smoke, flare and foil versions of equipment covered by MEC 4a and 4b,
b. Apparatus and devices for the localization, discovery, sweeping, clearing, disarming or exploding of equipment covered by MEC 3 and MEC 4,
c. Special parts and equipment for materiel as above and as covered by MEC 4.

OME25. Reconnaissance and measurement equipment, etc. which is specially designed or modified for military applications, etc., including
a. Distance, position and altitude measuring equipment, discovery, recognition and identification equipment and also equipment for sensor integration,
b. Electronic, electro-optical, gyro-stabilized, acoustic and optical observation equipment,
c. Equipment to suppress acoustic, radar, infra-red and other emissions,
d. Special parts for equipment as above and as covered by MEC 5.

OME26. Protective equipment, etc.
a. Equipment designed for military applications providing protection and defence against conventional weapons and also against biological agents, chemical weapons or radioactive materials covered by MEC 6,
b. Equipment designed for military applications for the discovery and identification of biological and chemical agents and radioactivity,
c. Designs involving specially composed combinations of materials to provide protection for military systems against the effects of weapons,
d. special components for the above equipment.

OME27. Explosives, etc.

a. Special products contained in military explosives, gunpowder and fuels, such as additives and stabilizers, also other substances and mixtures specifically used for the manufacture of products covered by MEC 7.

OME28. Surveillance vessels. Specially designed or modified components and equipment for warships and also special naval equipment, etc.
a. Vessels for surveillance purposes which are not designed for military action,
b. Motors which are specially designed or modified for permanent installation in warships and also submarine storage batteries,
c. Apparatus for the detection of objects under water which are specially designed for military purposes and control equipment for such apparatus,
d. Submarine and torpedo nets,
e. Compasses, course indicators and inertial navigation equipment specifically designed for submarines,
f. Special parts for the above equipment and equipment as covered by the MEC 8.

OME29. Aircraft and helicopters specially designed or modified for military applications, etc.
a. Aircraft, helicopters and other air vessels, including those designed for military reconnaissance, military training and military maintenance,
b. Aircraft engines specially designed for use in military aircraft and helicopters covered by sub-section a,
c. Unmanned air vessels and auto-guided, programmable air vessels and their launchers, ground equipment and communications and control equipment,
d. Equipment for high pressure respiration and pressure suits for use in aircraft and helicopters, G-suits, military air helmets and protective masks, oxygen equipment for aircraft, helicopters and missiles and also catapults and other ejection equipment for personnel rescue purposes,
e. Parachutes for combat personnel, the air dropping of loads and speed reduction,
f. Special parts for the above equipment and equipment as covered by MEC 9.

OME30. Vehicles which are specially designed or modified for military applications, etc., including
a. Towing vehicles,
b. Artillery trucks and traction vehicles especially designed to pull artillery pieces and combat vehicles,
c. Amphibious vehicles, vehicles for deep-fording and also hovercraft,
d. Mobile workshops especially designed for servicing military equipment,
e. Special parts for the above equipment and equipment as covered by MEC 10.

OME31. Directed energy weapons systems, etc.
a. Special parts for directed energy weapons systems.

OME32. Fortification facilities, etc.
a. Fortification facilities primarily designed for armed defence measures or for the direct command of such measures,
b. Production data for the above facilities.

OME33. Electronic equipment especially designed for military applications, etc.
a. Jamming equipment and equipment for countermeasures against jamming, including electronic jamming equipment (ECM) and equipment for countermeasures (ECCM),
b. Countermeasure equipment for submarine applications, including acoustic and magnetic jamming equipment and decoy targets which are designed to produce alien or false signals in sonar receivers,
c. Security equipment for computers and for transmission equipment and signal links which employ cryptography,
d. Special parts and components for the above equipment.

OME34. Photographic and electro-optical image equipment especially designed for military use, etc.
a. Aerial reconnaissance cameras and associated equipment,
b. Film development and copying apparatus,
c. Infra-red, thermal image and light amplification equipment and also countermeasures against such equipment,
d. Special parts and components for the above equipment.

OME35. Training equipment, etc.
a. Equipment designed for military applications involving training in the use of equipment covered by this list,
b. Special parts and components for the above equipment.

OME36. Equipment for the manufacture of military equipment, etc.
a. Specially designed or modified manufacturing equipment and special parts and components for such equipment,
b. Specially designed environmentally determined test facilities for certification, qualification or testing,
c. Production data for the manufacture of military equipment.

OME37. Software
Software which is specially designed or modified for the development and production of or use in equipment or materiel covered by this list,
b. Special software as follows:
1. Software specially designed for military command, communications, control or intelligence applications,
2. Software specially designed for the simulation of the operating sequence of military weapons systems,
3. Software to determine the effects of conventional, nuclear, chemical and biological weapons.

27.4 Regulation (EC) No. 1334/2000 on Control of Exports of Dual-Use Products

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 items and technology (OJ 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 items, 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 authorisation 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 Products 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 goods. 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 goods, 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 goods to a specific destination. However, in practice the ISP gives companies advance notifications nonetheless.

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 products') 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.

27.4.1 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
Belgium	x	x	x	x	x
Brazil	-	x	-	x	-
Bulgaria	x	x	x	x	x
Cyprus	-	x	x	-	-
Denmark	x	x	x	x	x
Estonia	-	x	x	-	x
Finland	x	x	x	x	x
France	x	x	x	x	x
Greece	x	x	x	x	x
Ireland	x	x	x	x	x
Iceland	-	-	x	x	-
Italy	x	x	x	x	x
Japan	x	x	x	x	x
Canada	x	x	x	x	x
Kazakhstan	-	x	-	-	-
China	x	x	-	-	-
Korea (Rep.)	x	x	x	x	x
Croatia	x	x	-	-	x
Latvia	-	x	x	-	x
Lithuania	-	x	x	-	x
Luxembourg	x	x	x	x	x
Malta	-	x	x	-	x
Netherlands	x	x	x	x	x
Norway	x	x	x	x	x
New Zealand	-	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
Switzerland	x	x	x	x	x
Slovakia	x	x	x	-	x
Slovenia	x	x	x	-	x
Spain	x	x	x	x	x
United Kingdom	x	x	x	x	x
Sweden	x	x	x	x	x
South Africa	x	x	-	x	x
Czech Republic	x	x	x	x	x
Turkey	x	x	x	x	x
Germany	x	x	x	x	x
Ukraine	x	x	x	x	x
Hungary	x	x	x	x	x
USA	x	x	x	x	x
Belarus	-	x	-	-	-
Austria	x	x	x	x	x
TOTAL	**36**	**45**	**39**	**34**	**40**

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

28 Annex 6: International weapon embargoes

International weapon embargoes in 2006

The table below lists the international arms embargoes that were in force for the whole or part of 2006, 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 weapon embargoes in 2006

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2006	REFERENCE
Armenia	UN embargo (non-binding) OSSE embargo on supplies of weapons and ammunition to the combatant forces in Nagorno-Karabakh	The whole year The whole year	UNSCR 853 (1993) CSOOSCE (1992)
Azerbaijan	UN embargo (non-binding) OSSE embargo on supplies of weapons and ammunition to the combatant forces in Nagorno-Karabakh	The whole year The whole year	UNSCR 853 (1993) CSOOSCE (1992)
Bosnia-Herzegovina	EU embargo some exceptions	Lifted 23 January 2006	Common Position 96/184/GUSP *lifted by*: - Common Position 2006/29/GUSP

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2006	REFERENCE
Burma/Myanmar	EU embargo some exceptions	The whole year	General Affairs Council Declaration of 29 July 1991 Council's Common Position 2004/423/GUSP *changed by*: - Common Position 2004/730/GUSP - Common Position 2005/149/GUSP - Common Position 2005/340/GUSP Council Regulation (EC) No. 798/2004
Ivory Coast	UN embargo some exceptions EU embargo some exceptions	The whole year	UNSCR 1572 (2004) UNSCR 1643 (2005) Council's Common Position 2004/852/GUSP *changed by:* - Common Position 2006/30/GUSP Council Regulation (EC) nr 174/2005
Democratic People's Republic of Korea (North Korea)	UN embargo EU embargo	Valid from 14 October 2006 Valid from. 22 November 2006	UNSCR 1718 (2006) Council's Common Position 2006/795/GUSP

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2006	REFERENCE
Democratic Republic of the Congo (formerly Zaire)	UN embargo EU embargo some exceptions	The whole year	UNSCR 1493 (2003) UNSCR 1596 (2005) Declaration 33/93, 7 April, 1993 Council's Common Position 2005/440/GUSP *changed by*: -Common Position 2005/846/GUSP Council Regulation (EC) No. 889/2005
Iraq	UN embargo some exceptions EU embargo some exceptions	The whole year The whole year	UNSCR 661 (1990) UNSCR 1483 (2003) UNSCR 1546 (2004) Declaration 56/90 4 August, 1990 Council's Common Position 2003/495/GUSP *changed by*: -Common Position 2003/735/GUSP - Common Position 2004/553/GUSP
China (excluding Hong Kong and Macao)	EU embargo	The whole year	European Council's declaration 27 June 1989
Lebanon	UN embargo EU embargo	Valid from. 11 August 2006 Valid from 16 September 2006	UNSCR 1701 (2006) Council's Common Position 2006/625/GUSP
Liberia	UN embargo some exceptions	The whole year	UNSCR 1343 (2001) UNSCR 1478 (2003) UNSCR 1497 (2003)

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2006	REFERENCE
	EU embargo some exceptions	The whole year	UNSCR 1509 (2003) UNSCR 1521 (2003) UNSCR 1579 (2004) UNSCR 1647 (2005) Council's Common Position 2004/137/GUSP *changed by:* -Common Position 2006/31/GUSP Council Regulation (EC) No. 234/2004
Rwanda	UN embargo some exceptions Restrictions on sale of weapons to persons in neighbouring states if the weapons are for use in Rwanda.	The whole year The whole year The whole year	UNSCR 918 (1994) UNSCR 997 (1995) UNSCR 1011 (1995)
Sierra Leone	UN embargo on transfers to non-government forces in Sierra Leone some exceptions EU embargo some exceptions	The whole year The whole year The whole year	UNSCR 1171 (1998) UNSCR 1299 (2000) Council's Common Position 98/409/GUSP
Somalia	UN embargo some exceptions EU embargo some exceptions	The whole year The whole year The whole year The whole year	UNSCR 733 (1992) UNSCR 1356 (2001) UNSCR 1425 (2002) Council's Common Position 2002/960/GUSP Council Regulation (EC) No. 147/2003
Sudan	UN embargo some exceptions	The whole year	UNSCR 1556 (2004)

COUNTRY	TYPE OF EMBARGO	PERIOD OF APPLICATION IN 2006	REFERENCE
	EU embargo some exceptions		UNSCR 1591 (2005) Council's Common Position 2005/411/GUSP Council Regulation (EC) No. 131/2004 *changed by*: - Council Regulation (EC) No. 1353/2004 - Council Regulation (EC) No. 838/2005
Usama bin Laden, al-Qaida and the Taliban	UN embargo EU embargo	The whole year The whole year	UNSCR 1390 (2002) UNSCR 1333 (2000) UNSCR 1452 (2002) Council's Common Position 2002/402/GUSP *changed by*: -Common Position 2003/140/GUSP
Uzbekistan	EU embargo some exceptions	The whole year	Council's Common Position 2005/792/GUSP Council Regulation (EG) nr 1859/2005
Zimbabwe	EU embargo some exceptions	The whole year	Council's Common Position 2004/161/GUSP *changed by*: - Common Position 2006/51/GUSP Council Regulation (EC) 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: List of abbreviations

AG	Australia Group
ATT	Arms Trade Treaty
BAFA	Bundesamt für Wirtschaft und Ausfuhrkontrolle
BTWC	Biological and Toxin Weapons Convention
COARM	Council Working Party on Conventional Arms Exports
COCOM	Coordinating Committee on Multilateral Export Controls
CONOP	Council Working Party on Non-proliferation
CWC	Chemical Weapons Convention
EDA	European Defence Agency
EKR	Export Control Council
EU	European Union
EURENCO	European Energetics Corporation
GNSS	Global Navigation Satellite Systems
GPS	Global Positioning System
IAEA	International Atomic Energy Agency
ISP	Swedish Inspectorate of Strategic Products
LoI	Letter of Intent
MANPADS	Man-Portable Air Defence Systems
MEC	Military Equipment for Combat
MTCR	Missile Technology Control Regime
NPT	Nuclear Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
OECD	Organisation for Economic Cooperation and Development
OJ	Official Journal of the European Union
OME	Other Military Equipment
OSCE	Organisation for Security and Co-operation in Europe
SALW	Small Arms and Light Weapons
SCB	Statistics Sweden
SIPRI	Stockholm International Peace Research Institute
SKI	Swedish Nuclear Power Inspectorate
SME	Small and Medium-Sized Enterprises
SÖ	Sweden's International Agreements
TI	Transparency International
UN	United Nations
WA	Wassenaar Arrangement
WEAG	Western European Armaments Group
WEAO	Western European Armaments Organization
WP	Warsaw Pact
WPDU	Working Party on Dual-Use Products
ZC	The Zangger Committee

31 Annex 9: 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.

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