



Swedish Agency for Non-Proliferation and Export Controls

Annual Report 2011

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A word from the DG

IT IS IMPORTANT to discuss the principles of Swedish export control and it's appropriate to question whether the policy is consistent with the guidelines that the Swedish Parliament has established. In this discussion it is important to highlight the defence policy dimension.

Sweden's military non-alignment requires a domestic defence industry, and despite the decline in orders from the Swedish Armed Forces, there is a clear interest in maintaining expertise in certain key areas. In this context the Government has also expressed the importance of defence industrial cooperation, primarily with certain countries within the EU, Norway and the USA.

It is worth underscoring that Sweden's security today has a global dimension; initiatives against pirates in the context of the EU's Operation Atalanta, flight operations in Libya and the troops posted in Afghanistan are just a few examples.

Pirates, terrorism or organised crime also increase society's need for technological aids such as surveillance equipment or small fast ships for coastal operations. Secure transports and secure borders do not just re-

fer to Swedish or European needs. They are important premises for global development.

The fact that we permit defence material to be exported to countries that lack respect for human rights does not mean that the ISP makes an exception for these rights in its assessments. Each state, regardless of government, has a legal responsibility to control its land, air and sea territory. However, exporting equipment that can be used by states to violate the rights of their citizens or that can be used for aggressive purposes against neighbouring countries should not be permitted.

Non-proliferation efforts and cooperation

ISP has an important mission in the field of non-proliferation. Given the strong suspicions that Iran's nuclear program is being used to develop nuclear weapons, both the UN and the EU have decided on far-reaching sanctions.

The third-country trading through front men involving sensitive products has demanded extensive efforts from ISP for several years. However, this mission cannot be accomplished by the ISP alone; coopera-



tion with other authorities is also necessary. A Strategic Cooperation Council for non-proliferation issues was therefore established almost two years ago, focusing on the strategic level to develop effective ways to prevent Swedish expertise or products from contributing to the development of weapons of mass destruction.

European cooperation

Cooperation within the EU made significant steps forward during the year. In June, the Swedish Parliament approved the ICT Directive to facilitate the arms trade between EU Member States. The new rules apply from 30 June 2012, but we are already intensely engaged in the preparations.

Even with regard to dual-use items, the EU and Member States have worked to streamline the permit process using the new EU general authorisation. These rules will come into force in early 2012.

Unique transparency and good support

While exporting dual-use items is based on EU legislation, control of defence material is national. Sweden's export controls are

responsible and firmly supported by the Swedish parliament. The Military Equipment Act is designed to take into account changes in Swedish defence, security and foreign policy.

Development of procedures is a constant topic of discussion in the Export Control Council, in which all parliamentary parties are represented. Export trends are also presented to the Swedish Parliament in the annual report on strategic export controls, providing a unique insight, from an international perspective, into the exports of Swedish defence material. Such insight also lends legitimacy to the policies that are pursued.

In this context, I welcome the Government's plan to appoint a commission to review the Military Equipment Act. It is critical that Parliament continue to broadly support Swedish export control policy.

Andreas Ekman Duse
Director-General

Assignments in short

The ISP is a government authority with assignments within Swedish foreign and security policy. The focus is on control and compliance of strategic products, management of targeted sanctions, responsibility as national authority for the Chemical Weapons Convention and international cooperation, assistance and support in these areas.

The mission of the ISP is based on close, active cooperation with several authorities as well as with European and multi-lateral cooperation bodies, while maintaining a constant dialogue with Swedish industrial and technology companies and organisations.

The ISP works according to the laws passed by the Swedish Parliament, EU regulations and the commitments associated with international cooperation.

Control and compliance

Sweden has an advanced defence industry, and several high-tech companies that are world leaders in many respects. The ISP controls certain production and exports of products within these industries.

Moreover, the ISP visits companies that are subject to compliance. During these visits, the ISP checks that the company is aware of current regulations, which products are subject to export controls and

that such knowledge is incorporated in the company's work process.

Defence material

Defence materiel (DM), or defence equipment, refers to products such as weapons, ammunition, surveillance and monitoring equipment as well as security equipment or other products developed for military use. The ISP is responsible for processing applications for purposes such as the export of defence material. The ISP also assesses military training and various cooperation agreements.

Dual-use items

Dual-use items (DUs) are products that have an established civilian application, but which can also be used by the military or for the production of weapons of mass destruction. Machine tools, heat exchangers, encryption equipment, IR cameras, micro organisms and chemicals are examples of

such products. It is crucial that such products do not fall into the wrong hands where they can be used for internal repression, or for the manufacture or use of weapons of mass destruction (WMDs) by terrorists or by states or individuals.

The principal rule for DUs is that exports should be permitted unless there are specific reasons suggesting otherwise, and it is the task of the ISP to determine whether to allow products to be exported.

Targeted sanctions

Certain countries, companies and individuals have limited opportunities to trade in strategic products due to sanctions. For example, the restrictions might ban the export of certain products, or financial transactions to companies or individuals in those countries.

The purpose of such sanctions is to influence a country to stop certain behaviours or implement certain reforms. The UN, the EU and OSCE decide on sanctions and the ISP works with sanctions against Belarus, Burma, Guinea, Iran, Lebanon, Liberia, Libya, North Korea, Somalia and Syria.

Targeted sanctions involves activities such as licensing for the export of controlled products, determining whether frozen assets can be released and management of financial transactions.

National authority for the non-proliferation of chemical weapons

The ISP is the national authority for the Chemical Weapons Convention. Under this convention, comprehensive work is carried out around the world to destroy those



chemical weapons that remain and at the same time to ensure that no new chemical weapons are produced.

Companies must declare their activities to the ISP, which also assists the Convention's main organisation OPCW with inspections in Swedish factories. Another important part of the ISP's work with the Convention is to serve as a hub for the Swedish chemical industry and the relevant authorities.

International cooperation and outreach

One way to ensure that international export controls work is to have a well-developed cooperation in place, both within the EU, with countries outside the EU and through export control regimes.

Another important area is to educate and inform countries in which export controls are not as developed. Outreach, i.e., support and assistance, is provided to countries geographically close to the EU and other prioritised nations. The goal is to strengthen export controls and non-proliferation, thereby helping to improve global security.

ISP councils

Three councils are linked to the ISP, the ECC, the TSC and the SCC.

Export Control Council (ECC)

The ECC is an advisory body consisting of twelve members appointed by the Government. The Moderate and Social Democratic parties have three members each, while the other parties each have one member. ECC members are subject to the same confidentiality provisions as ISP administrators.

All export matters are reported to the Council, as are cases in which the ISP needs

advice prior to taking positions concerning new recipient countries or countries where developments require a new assessment.

The chairperson of the council is the ISP Director-General. Representatives of the Swedish Ministry for Foreign Affairs and the Ministry of Defence also participate at council meetings.

Technical Scientific Council (TSC)

The TSC consists of senior management of various academies and technical authorities and assists the ISP in decisions of fundamental significance regarding classification of products and materials. The ISP Director-General appoints its members.

Strategic Cooperation Council (SCC)

The SCC consists of representatives from the ISP, the Swedish Defence Research Agency, the Swedish National Defence Radio Establishment, Swedish Military Intelligence and the Swedish Security Service and Swedish Customs. The purpose of the Council is to coordinate and allocate non-proliferation resources at the management level. The ISP Director-General appoints its members.

Facts about the ISP

Number of employees: 22

Number of cases: about 6000 annually

Budget: about SEK 29 million annually

Specific expertise:

Engineers, political scientists and legal advisers

The authority was founded in 1996 and falls under the responsibility of the Swedish Ministry for Foreign Affairs.

Important trends

This section presents important trends and a summary of export of defence material and dual-use items in 2011.

Defence material exports

As in previous years, only a few large offers dominate Swedish exports. In 2011, exports mainly involved the JAS 39 Gripen to Thailand and South Africa, Erieye to the United Arab Emirates, Saudi Arabia and Pakistan, and follow-on deliveries to previously exported army materiel to India.

Exports to countries in North Africa and the Middle East have otherwise been limited, with no exports to Egypt, Yemen, Morocco, Lebanon, Libya, Qatar and Syria. Actual exports have essentially been limited to marine equipment, radar and the Erieye surveillance system. The latter is a system that enhances the overview of air, maritime and border surveillance. The need for this system is linked to the responsibilities of coastal states for their land and sea territories and to prevent them from becoming a base for pirates and organised crime. The sea lanes around the Arabian Peninsula are vital to world trade and thus for global security. In February 2011

the ISP withdrew three licenses in light of developments in the region.

Swedish exports of defence material amounted to SEK 13.9 billion and went to about 60 countries. As for traditional partner countries, it can be noted that exports to Great Britain, the US and the Netherlands are still extensive, and the ten largest purchasing countries received over 80 percent of total exports.

Non-proliferation initiatives

Proliferation of WMDs continues to be one of the most serious security threats facing the world. Efforts to prevent the spread of WMD involve several Swedish authorities and good cooperation is essential for efficiency, which is a key issue for the Strategic Cooperation Council.

Cases, assessment and conditions

The number of DU and sanction cases continue to rise. Consequently, the ISP must continue to develop procedures so

that resources can be dedicated to the more complex cases. One approach would be to develop forms for global authorisations, which could be issued when a product is considered to be insensitive to a particular end user or to a specified destination.

The authorisation process is based on both the sensitivity of the product and its end use. While the ISP and cooperating authorities have good knowledge of the sensitivity of the product, the question of vetting the end-user is more complicated. The ISP requires an end-user certificate before issuing an export licence, and under such certificates the recipient company undertakes not to export or transfer the product to a third party without permission from the ISP and not to use the product for the manufacture of weapons or for military products.

The ISP may also impose conditions requiring the exporting company to be involved in the installation of a sensitive product to ensure that it is used for the stated purpose. Maintaining a good dialogue with exporting companies is crucial for effective export control.

Public awareness and regime work

An important task for the ISP is also to inform Swedish companies about their obligation to have knowledge of how the products they manufacture or sell are controlled and the need to implement information initiatives is therefore great. The ISP seeks to conduct information campaigns where the risk of proliferation is judged to be greatest.

It should be noted in this context that companies that want to circumvent export control legislation would not usually turn to

the ISP. Intelligence information is crucial; the ISP can learn about companies in third countries that are involved in a state's procurement network, or that act as a front company or intermediary.

Export control regimes are crucial for effective export controls, since it is within these regimes that products are placed under or released from control. The regimes also provide a framework in which member states can settle how they interpret regulations and formulate a template for "best practices".

Expanded sanctions

In recent years targeted sanctions are being used more frequently. One such example is the EU sanctions against Iran, which were expanded to include requirements for authorisation of financial transactions to and from Iran.

Sanctions aimed at controlling products that can be used for internal repression were already in place. During the past year, equipment or software primarily intended for use by the Syrian regime for monitoring or interception was placed under control. The use of sanctions to achieve humanitarian purposes can be expected to increase.

European cooperation

Within the European cooperation, the focus was on the issue of arms trade within the EU Intra Community Transfer (ICT). In essence, companies can apply for three types of licences: general, global and individual, where the general licence is a new feature in Swedish regulations. Companies can also apply to the ISP for certification as a recipient of defence material.



For a company to be certified and to use a general licence, the ISP will impose additional requirements for an effective internal export control organisation. At the same time, the EU Military List provides guidance for Sweden, which means that technical services will require permits. The new regulations come into force on 30 June 2012.

The EU Commission proposal for new general export authorisations for dual-use items had been discussed for several years and was adopted at the end of the year. The new general authorisations come into

force in January 2012; there will now be six different types of general authorisations. The purpose is to simplify exports of certain products to specific non-EU countries.

The EU further developed its “Long Term Programme” to spread awareness about export controls to neighbours and key trading partners in 2011. The ISP’s German counterpart, BAFA, was tasked with implementing the programme and the ISP assisted with an administrator as regional director of the Caucasus countries.

Communication activities

To increase knowledge about export controls and non-proliferation, the ISP informs affected businesses, government agencies and the general public about its activities by organising seminars, as speakers and through the website.



Export Control Seminar 2011

The ISP arranges an annual export control seminar aimed at companies that export defence material and dual-use items. In 2011 the seminar focused on defence and the EU Directive on Intra Community Transfer (ICT).

Popular speakers

ISP employees are in demand as speakers. They participate at both national and international seminars, conferences and debates.

In 2011 the ISP participated in Defence Exports 2011, Dubai seminar about electronic case management system, Financing of Terrorism and EU sanctions seminar, Trade Finance Day 2011, Customs Day 2011 and training of export control officers by the Export Control Association to name a few.

Important channel for information

One of the ISP's most important communication channels for providing service, sharing knowledge and making operations more transparent and accessible is the external website. The site provides information on how the ISP works, news, export

statistics, our national and international commitments, and detailed information for companies affected by the ISP's mission.

Customer Web, a tool for businesses

Work on development of a new web tool for electronic case management, the Customer Web, was completed in April 2011, when handling of export licenses was deployed. The purpose of the tool is to make case management easier and more efficient for both companies and the ISP.

ISP in the media

Export issues are frequently addressed in the media and the ISP's activities occasionally attract great journalistic interest.

As a result of the Arab awakening, many questions during the year involved exports to the region and current regulations. Furthermore, the ISP has participated in several debates and discussions on radio, television and in newspapers.

Statistical data

Below is a sample of statistical data regarding the export of defence material and dual-use items in 2011. All sums are in SEK million if nothing else is stated.

Export of defence material

In 2011, the Swedish defence industry exported defence material worth SEK 13.9 billion, an increase of 1 percent over 2010. Swedish exports go to about 60 countries. As in previous years, a few major deals have an impact on the statistics.

In 2011, these deals involved the export of the JAS 39 Gripen to Thailand and the Erieye airborne surveillance system to the United Arab Emirates, Saudi Arabia and Pakistan.

Regarding traditional partner countries, exports to Great Britain, the USA and the Netherlands continued to be extensive. Exports were also high to India (follow-on deliveries) and South Africa (JAS 39 Gripen).

Distribution of exports in 2011		
Area	Sum	Percent
EU+ (Norway and Switzerland)	3 084	22
Important partner countries outside EU (Australia, Japan, Canada, Republic of Korea, Singapore, South Africa, USA)	2 140	15
Rest of the World (India, Pakistan, Saudi Arabia, Thailand and United Arab Emirates account for 60 percent)	8 689	63

Swedish exports to other EU countries, and established partners such as the USA, Canada and South Africa totalled 37 percent. Exports to the rest of the world amounted to 63 percent, where five countries received 60 percent of exports.

Exports to the Nordic countries Denmark, Finland and Norway totalled around SEK 631 million.

10 largest export destinations 2009-2011					
#	2009		2010		2011
1	Netherlands	2 479	Netherlands	2 107	Thailand 3 017
2	South Africa	1 755	Great Britain	1 427	Saudi Arabia 2 869
3	Pakistan	1 412	Pakistan	1 340	India 1 049
4	Finland	954	USA	1 264	Pakistan 862
5	Great Britain	932	South Africa	1 079	Great Britain 753
6	India	901	United Arab	804	USA 753
7	USA	638	India	696	Netherlands 563
8	Denmark	582	Singapore	611	United Arab 526
9	Germany	464	Thailand	498	South Africa 518
10	France	459	Denmark	491	Canada 428

10 largest export destinations 2007-2011		
#	Country	Sum
1	Netherlands	8 111
2	South Africa	6 587
3	Pakistan	5 140
4	USA	4 334
5	Great Britain	3 798
6	Denmark	3 756
7	Thailand	3 612
8	India	3 463
9	Saudi Arabia	3 196
10	Finland	2 722

Largest export destinations

In 2011, the five largest export destinations for Swedish defence material were Thailand, Saudi Arabia, India, Pakistan and Great Britain.

In the case of Pakistan, the figure pertains to deliveries of airborne early-warning radar (Erieye) and follow-on deliveries of air defence systems. As a result of political developments in Pakistan, the ISP has not granted any new exports since the fall of 2007.

For many years, India has been receiving deliveries of spare parts and components for previously supplied army material systems (follow-on deliveries).

Exports to North Africa and Middle East	
Country	Sum
Saudi Arabia	2 069
United Arab Emirates	526
Algeria	196
Bahrain	4
Iraq	4
Oman	1
Tunisia	1
Kuwait	1
Egypt, Yemen, Lebanon, Libya, Morocco, Qatar, Syria	0

Exports of large systems 2000-2011			
	Erieye	JAS 39 Gripen	Stridsford 90
Denmark			2007-2009
Finland			2003-2007
United Arab Em.	2010--		
Greece	2000-2008		
Netherlands			2006-2011
Pakistan	2006--		
Saudi Arabia	2011--		
Switzerland			2002-2005
South Africa		2002--	
Thailand	2010--	2011--	

In addition to the airborne surveillance system, anti-tank systems were exported to Saudi Arabia. These exports were approved in 2002 in light of the discussions that took place at that time relating to a Memorandum of Understanding (MoU) on defence between Sweden and Saudi Arabia, which was signed in 2005.

Exports to North Africa and Middle East
With the exception of exports to the United Arab Emirates and Saudi Arabia, Swedish exports of defence material to the Middle East and North Africa were limited.

Camouflage equipment was exported to Algeria and equipment for humanitarian

Export trend 2007–2011					
	2007	2008	2009	2010	2011
SEKm	9 604	12 698	13 561	13 745	13 913
OME	5 995 (62 %)	6 372 (50 %)	6 273 (46 %)	6 998 (51 %)	8 074 (58 %)
MCE	3 609 (38 %)	6 326 (50 %)	7 288 (54 %)	6 447 (49 %)	5 839 (42 %)

10 biggest exporters 2011		
#	Exporter	Sum
1	Saab AB, Surveillance Systems	3 871
2	Defence Materiel Administration (FMV)	2 989
3	Saab Dynamics AB	1 561
4	BAE Systems Hägglunds AB	964
5	FFV Ordnance AB	794
6	Saab AB, Aeronautics	671
7	Saab AB, Electronic Defence Systems	635
8	Saab AB, Security and Defence Solutions	401
9	BAE Systems Bofors AB	277
10	BAE Systems SWS Defence AB	247
Total		12 410

demining was exported to Iraq. In addition, Bahrain, Kuwait, Oman and Tunisia have received minor follow-on deliveries. Otherwise no exports occurred in the region.

Export trend

The proportion of exports of military equipment for combat (MEC) in 2011s was 42 percent and the proportion of other military equipment (OME) was 58 percent.

Largest exporters

Sweden's ten largest defence material export companies in 2011 were responsible for slightly more than 90 percent of total exports.

Hunting and sports ammunition

In 2011 only hunting and sport ammunition were exported to Andorra, Ecuador, Namibia, New Caledonia, Russia and Ukraine for a value of SEK 10 million.

Small arms	
Type of weapon	Export
Revolvers and self-loading pistols	No exports
Rifles and carbines	No exports
Sub-machine guns	No exports
Assault rifles	No exports
Light machine guns	No exports
Other	Small caliber ammunition was exported to Australia, Denmark, Finland, Italy, Canada, Norway, Switzerland, Singapore, Great Britain, Czech Republic, Germany and the USA.

Light weapons	
Type of weapon	Export
Heavy machine guns (12.7 mm)	Ammunition to Norway.
Hand-held barrel and mounted grenade launchers (40 mm)	Ammunition to Australia and Denmark.
Portable anti-tank guns	No exports
Recoilless rifles	Anti-tank systems have been exported to Brazil, Japan and USA. In addition, spare parts, components and ammunition for anti-tank systems were exported to Australia, Brazil, Chile, Denmark, India, Ireland, Canada, Japan, Latvia, Norway, New Zealand, Portugal, USA and Austria.
Portable anti-tank missile launchers and rocket systems	Anti-tank weapons and ammunition were exported to Brazil, Denmark, Finland, Norway, Saudi Arabia, Great Britain, the US and Austria. In addition, spare parts, training equipment and components were exported to Denmark, Finland, Norway, Saudi Arabia, and the USA.
Mortars of less than 75 mm caliber	No exports
Other	No exports

Small arms and light weapons

No small arms were exported in 2011.

Light weapons of about SEK 2 billion were exported.

Total exports

The next page shows the value of total exports by region and country.

2011 exports by region and country

Region	Country	SEK	Region	Country	SEK
EU			South America		
	Belgium	24 176 523		Brazil	11 993 406
	Bulgaria	308 360		Chile	21 255 174
	Denmark	168 418 436		Ecuador*	463 223
	Estonia	3 185 669		Peru	416 404
	Finland	222 573 107		Total	34 128 207
	France	412 751 243	Northeast Asia		
	Greece	177 872		Hong Kong, China	285 000
	Ireland	3 880 865		Japan	30 919 036
	Italy	64 165 630		Republic of Korea	12 439 590
	Latvia	20 768 425		Total	43 643 626
	Lithuania	904 607	Southeast Asia		
	Luxembourg	5 784 678		Brunei	32 823 684
	Malta	5 983		Malaysia	14 516 438
	Netherlands	563 816 175		Singapore	185 969 967
	New Caledonia*	230 456		Thailand	3 017 718 424
	Poland	30 377 205		Total	3 251 028 513
	Portugal	1 859 403	South Asia		
	Romania	488 938		Bangladesh	1 441 960
	Slovak Republic	1 131 861		India	1 049 549 693
	Slovenia	735 879		Pakistan	862 328 974
	Spain	11 214 972		Total	1 913 320 627
	Great Britain	753 797 785	Middle East		
	Czech Republic	5 951 117		Bahrain	4 406 400
	Germany	421 940 814		United Arab Emirates	526 219 494
	Hungary	3 928 317		Iraq	4 253 000
	Austria	49 595 011		Kuwait	985 059
	Total	2 772 169 331		Oman	1 084 500
Rest of Europe				Saudi Arabia	2 869 225 694
	Andorra*	115 342		Total	3 406 174 147
	Iceland	226 625	North Africa		
	Croatia	379 716		Algeria	196 961 456
	Norway	241 815 222		Tunisia	1 525 000
	Russia*	8 855 321		Total	198 486 456
	Switzerland	69 959 626	Sub-Saharan Africa		
	Turkey	3 958 995		Namibia*	187 692
	Ukraine*	352 173		South Africa	518 189 978
	Total	325 663 020		Total	518 377 670
North America			Oceania		
	USA	753 397 777		Australia	211 010 997
	Canada	428 198 141		New Zealand	6 828 224
	Total	1 181 595 918		Total	217 839 221
Central America			Total exports		
	Mexico	51 567 306			13 913 994 042
	Total	51 567 306			

* Only hunting and sports ammunition were exported to these countries.

Closed cases 2007-2011					
Case type	2007	2008	2009	2010	2011
Product inquiries	128	183	166	170	180
Advance notification on controlled products	15	8	32	32	50
Enquiries about non-controlled items	103	93	57	173	164
Export licence	463	500	788	1 029	1 165
Transfer of assets and financial services	-	-	-	226	646
Total number of cases	709	784	1 043	1 630	2 193

Exports of dual-use items

A full account of exports of dual-use items similar to the report provided for defence material is not possible because the area is based on free trade, with control only when justified.

A licence is not usually required for trade in these products within the EU, but it is required for exports to another country.

When reasonable suspicion exists that a product may be used for the wrong

purposes, exports are prohibited. The ISP evaluates the situation and considers the product itself as well as the end use and end user of the product.

Closed cases

This section presents an overview of the number of closed cases within this area.



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