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GENERAL AND COMPLETE DISARMAMENT

International arms transfers

Letter dated 25 September 1991 from the Permanent Representative of Sweden to the United Nations addressed to the Secretary-General

At this year's substantive session of the United Nations Disarmament Commission, Sweden indicated that it would make available to the United Nations data regarding its exports of military equipment. Consequently, I have the honour to enclose a report on Swedish exports of military equipment in 1990.

I would be grateful if this letter and the attached report could be circulated as a document of the General Assembly.

(Signed) Jan ELIASSON
Ambassador
Permanent Representative of Sweden
to the United Nations

Annex

Report on Swedish exports of military equipment in 1990

(Excerpted from the Swedish Government's
Report to Parliament, SKr. 1990/91:163)

GENERAL BACKGROUND

The Inspectorate General of Military Equipment (Krigsmaterielinspektionen (KMI)) monitors developments in the marketing, sale and export of military equipment from Sweden. The companies which have permission to conduct activities in the field of military equipment - at present about 150, of which some 70 are active - are obliged to make reports covering a number of aspects to the KMI. This material together with information collected by the Inspectorate in other ways is analysed and collated by the KMI. In the Bill (1984/85:82) on increased public insight and consultation with regard to questions on the export of military equipment, the Government declared its intention to submit an annual report to Parliament on Swedish exports of military equipment. The following report concerns the Swedish export of military equipment in 1990.

PERMITS FOR EXPORT

The number of applications for permits has varied during recent years from 1,500 to 2,300. The greater part of these applications have concerned the export of single weapons and small quantities of other military equipment.

Decisions regarding permits for the export of military equipment are made by the Government. In cases which do not involve large-scale exports or where no other important factors are involved, the Minister, who has the responsibility for presenting to Cabinet matters regarding the export of military equipment, may make decisions on applications for permits. As is shown in table 1, in 1990 the Government made decisions on applications for export which amounted to 98 per cent of the total value of permits granted for the sale of military equipment. The figures for the number of government decisions include decisions on export for sale abroad as well as for certain other purposes (repair, demonstration, etc.).

Table 1. Export certificates for military equipment sold during the period 1985-1990

Year	Total value in millions of SKr	Total value subject to government decisions in millions of SKr	Per cent of total value	Number of government decisions
1985	3 120	3 030	97	182
1986	4 262	4 151	97	226
1987	5 383	5 320	99	285
1988	6 405	6 333	99	380
1989	7 247	7 100	98	312
1990	2 980	2 912	98	328

From table 2 below, it can be seen that the total value of export permits granted, calculated in constant prices, decreased in 1990 by 60 per cent.

Table 2. Export certificates for military equipment sold during the period 1985-1990 in current prices and in 1968 prices ^{a/} and the percentage change in value

Year	Value in current prices in millions of SKr	Value in 1968 prices in millions of SKr	Change in value (per cent)
1985	3 120	746	+30.9
1986	4 262	980	+31.3
1987	5 383	1 194	+21.8
1988	6 405	1 366	+14.4
1989	7 247	1 455	+ 6.5
1990	2 980	578	-60.3

^{a/} Statistics Sweden's (SCB) export index for fabricated metal products, machinery and equipment has been used for conversion of prices to 1968 prices.

ACTUAL DELIVERIES

KMI's statistics on exports are based on the information provided by exporting companies regarding the value of the equipment delivered. In a few cases, as is shown in connection with the tables, minor adjustments have been made with respect to reports from previous years.

Table 3 shows the values in millions of Swedish kronor of Sweden's exports of military equipment during the past 10-year period in current prices and in 1968 prices. The table also provides information on the share of Sweden's total exports accounted for by military equipment. From 1988 onwards, the figures refer to export from all manufactures of military equipment. Exports of equipment for hunting and sporting purposes by arms dealers to private individuals and to arms dealers which were previously included in the sum total, have been accounted for under a separate heading since 1988.

The share of military equipment in Sweden's total exports in 1990 amounted to 0.98 per cent compared with 1.81 per cent in 1989. The average figure for the past 10-year period is 1.26 per cent.

Changes from one year to the next do not, of course, provide a basis for any long-term assessments of trends. It can, however, be noted that 34 per cent of total exports in 1990 were to one country - India (41 per cent in 1989). This export in turn predominantly consisted of deliveries of AB Bofors' field howitzer system. As these deliveries are completed, India's share of total exports will continue to decline. Otherwise, it can be noted that the regional distribution of exports is relatively stable. The considerable decline in exports in absolute terms as well as in constant prices, means that the volume of exports in value terms has returned to the level of the early 1980s.

Table 3. Value of the exports of Swedish military equipment in the period 1980-1990 in current prices and in 1968 prices, a/ and related data

Year	Sweden's total export (at current prices in millions of SKr)	Export of military equipment			
		Current prices in millions of SKr	Share of total exports (per cent)	1968 prices in millicns of SKr	Change in value (per cent)
1980	130 800	2 078	1.59	775	+14.5
1981	144 523	1 697	1.17	577	-25.5
1982	167 975	1 588	0.95	481	-16.6
1983	210 310	1 658	0.79	444	- 7.7
1984	242 500	2 178	0.90	554	+24.8
1985	259 985	2 137	0.82	511	- 7.8
1986	265 100	3 243	1.22	746	+46.0
1987	281 433	4 427	1.57	981	+31.5
1988	304 782	6 155	2.02	1 313	+34.0
1989	332 580 b/	6 006	1.81	1 206	- 8.1
1990	339 900 g/	3 327	0.98	645	-46.5

a/ Statistics Sweden's (SCB's) export index for fabricated metal products, machinery and equipment has been used for the conversion of prices to 1968 prices. From 1988 onwards, the figures refer to the export of military equipment by Swedish manufacturers.

b/ The figure for Sweden's total exports for 1989 has been corrected in this year's compilation after publication of definitive data from Statistics Sweden. The amendment does not involve any change in the information provided here on the share of total exports accounted for by military equipment.

g/ Preliminary data.

A comparison of tables 1, 2 and 3 above shows that the total value of approved export permits in any single year can differ widely from the value of the goods actually delivered during that year. This is due to the fact that the permits granted often cover exports which take place over a number of calendar years, as well as the fact that in some cases permits are not made use of to their full extent.

In table 4 below, exports of military equipment are given for 16 different groups of equipment, as detailed in the special ordinance containing a specified list of military equipment. Also the data for 1989 have, in this year's report, been classified according to these groups, while the figures for 1988 for practical reasons have been classified according to the categories used in previous years.

Table 4. Value of Swedish military equipment exports in millions of SKr during the period 1988-1990 classified according to the main groups in the specified list of military equipment

	1988	1989 ^{a/}	1990
1. Firearms etc.	x)	1	2
2. Pieces of ordnance etc.	x)	1 747	634
3. Ammunition	x)	1 662	1 008
4. Missiles, rockets, torpedoes, bombs, etc.	x)	1 294	799
5. Equipment for combat control etc.	x)	399	334
6. ABC weapons etc.	-	-	-
7. Explosives etc.	90	102	149
8. Vessels etc.	-	4	-
9. Aircraft etc.	456	384	188
10. Vehicles	10	272	130
11. Radiation equipment etc.	-	-	-
12. Photographic equipment	-	-	-
13. Helmets etc.	-	2	-
14. Bridge-building equipment	-	-	-
15. Training equipment	xx)	20	65
16. Machinery, tools etc.	xx)	118	18
x) (1-4)	5 097		
xx) (5, 15, 16, other <u>matériel</u>)	520		
Total	6 155	6 005	3 327

^{a/} Discrepancies from previously published figures depend partly on the use of different categories in earlier reports and partly on the fact that companies in a few cases retrospectively reported changes in sales statistics for exported products due to fluctuations in exchange rates, cancellations, return of faulty matériel, etc.

GEOGRAPHICAL DISTRIBUTION

The total volume of the export of military equipment detailed in the tables above, and its distribution according to various groups of equipment is complemented in the following compilation by an account of the distribution of military equipment exports by regions in 1990 compared with the previous five-year period (table 5) as well as by recipient countries for the years 1988, 1989 and 1990 (table 6). The data compiled shows that on average, during the period accounted for, about 45 per cent in value terms of Swedish exports of military equipment has been to Europe and slightly under 40 per cent to Asia.

During 1990 military equipment manufactured by Swedish companies was delivered to 33 countries. To 7 of the 33 countries, the value of the exports was less than 1 million SKr. For 3 of the recipient countries, the exported matériel consisted solely of small bore ammunition.

To this should be added the export of spare parts, maintenance equipment, etc., from the Defence Materiel Administration (FMV) to a total value of 34.4 million SKr. This export was mainly to Finland and Denmark.

In addition, in 1990 permits were granted for the export of firearms for hunting and sporting purposes to a value slightly in excess of 7 million SKr.

Table 5. Distribution of exports of military equipment by region in per cent of their annual value during the period 1985-1990

	1985	1986	1987	1988	1989	1990
Europe	50	53	42	33	42	52
North America	8	4	14	11	10	8
South America	8	9	4	6	3	1
Asia	27	31	38	50	44	37
Africa	5	0	2	0	0	0
Oceania	2	3	0	0	0	2
Number of countries	40	38	40	38	36	33

Table 6. Exports of military equipment in thousands of SKr according to recipient country (for comparison, exports for 1988 are also given) b/

	1990	1989 <u>b/</u>	1988
Argentina	-	105	39 049
Australia	50 693	25 318	20 812
Austria	203 183	363 847	393 073
Belgium	2 293	2 247	2 843
Brazil	36 524	38 393	87 862
Canada	19 003	48 221	36 686
Denmark	132 718	213 127	135 632
Egypt	-	-	67
Federal Republic of Germany	201 422	168 569	327 717
Finland	296 711	91 676	73 129
France	6 023	3 570	6 192
Gabon	14	-	260
German Democratic Republic <u>a/</u>	-	-	58
Ghana	2 790	2 016	-
Greece	129	2 198	70 303
Hong Kong <u>a/</u>	107	9 848	188
Hungary <u>a/</u>	-	-	14
Iceland <u>a/</u>	36	37	111
India	1 117 150	2 444 790	2 833 205
Indonesia	-	49 791	17 756
Ireland	301	3 015	3 582
Italy	14 308	80 344	65 704
Japan	34 485	3 275	6 819
Malaysia	3 640	2 934	29 234
Malta <u>a/ c/</u>	-	31	-
Mauritius <u>a/</u>	67	-	-
Mexico	-	6	10 673
Netherlands	201 021	180 166	101 370
New Zealand	5 704	3 382	8 756
Nigeria	-	-	28 370
Norway	477 098	737 886	644 475
Pakistan	4 316	90 617	75 923
Peru	-	20	-
Portugal	4 632	415	1 215
Singapore	66 100	28 561	82 628
Spain	53 508	10 619	2 044
Switzerland	30 330	12 128	113 599
Tunisia	2 483	10 993	867
United Kingdom	52 969	60 902	11 826
United States of America	253 788	562 153	631 339
Venezuela	79	152 466	210 839
Yugoslavia	53 447	601 334	80 227
Total	3 327 072	6 005 002 <u>b/</u>	6 154 448

a/ Export of small bore ammunition only.

b/ Discrepancies from previously published figures are due to the fact that in a few cases companies retrospectively reported changes in sales statistics for exported products as a result of fluctuations in exchange rates, cancellations, return of faulty matériel, etc.

c/ The figures for Malta have been reported at a later date.

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TRANSFER OF MANUFACTURING RIGHTS, ETC.

During 1990 nine permits were granted for the licensing of manufacturing rights abroad. These have been for manufacturing in Australia, Canada, Germany, Japan, Singapore, Spain, the United Kingdom of Great Britain and Northern Ireland and the United States of America.

Applications for permits for cases involving the licensing of rights are dealt with in the same way as for the export of equipment. In addition to the usual process of consideration preceding the grant of a permit for the export of military equipment, relevant sections of the licensing agreement are examined. In that context, particular importance is attached to such questions as the scope of the licence, its duration, conditions applying to re-export, etc.

Pursuant to section 12 of the Act concerning Prohibition of the Exportation of Military Equipment and Related Matters, the Government has directed that companies which have transferred a right for the manufacture of military equipment to a foreign party shall report annually whether the licence is still operative and, if possible, whether manufacturing has taken place on the basis of this licence.

Twelve companies have submitted such reports for 1990 concerning 84 transfers of licences to 19 countries.

TRAINING FOR MILITARY PURPOSES

In accordance with the Act on Prohibition of the Exportation of Military Equipment (sect. 7), military training for foreign nationals may not take place in Sweden without the permission of the Government, with certain exceptions. In 1990 no such grants of permission have been made.

REPORT OF OWNERSHIP IN A FOREIGN LEGAL ENTITY

According to section 10 of the Act concerning Prohibition of the Exportation of Military Equipment and Related Matters, companies which have been granted permission to manufacture or supply military equipment shall annually provide information on ownership in any foreign legal entity, which is involved in the development, manufacture, marketing or sale of military equipment.

Eight companies have reported ownership in 19 foreign legal entities in 13 countries (the situation on 31 December 1990).

THE EXPORTING COMPANIES

At present, there are some 60 exporters of military equipment in Sweden. Of these, slightly less than half are smaller companies which have permission to trade with guns for hunting and sporting purposes. Thirty-three companies which have permission to manufacture military equipment exported such equipment in 1990, 22 of which for more than 1 million SKr.

The principal exporters in 1990 were AB Bofors and FFV Ordnance, which have now combined to form the company Swedish Ordnance (see below). Together they accounted for 74 per cent of military equipment exports in 1990. In addition to this, two companies exported for a value exceeding 100 million SKr: Saab Missiles AB and Hägglunds Vehicle AB. Bofors Aerotronics AB, Bofors Electronics AB, FFV Norma AB, Nobelkrut AB, Saab Instruments AB and Volvo Flygmotor AB each exported for a value between 50 and 100 million SKr. Six companies exported for between 10 and 50 million SKr: Ericsson Radar Electronics AB, FFV Aerotech AB, Lindesbergs Industri AB, SA Marine AB, SATech Electronics AB and Saab Scania AB (Aircraft Division). Other companies with an export volume of over 1 million SKr are ABB Plast AB, Air Target Sweden AB, Chematur AB, Norabel AB, Saab Training Systems AB and Väner Plast AB.

Altogether these 22 companies accounted for 99.9 per cent of the total exports of Swedish military equipment in 1990.

During 1990 the restructuring of the defence industry, already initiated earlier, has continued. A few days before the end of the year, it was announced that AB Bofors and FFV Ordnance had formed a joint company, Swedish Ordnance-Bofors/FFV AB, which takes over the major part of the manufacture of defence equipment of the two companies.

FFV, previously a public utility, has been reorganized from 1 January 1991 as a limited company, and from this date is part of the public holding company Fortia. FFV Aerotech Division for motor repairs has, from the same date, been combined with the corresponding activities of Volvo Flygmotor AB. The Karlskrona Shipyard has in the past year been reorganized as a daughter company of Kockums AB. Two companies, FFV Norma AB and Nobelplast AB, have during the course of the year become foreign-owned, after being bought up by a German and a Norwegian concern respectively.
