



national inspectorate  
of strategic products

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# ISP 2001/2002



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This brochure describes the activities of the National Inspectorate of Strategic Products (ISP) for the year 2001.

More information about legislation, directives and guidelines currently in force can be found at the ISP web site, [www.isp.se](http://www.isp.se)



PHOTO: CATHARINA BLESERT

I assumed the post as Director General and head of the ISP on September 1, 2001. During the summer of that year the Swedish Government had decided to abolish the old title of the head of the ISP, Inspector General of Military Equipment. This change reflected the fact the ISP, in addition to its traditional role as licensing authority for military equipment, has been assigned broader tasks in the field of export control of dual-use items, that is products that can have both civilian and military uses, as well its function as national authority under the Chemical Weapons Convention (CWC).

The first half of the year 2001 was to a high degree characterised by the Swedish presidency of the European Union. Representatives of the ISP took active part in various EU working groups in Brussels, relating to both military equipment and dual-use issues. The trend towards an increased internationalisation in the field of defence materiel continued to be strong and the ISP participated in the implementation of the framework agreement on enhanced industrial co-operation that the six European nations, among them Sweden, have entered into. These six nations are in the lead concerning production of military equipment in Europe. In the aftermath of the terrorist attack against the USA on September 11, 2001, the efforts to prevent dual-use items from falling into the wrong hands has become a focus of attention alongside with the importance of maintaining a high degree of preparedness to deal with threats from chemical and biological weapons.

At the ISP we aspire to achieve a high level of service in our contacts with the companies, other governmental agencies, the general public and the media. The work to simplify and make more efficient the licensing process continues.

Lars-Hjalmar Wide  
Director-General

# 1. The National Inspectorate of Strategic Products—ISP

The ISP was established by Act of Parliament and came into operation on February 1, 1996. It assumed the tasks previously performed by the Inspectorate-General of Military Equipment and the Division for Strategic Export Controls at the Trade Department of the Ministry for Foreign Affairs. Its activities are governed by three legal instruments: the Military Equipment Act, the Act on the Control of Dual-Use Items and Technical Assistance and the Chemical Weapons Convention.

The Director-General of the ISP is himself responsible for taking all decisions, but he has the option to refer matters of principle or of particular importance to the Government, which, in those cases, has the ultimate responsibility for decision.

The purpose of setting up the ISP was to relieve the Government from a large number of routine decisions. This has also been the case and only a very limited number of cases have been referred to the Government for decision. One reason for this is the practice that has been established, especially with regard to military equipment, on the basis of detailed guidelines. Another important factor is that the ISP is supported by an advisory body, the Export Control Council, which consists of representatives of all the political parties in parliament. The Council gives the ISP valuable support in interpreting the guidelines in specific cases. The Council, which has full insight into most of the activities of the Inspectorate, also contributes to greater transparency through parliamentary access and participation.

The ISP has a staff of 19. Their areas of expertise are administration, law, the armed forces, political science and technology. The ISP's budget totals around SEK 20 million.



PHOTO. CATHARINA BIESERT

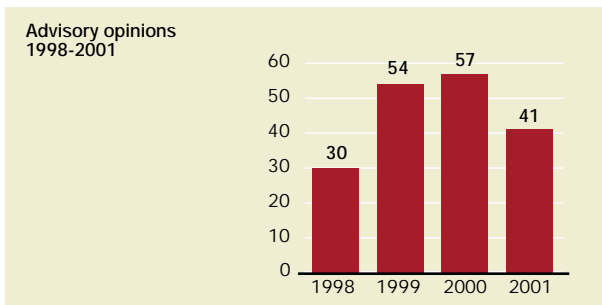
Standing left to right: Inger Åseborn, Ann-Katrin Öhrn, Stefan Karlberg, Ulla Jagerstål, Lennart Wesshagen, Christina Hedman, Annmari Lau Eriksson, Thomas Tjäder, Anders Almroth, Håkan Rooth, Magnus Danielsson, Yvonne Eck and Christer Ljungqvist. Sitting left to right: Lars-Hjalmar Wide, Christina Moquist Petersson, Stefan Hanson, Ulrika Jansson and Egon Svensson.

## 2. Military equipment

The Military Equipment Act prohibits the manufacture, trade and exports of military equipment and co-operation with foreign enterprises without prior permission. Consequently, the ISP's core activity is to review applications for export and manufacturing licences etc. and to grant or refuse them. A measure of its activities is therefore the number of export licences that are issued. However, the crucial issue is whether or not a product constitutes military equipment. Although the present list of military equipment has been in force since 1993, written inquiries concerning the classification of military equipment are still received, and 34 such inquiries were received in 2001.



Export licences are seldom refused. The reason is that the system is organised in such a way as to avoid this. Companies can request advance notification at an early stage as to whether an export licence is likely to be granted. Such notifications can be given verbally at the quarterly meetings held by the ISP to discuss their marketing operations. These verbal notifications are not recorded. The written inquiries for advisory opinions:



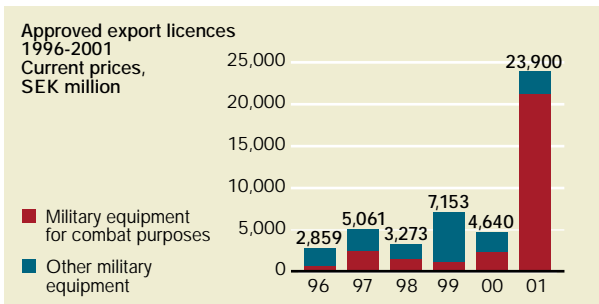
The diagram below shows the value of goods covered by export licences for each year since 1996. The totals are broken down into Military equipment for combat purposes and Other military equipment. A number of large business deals with deliveries in the years to come, such as Combat Vehicles from Hägglunds Vehicle AB to Switzerland or JAS



Gripen formation over Visby, Gotland in Sweden.

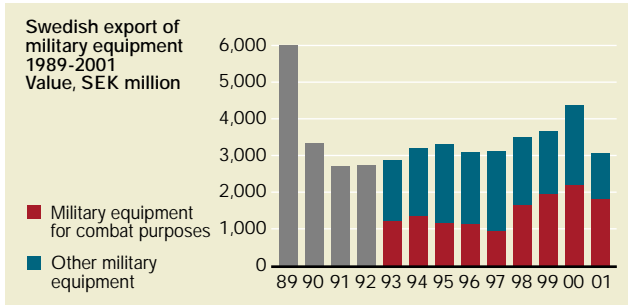
Gripen to South Africa has lead to great fluctuations from one year to another.

It is important to distinguish between export licences and actual exports. Companies apply for an export licence when they have concluded a contract. The licences refer to the amount stated in the contract. But deliveries, i.e. the actual exports, may take place over a number of years, and often no exports take place during the year when the contract is signed. The ISP records both the values of the goods covered by export licences and actual exports, since they relate to different things. Licences are an indication of the company’s success in the market while exports represent the goods actually invoiced and supplied.



Approved export licenses 1996-2001.  
Percentage variation in values.

Year	Total	Military equipment for combat	Other military equipment
1996	-56.3	-67.1	-51.5
1997	+77.0	+274.8	+17.4
1998	-35.3	-41.6	-29.3
1999	+118.5	-25.3	+232.8
2000	-35.1	+118.9	-62.6
2001	+415	+796	+18



Export values are not subject to the same fluctuations. They peaked for a few years in the 1980's due to Bofors AB's exports of howitzer systems to India. Subsequently, annual exports have totalled about SEK 3 billion, with somewhat higher figures for 1998, 1999 and 2000. The value of actual Swedish exports of military equipment in 2001 was 30% lower than the previous year, i.e. SEK 3 060 million.

Swedish export of military equipment 1989-2001.  
Percentage variation in values.

Year	Total	Military equipment for combat	Other military equipment
1989	-2.4		
1990	-44.6		
1991	-18.7		
1992	+1.8		
1993	+4.0		
1994	+11.1	+10.8	+11.4
1995	+4.1	-14.8	+18.0
1996	-6.8	-1.0	-9.9
1997	+0.5	-17.3	+10.8
1998	+13.3	+77.0	-14.3
1999	+4.0	+17.6	-8.2
2000	+19.6	+12.0	+28.4
2001	-30	-43	-17

The definition of military equipment was to a certain extent different before 1993.  
Any percentage comparison would be misleading.

The internationalisation of the Swedish defence industry has a major impact on the ISP's activities. A question often asked when Swedish companies co-operate with foreign companies concerns the applicable rules in connection with exports to third countries. A possible outcome is that the use of country lists of approved destinations will be negotiated between involved co-operation countries.

Once an application for a licence to export a certain product to a certain country has been granted and an agreement signed, the question of follow-on deliveries, mainly of spare parts, usually comes up. Such deliveries are normally authorised under the present guidelines. If the purchaser did not have the option of buying spare parts, there would probably be no sale in the first place. Follow-on deliveries are therefore important if Sweden wishes to operate in the military equipment market.

57 countries took delivery of Swedish military equipment in 2001. The figure in 2000 was 52. The largest recipient was USA followed by Norway, Denmark and Germany.

In July 2000, France, Germany, Italy, Spain, Sweden and United Kingdom signed a Framework Agreement to facilitate the restructuring and operation of the European Defence Industry.

During 2001 and 2002 the implementing work has been concluded in six different sub-committees. The Inspectorate is participating in two of them.



PHOTO: LENNART BORG

Combat Boat CB90 from Dockstavarvet AB.

Regarding Export Control, a project licence and a mechanism for consultations have been established as a result of industrial requests concerning possible export markets in various co-operative projects.

Regarding Security of Supply the work has recently been focused on industry to government relations as regards ownership and transfer of production.

### 3. Dual-use items

The rules and regulations on dual-use items cover a broad area of applications, from nuclear material to sophisticated machine tools. These items can be used for legitimate civilian purposes, but they also can be used in ways Sweden wishes to avoid. They are therefore called dual-use items.

From 28 September 2000 the 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 is in force. To the regulation there is an annex that lists the items that require an export licence.

The regulation was followed up nationally by the Act (2000:1064) and the Ordinance (2000:1217) on the Control of Dual-use Items and Technical Assistance. Technical assistance to chemical, biological or nuclear weapon programs and missile programs is forbidden by the act.

By the council regulation a Community general export authorisation No. EU001 was introduced. It implies that the trade in items covered by the authorisation by and large is as free as the trade within the EU for those ten countries for which the authorisation is valid.

The free trade for cryptographic items within the EU together with the fact that these items are covered by the Community general export authorisation leads to great simplifications for many companies active in this field.

Another consequence of the regulation is that all Member States now use the same form for the export authorisation which facilitate the procedure when the export takes place from another country that the country where the exporter is established.

Beside the Community general export authorisation No. EU001 Sweden has an open general licence that makes it possible to export most dual-use items for repair or demonstration without a licence. The exporter only has to refer to the licence in connection with customs clearance.

The ISP's assessments are based primarily on information exchanged within various international bodies: the Nuclear Suppliers Group (nuclear weapons and nuclear weapons technology), the Australia Group (biological and chemical weap-



PHOTO: OSTEN MATSSON

Omega6000 laser writer for the manufacture of semiconductor photomasks from Micronic Laser Systems AB.

ons and equipment used to produce such weapons), the Missile Technology Control Regime and the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies.

The ISP co-operates closely on these matters with other agencies that have their own information channels: the Swedish Security Service, the Swedish Military Intelligence and Security Services and the Swedish Customs. The ISP also bases its decisions on a dialogue with the Swedish companies concerned. The latter are usually just as keen as the ISP for Sweden not to contribute to arms build-ups. The ISP's assessments must be based on an analysis of whether the proclaimed use of the equipment seems reasonable. Since such transactions are lucrative for the intermediaries involved, front companies are sometimes used. It is therefore often important to find out who is the end user; if this is not established, the destination may be a dubious one. The ISP carries out a thorough review of any indications of improper use of the product before prohibiting the export. The ISP discusses the matter with the company concerned before such a decision is taken.

Advance notification with reference to dual-use items is not mentioned in the legislation, but the system is applied nevertheless, since it is very useful for the companies to have an idea of their prospects of doing business with a "risk country" before the tendering procedure begins. Advance notification is given by the Inspectorate and 25 such notifications were given during 2001 which represents more than a doubling compared with the previous year.

Following a pilot project implemented at a company in 1998 and 1999 in which about one thousand licences were handled electronically during the year, the Government instructed the ISP to study the possibility of offering all interested companies secure electronic communications, including licence applications, through the ISP. The system will be taken into service before the end of 2002.

A total of about 250 applications for export licences were processed during the year 2001. This is slightly more than in 2000. Most of these applications were relatively simple, but in some cases further consultations were called for. This applies, for example, to deliveries of dual-use items to military customers. According to the EU's Code of Conduct for Arms Exports, such transactions are to be assessed in accordance with the Code's eight criteria. In such cases the ISP examines what the outcome according to the Military Equipment Act would be.

## 4. CWC—the UN Convention on the Prohibition of Chemical Weapons

The ISP is the competent national authority under the Chemical Weapons Convention. The Convention entered into force in 1997. The ISP is co-ordinating the national implementation of the Convention. Furthermore it acts as the point of contact vis-à-vis the Organisation for implementation of the Convention, based in the Hague, and other States Parties. The Convention prohibits the development, production, possession and use of chemical weapons and the possession of production facilities for such weapons. All chemical weapons and their production facilities shall be destroyed by May 2007 with possibility for extension to 2012 after decision by the Organisation. Sweden does not possess chemical weapons or their production facilities.

A State Party undertakes to ensure that chemicals are only used for purposes not prohibited by the Convention. Chemicals covered by the Convention are grouped in lists that govern the kind of verification that is attributed to a certain chemical. Verification of chemicals and companies include declarations, inspections and export control vis-à-vis States not Party to the Convention. Companies that produce, process, consume, export or import chemicals that can be used as chemical weapons or used to produce chemical weapons must annually submit declarations to the ISP. Such declarations include annual declarations on past activities and annual declarations on anticipated activities. 112 companies submitted declarations to the ISP in 2002. The ISP prepares a summary of the declarations and forwards it to the Organisation. 39 facilities were declared to the Organisation in 2002.

Verification under the Convention includes inspections of Member States in order to verify that no chemical weapons substances are produced and that declarations submitted are accurate. The National Defence Research Agency produces very small quantities of chemical weapons substances for the purpose of developing means of protection against chemical weapons. This laboratory is under routine inspection by the Organisation. Furthermore, 33 of the declared industrial facilities are inspectable.

According to the Convention each State Party shall declare the kind of humanitarian assistance the State can offer in case chemical weapons have been used against another State Party. Sweden is active in this area and has declared assistance including equipment and personnel, as well as a contribution to the voluntary fund. Sweden gives the Organisation support by making one person from the Swedish Rescue Services Agency (SRSA) available for the elaboration of rules for the co-ordination of assistance from other States Parties.

The Swedish offer on Assistance is handled by the SRSA who has developed the concept “Chemical Support Team”. It consists of personnel and equipment for rescue and protection and is self-sustaining for two weeks. Sweden also offers annually a training course on protection and rescue to other States Parties.



PHOTO: PER-ÅKE KRISTENSSON, SRSA

“Chemical Support Team” during training.



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Klarabergsviadukten 90, Box 70252, SE-107 22 Stockholm, Sweden  
Phone +46 8 406 31 00 (switch open 8.30-12.00, 13.00-16.30)  
[www.isp.se](http://www.isp.se) [isp@isp.se](mailto:isp@isp.se)