

**Aspects of Economy and Security in the
Swedish Government's View on
Defence Equipment Supply 1989-2001**

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Abstract

This report investigates which issues that have been connected to defence equipment supply by the Swedish government in the years 1989-2001, and whether any changes can be detected, especially with regard to aspects of economy and security. Except of the general view on defence equipment supply, the issue was found to be connected to six main categories: the basis of acquisition, the relationship between the Swedish state and the defence industry, the view on strategic competencies, dual-use, international co-operation and exports. In all these categories three major trends of change were found, the first had to do with what kind of issue defence equipment supply is, where it has become an issue where economy is more important than before. The second trend indicates a “civilizing” of the issue, and the third trend shows defence industry policy as an issue that becomes less national and more international in character. A short comparison with the development of the defence industry policy area in France and the UK is also made in order to help the characterisation of the Swedish policy, and here it is found that the Swedish government has moved from being more “French” in its view on defence equipment supply towards being more “British”. A discussion is also undertaken on the possibility that the results indicate a changed concept of security rather than a clean move from security to economy as the dominating aspect of the view on defence equipment supply.

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Introduction

Defence equipment supply is a peculiar political issue in the sense that the defence industry market traditionally has been a special market, where states are the customers and to a large extent also have been the producers of defence equipment. In Western Europe this means that the issue of defence equipment supply to a great extent has been an issue for states only, and the states have dealt with other state representatives both on the supply side and on the demand side when defence equipment has been bought and sold. However, a number of political, economic, and technological changes took place in the Western European states' defence industry policies in the 1990s¹, which have led to the emergence of a European defence industry market. In order for that market to appear changes have taken place both in domestic defence industry policies and in the industrial structure itself.² Changes in the defence industry policy might mean that older assumptions about equipment supply not are valid any more. For Sweden this becomes particularly interesting since the Swedish state as a part of its policy of military non-alignment, traditionally has pursued a policy of self-sufficiency in the production of defence equipment. This has also included an active defence industry policy. Defence industry policy is found in an intersection of several policy areas, most importantly defence policy and industry policy, but also regional policy and technology policy. Maintaining high levels of security in a country is expensive and could require policies that are not optimal from the point of view of state finances or economic prosperity. On an analytic level then, the dichotomy between economy and security meet in an especially interesting way in defence industry policy and when defence equipment supply is considered. In this report, the aim is to find out which issues that have been connected to the defence equipment supply by the Swedish government, as expressed in governmental bills from 1989 to 2001, and whether any changes in the view on defence equipment supply can be detected over the years studied, especially with regard to aspects of economy and security.

Analysing economy and security –interdependence vs. anarchy

As stated above, the defence industry policy has traits of both defence policy and industry policy. National defence policy is generally guided by an idea of national security, and theories to analyse national security have generally drawn on a logic of anarchy. As stated by Britz and Eriksson the “international system is thought to be an anarchic system where power (and in some cases deterrence) is used to get as good a position as possible compared to the other parties in the system. Industrial policy however, is generally guided by economic concerns such as profitability and competitiveness. Therefore, theories to analyse

¹ Britz & Eriksson 2000: Chapter 1; Britz 2004: Chapter 3.

² C.f. e.g. Britz 2004: Chapter 4 and Chapter 5; Mörth & Britz 2004; Mörth 2003; Andersson 2002.

industrial policy generally draw from a school of interdependence.”³ The notion of security has shown to be a recurring theme in the bills analysed here, and therefore a closer look at this concept, and the implications from the findings here, will also be taken. Jordan⁴ builds on the distinction between an anarchic system and a system characterised by interdependence, and distinguishes between ten different perceptions of security policy. Three dimensions create the basis of each perception. The three dimensions are: first, the nature of the goals that should be defended; second, the group with which we share our common destiny (who are “we” or “us”); and third, the security policy worldview. The goals that should be defended are either of an interest nature, or of a value nature. Interest oriented goals mean that there is a perception of a group with which we share our destiny, and that that group distinguishes “us” from “the others”; and that it is the interests of our group that should be defended. Value oriented goals mean that there are certain values, rather than group interests, that should be defended. These values could be physical security, basic human needs, and freedom of speech, democracy and human rights. The group with which we share our destiny (“we”) could either be Europe/The Western alliance, the nation, the democratic societies, or humankind. The security policy worldview could either be power realist (i.e. anarchic) or systemic (i.e. based on an idea of interdependence). In a power realist worldview the world is perceived as consisting of separate parts whose interests sometimes collide. International collaboration is seen as a result of shared interests among different parties. Strong motifs of keeping a substantive own military capacity are often articulated since the international institutions making the world peaceful and secure are seen as limited. A systemic worldview is marked by a view of society and social system as something that changes with time, and it focuses on how these changes affect the conditions for conflicts.

The ten different perceptions of security policy that come from these three dimensions are:

- The interests of the Western Alliance and a power realist worldview
 - The interests of the Western Alliance and a systemic worldview
 - Swedish interests and a power realist worldview
 - Swedish interests and a systemic worldview
-
- Sweden as an advocate of principal values in an insecure world
 - Sweden as an advocate of principal values in an increasingly civilised world

³ Britz & Eriksson 2000:6

⁴ Jordan 2001: 60-75

- Democratic societies fighting for principal values - power realist worldview
- Democratic societies fighting for principal values – systemic worldview
- Humankind struggling in an insecure world
- Humankind struggling in a world that could be changed (improved?)

The dividing line is between the perceptions with an interest oriented view of what should be defended and those with a value oriented view of what should be defended. In his own study of Swedish persons working with issues related to security policy at different state and non-state organisations, Jordan found representatives for all worldviews except the first and the last one.⁵ Two thirds of the interviewees had one of three of the security policy perceptions presented above, which make the majority of the interviewees belonging to one of three groups. Fifty percent of these interviewees had Swedish interests as the perception of “us”, half of that group had a power realist worldview whereas the other half had a systemic worldview. The third big group also had a systemic worldview, but saw the democratic societies fighting for principal values as “us”.

The big issues connected to defence equipment supply

One of the first impressions when going thorough this material is that nothing much changes. More or less the same issues are treated in bill after bill, however, if comparing the first from the last, it becomes obvious that changes in policy actually have taken place. The more general trends will be discussed after this section on the big issues of defence equipment supply. Except of the general statements made on equipment supply, six main categories of issues that have seemed to be the most important for the policy of equipment supply were found. These were the basis of acquisition, the relationship between the Swedish state and the defence industry, the view on strategic competencies, dual-use, international co-operation, and exports.⁶

In the years of 1989-1994 there were no proper defence bills, but the defence part of the budgetary bills were taken out and presented in bills on their own. When reading these bills it became clear that the reason for this situation was twofold. One was the very unclear security environment at the end of the cold war. The insecurity was so great that written statements on what the proper

⁵ Jordan 2001: 74-75

⁶ Methodological note: The method used when going through these bills have been content analysis, with a special focus on aspects of economy and security. I have explicitly tried to find places in the text where economy and/or security are referred to, and further down there will be a discussion about this and whether a certain view on security, as categorised by Jordan 2001 (as already mentioned), could be found. The contents of the bills that are relevant for the issue of defence equipment supply has been categorised as is stated in the text. These categories are sometimes the same as the subheadings of the bills studied, but not always. The subheadings in this section are thus derived from the material itself, and consequently to be seen as an empirical finding. This is a way of categorising the material, but of course these categories are interlinked.

development should be became very difficult. The second reason was the economic difficulties in the Swedish Armed Forces, partially due to the recession and the general budgetary problems of the Swedish state. In these three bills there were no sections/chapters about defence equipment supply, however, there were sections on the defence industry where much of the same kind of information that in later bills were presented in a section or chapter about the defence equipment supply was found.⁷ Thus, defence equipment supply became a political issue only in the middle of the 1990s. Before that, the defence industry itself was the issue, but once it became clear that the domestic defence industry would change both with regard to what it produced but also with regard to industrial structure, defence equipment supply became a political issue.

In the bill of February 1989, it was stated that a new decision on the Swedish defence would be made in 1991, earlier than expected because it would no longer be possible to stick to the last decision from 1987. In the bill of 1991 it was stated that the conditions to reach the aim of making a new decision on the Swedish defence in 1991 changed in the autumn of 1991, when the development of the security situation changed even faster than it had done in the years 1988-1989. Therefore, it was also decided that the original aim of the defence committee of 1988 no longer should be, and that the committee was to be changed into a parliamentary drafting committee with representatives also from the government. Which also was why no bill on the defence for the period from the budgetary year of 1991/1992 was made.⁸

The general view on equipment supply⁹

Summarising the general statements, a few things seem to be of special importance. In the early years studied, the emphasis in the statements was on the importance of that Sweden should have a defence industry of its own, and the advantages of domestic equipment production. However, it becomes clear that self-sufficiency is decreasingly seen as an option, and already in the beginning of the 1990s ways of keeping as high a level of production as possible despite this development were sought for. Closer collaboration with other states was soon pointed out as one necessary measure to take. However, at first it was not clear what this collaboration would look like, and fears of dependence on other countries that might be a threat to Swedish security were raised. As will be pointed out below, the necessity of keeping technological competence as well as knowledge without spending more money was also an issue of concern.

⁷ Proposition 1988/89:80, p 2.

⁸ Proposition 1988/89:80, p 2, Proposition 1990/91:102, p7-6.

⁹ This category somewhat different from the ones below, and to this category statements that refer to the general development of the defence equipment supply, often made in the introduction to a chapter or section have been put.

In 1994, dependence on other countries was mentioned for the first time, and then the importance of avoiding dependence that could be used as pressure in an acute crisis was pointed out. In 1995, the government for the first time introduced two general principles that should be the basis of the defence equipment supply. The first principle was that the Swedish armed forces and the Swedish Defence Materiel Administration (FMV) should make sure that the long term equipment needs were fulfilled in the most cost efficient way. The second principle stated the techniques and equipment areas that were to be prioritised for production within Sweden. The first principle also had two special propositions, the first was of an economic character: the Customs law was to be changed so that there would be no tax on products from a third (non-EU) state that were imported by the Swedish armed forces or FMV for military purposes. The second special proposition made by the government in the beginning of the section on defence equipment supply, referred to both economy and security. It was here stated that a long-term strategy should be developed in order to make the technology areas and competencies that were most valuable for the defence policy, for adaptability and for economic growth, kept within the state. In the section where the importance of the Swedish defence industry was discussed, it was stated that its abilities to deliver qualified high technological products to the Swedish defence was of great defence political and security policy value. A domestic defence industry always brought positive effects to these policy areas. One reason given for this was that it created possibilities to increase a build up of the Swedish defence and create tailor made production in times of crisis.¹⁰

Another issue that became increasingly important in the years studied was the question of adaptability. This issue became important because the ability to adapt made it necessary to renew certain equipment at a time when there were already high economic strains on the Swedish defence. At the same time the ability of adaptation was seen as necessary from the point of view of security. In order to keep high levels of defence, and thus satisfying levels of security, in a quickly changing environment adaptability was seen as necessary. In the defence bill of 1996 (a continuation of the defence bill of 1995) it was stated that there were reasons to highlight partially new aspects of security in the Swedish defence's equipment supply. The reasons given were that the defence equipment supply during the year that had passed since the last defence bill, had been given special attention within the European security co-operation. The international structure within this area to a great extent determined the possibilities to get what the Swedish defence would need in a situation where an adaptation to a more threatening world-situation would be necessary. In this bill the question of adaptability also arose, and the government's judgement was that renewal would be possible if the Swedish authorities, and defence industry

¹⁰ Proposition 1988/89:80, p 64. Proposition 1990/91:102, p 196 .Proposition 1991/92:102, p 10, 77, Proposition 1995/96:12, p 87-88

would increase their international collaboration. However, an increased emphasis on adaptability created special circumstances when aimed for by a small and military non-aligned state like Sweden. Some kinds of equipment might be difficult to acquire and since the Swedish production was already depending on foreign companies to such extent that production without these would be insecure, defence equipment renewal would have to be planned differently.¹¹

Being a military non-aligned state, Sweden had to have the capacity to defend its territory independently. However, given the changes of the European defence industry and the changed security situation it was stated to be of great Swedish interest to participate in the political co-operation taking place to support a restructuring of the European defence industry. Defence budgets that stagnated or even decreased in many states in Western Europe resulted in a need to share costs of development and increase the production volumes. The international defence industry market had not really been marked by well functioning competition, especially not with regard to bigger systems. Smaller economic frames also lead to stronger priorities of new projects. Swedish participation in international peace keeping and humanitarian aid also meant that there were demands on the Swedish ability to co-operate, which in turn could create incentives for co-operation in the development of systems¹².

As the buyer of defence equipment, the Swedish state had to take action to make the defence equipment supply more able to cope with changed conditions. Therefore, it was perceived that Sweden had to participate and put forth the Swedish interests in the fora where this process took place. Sweden should also participate in the creation of increased co-operation between the EU-countries on the rules of defence equipment procurement etc. Swedish state authorities should therefore increasingly participate in co-operations to make it possible for the defence industry to participate in the fast structural changes taking place internationally.

In 1999, the government stated that Sweden's future industrial capacity would have a structure where industrial interdependencies crossing national borders would be of importance. In the document it was also stated that Sweden should contribute to an increased convergence of the EU countries on regulations for defence equipment procurement and such issues. Through increased collaboration between state authorities and increased co-operation within a restructured defence industry, it would be possible for Sweden to secure the supply of necessary competencies, and facilitate the defence equipment supply in a situation where adaptation was necessary.¹³

¹¹ Proposition 1996/97: 4 *Totalförsvaret i förnyelse, etapp 2*, p 55, 161-165

¹² Proposition 1998/99:74 *Förändrad omvärld – omdanad försvar*, p 58-60

¹³ Proposition 1998/99:74 *Förändrad omvärld – omdanad försvar*, p 116

In 1999 the costs were seen as an important problem, and it was stated that both the parliament and the government, since the decision on the Swedish defence in 1996, had taken measures in order to change the Swedish armed forces' supply of equipment, establishment, and research and technology development. The purpose had been to increase the flexibility of the equipment supply without increasing the costs. The government also stated that it, since the last defence bill in the beginning of the year, had initiated a dialogue between itself, the Swedish armed forces, FMV, and the defence industry in order to see if some of the already ordered equipment could be re-negotiated in order to make it possible to use money already allocated to new pressing projects. It was also decided in the spring of 1999 that a special subsidy could be used for costs that had to do with postponed equipment delivery made to solve the problems of monetary resources before 2002. The negotiations with the defence industry, combined with the special subsidy, made it possible to create room for some of the pressing projects. It was stated that interdependencies were important, because if the defence industry was internationally integrated the interdependency can help securing an independent and adapted equipment supply.¹⁴

The changed environment increased the need of a strategy for the equipment supply, and in the defence bill of 2001, the government's judgement was that what in earlier defence bills was described as an overhauling *aim* of the military defence's equipment supply, should be developed into a *strategy* for the equipment acquisition and research of the military defence. The strategy should make sure that the Swedish armed forces in a cost efficient way would be supplied with equipment, technology and knowledge necessary for the development of operational capacities, competences, and the ability to adaptation. The strategy should be created from the needs of a) the creation of a clear connection between the development wanted for the military defence's operational capacities and competencies, and the need for development of equipment and research; b) the development of better conditions for the early identification and estimation of alternative options; c) the creation of necessary competencies for the Swedish armed forces equipment supply; and d) the creation of good conditions for international collaboration for a domestic defence industry that within chosen areas is competitive.¹⁵

In order to increase the adaptability of the Swedish armed forces, it was stated that an increased freedom of action in all phases of the equipment supply process should be sought for. There should also be a greater emphasis on the early phases of the equipment supply, and the government stated that its purpose was to re-allocate economic means from the defence equipment supply's later phases to the earlier phases. The concept of strategic competencies should be

¹⁴ Proposition 1999/2000:20, Det nya försvaret, p 94-95, 105

¹⁵ Proposition 2001/2002: 10, *Fortsatt förnyelse av totalförsvaret*, p219-220

more precise and delimited. Sweden should strive for long-term international collaboration in order to supply the military defence with equipment, and good conditions for the domestic companies to participate in international projects should be sought for. For reasons of security and defence policy there should be a continuing emphasis on the possibilities for the domestic defence industry to export defence equipment.¹⁶

The basis of acquisition

Summarising the views presented in the category the basis of acquisition it can be concluded that the harsh economic situation for the Swedish defence has been the overshadowing issue. Economic means were increased in 1989 in order to carry out studies, develop and project new equipment, which was the last effort of helping out through allocating more money. Then the government stated that the life of equipment would have to be prolonged, until it for reasons of adaptability was necessary to renew some of the equipment. However, the government stated that this could be done in a number of different ways of which buying new equipment from Swedish defence industry was only one. The others were acquisition through foreign defence industry (something that could be done in combination with a modification of the Swedish terms), a third was through upgrading existing systems, and a fourth was through international collaboration between state authorities and industries.¹⁷

Since 1999 quite a lot of energy has been put into changing the equipment process itself so it would become more efficient and consequently less expensive. Proposed ways of doing this were to increase insight into the early phases of the process, to limit long-term commitments in order to reduce risks of increasing costs, to have non-specified economic space in order to increase freedom, and to increase the Armed Forces' possibilities of saving and receiving credits. An increase in the economic flexibility so to say. Emphasis was put on acquiring defence equipment as a part of the Swedish Armed Forces' ability of adaptation. In the defence bill of March 1999 the government stated that the process of defence equipment supply needed to undergo a comprehensive action of development and increased efficiency in 1999 in order to help the Swedish Armed Forces change the direction of the defence towards greater adaptability. A whole list of issues to consider was given, to which some of the ones mentioned belong. In 1999 it was also stated that the renewal of the Swedish armed forces and national and international interoperability should be prioritised when new equipment were developed. From this, the judgement the government made was that the defence equipment supply had to change from long term bindings with series of deliveries over a long time period, to an increased

¹⁶ Proposition 2001/2002: 10, p219

¹⁷ Proposition 1996/97: 4, p 163-164, Proposition 1988/89:80, p,64-66. Proposition 1991/92:102, p 77

emphasis on research and development, including the use of demonstrators and simulators.¹⁸

In the defence bill of 2001, it was stated that in order to increase the possibilities of the Governmental authorities to judge the Swedish armed forces' proposals from a defence and security policy point of view, the insight into the early phases of the defence equipment supply process should be increased. In order to improve the Governmental authorities' picture of the defence equipment supply and research, the Government wanted to try a form of steering that meant a division of functions on an operational level. Then functional plans that took into account future ways of development, international collaboration, needs for industrial competencies and capacities, and other needs for a secure and adapted defence equipment supply and research would be created. In order to create technical, tactic, and economic possibilities to carry out changes and means of adaptation an increased emphasis on research on a wide basis was necessary. Increased emphasis on research was also needed in order to increase the freedom of action in the defence equipment supply process. Increased freedom of action was in turn necessary in order to make adaptation without loss of operational capacity possible. Long-term commitments should be limited to reduce risks of increased costs and delays. Non-specified economic space in the Swedish armed forces' planning increased freedom of action, another way was to increase the Swedish armed forces' possibilities of saving grants and receiving credits.¹⁹

The view on strategic competencies

The issue of strategic competencies is clearly at the heart of a non-aligned state. In the beginning of the 1990s it was stated that the possibility to independently maintain defence equipment was necessary for the legitimacy of the neutrality policy, and the goal of keeping production was high (as was also shown by the extra allocation of economic means to the Armed Forces in 1989). Areas pointed out for which it was important to prioritise research were IT, electronic warfare, biotechnology, and chemistry. An increased need to prioritise what competencies it would be important to keep can be found. However, *how* this has been put has changed a bit over the years. In 1994 it was stated that Sweden would need to keep high industrial competencies to make international exchange of knowledge and co-operation possible. Some competencies came to be seen as necessary if Swedish defence industry was to be considered as interesting in international collaborations. Then the changed security situation changed the need for, and the possibility to keep, capabilities. Later on, international collaboration was stated to be a way of keeping competencies, and it was also

¹⁸ Proposition 1999/2000:30, p 96. Proposition 1998/1999:74, p 121-122

¹⁹ Proposition 2001/2002: 10, p 221-223.

pointed out that collaboration would not be a disadvantage from the point of view of security.²⁰

At the end of the 1990s, the issue of strategic competencies became so important that it received an own subsection in the defence bill, and the government also started to state what criteria the choice of strategic competencies should be based on. Here a distinction was also made between strategic competencies and industrial competencies. It was stated that the need of basic competencies, as stated in the defence bill of 1995, had changed, and the government stated that it wanted to pinpoint a greater number, but at the same time more specific areas, in order to keep the domestic competence. Industrially, strategic competencies could be described as narrow niche competencies that could be found either in the industry or in other organisations and state authorities. How to make sure that competencies were kept was also considered, and one way suggested was through the building of competence groups through integrated project teams and centres of competence in networks. Later on, arguments were made that certain strategic competence should be kept because the industry was competitive in certain areas. In the defence bill of 2001 it was once again stated that there was a need of refining and limiting the concept of strategic competencies, and consequently the strategic basis should not any more be part of the strategic competencies. Competence agreements between FMV and the industry would make it possible to follow up the capabilities in different perspectives, and clarify to which extent a certain capability was integrated into transnational structures.²¹

Dual-use

The issue of dual use, or the use of civilian technology for military purposes (COTS – Commercial Off The Shelf) as this expression is mainly used, seem to have been very important in the mid-1990s, and it is discussed as a way of cutting costs, or as a way of increasing the possibility of domestic production in times of crisis. Using technology that already exists is evidently cheaper than developing technology for a special military purpose, especially since costs of research and development increase with the complexity of the technology. It was also stated that the technological development had resulted in advanced civilian products living up to at least as high demands as military products. The government made the estimation that an increased civilian production, based on equipment technologies, were a good way of keeping some of the national competencies sought for, and also a good way of spreading knowledge to other parts of society.

²⁰ Proposition 1988/89:80, p 63; Proposition 1990/91:102, p 196-197 more about strategic capabilities on pages 197-200; Proposition 1991/92:102, p 77; Proposition 1995/96:12, p 88; Proposition 1996/97: 4, p 55; Proposition 1996/97: 4, p 162-163, 168, 170

²¹ Proposition 1998/1999:74, P 117-119, Proposition 1999/2000:30, p 139-140; Proposition 2001/2002: 10, p 223-224

However, in the later defence bills dual use is not explicitly mentioned. There might be several reasons for this, one could be that the use of dual use technology later on became so taken for granted that it was not considered important to mention. Another that it had been showed that just taking civilian technology and directly use it for military purposes was not that easy, but that the adjustments necessary were more comprehensive than earlier foreseen. Yet another reason might be that this later on was seen as something that was up to FMV and the defence industry and nothing that the government bills really should dwell on. In the defence bill of March 1999 though, the government's judgement was that special emphasis in the research and technology development should be on linking civilian research and technology development with the needs of the Swedish defence.²²

Exports

The reasons for exporting defence equipment were basically economic. When the internal market was not big enough for the domestic defence industry to survive, the importance of exports increased. Already from the first bill studied exports was stated to be a mean to keep the defence industry's competence, capacity and competitiveness. In the middle of the 1990s the security and strategic importance of exports was enhanced since it helped keeping the companies' production volumes up and thus creating a base for long-term technology supply. The importance of exports increased in the time period studied, something that was also stated in the defence bill of 2001, where it was stated that the importance of exporting defence equipment had increased as means of securing the provision of equipment and competence to the Swedish military defence. But it was also stated that there were several reasons for the Swedish state to support exports. Except for the fact that exports were a way of securing the competence of the domestic defence industry when the Swedish armed forces decreased their acquisition, it was in this bill also stated that it was important to strengthen the domestic defence industry's competitiveness. Competence was stated to be important if the defence industry was to be understood as an interesting partner in international collaboration. Another reason given was that when the number of customers was widened, possibilities of sharing costs of development, and education etc would increase. The value of exports to Sweden's research and technology development was also pointed out, and the importance of exports for Sweden's defence policy was emphasised. Participation in international crisis management was also pointed out as a possibility of promoting Swedish defence equipment.²³

²² Proposition 1995/96:12, p 89, 91; Proposition 1996/97: 4, p 171-172; Proposition 1998/1999:74, P 120-121

²³ Proposition 1991/92:102, p 77; Proposition 1995/96:12, p 91-92; Proposition 1996/97: 4, p 166; Proposition 1998/1999:74, 122, Proposition 1999/2000:30, p 105-106, Proposition 2001/2002: 10, p 227-228.

The relationship between the Swedish State and the defence industry

Regarding the relationship between the state and the defence industry, it was clearly stated in all bills that the defence industry is an industry in its own right and therefore is responsible for its own development. However, it was also stated that since the politicians create the rules for the defence industry they have to facilitate for the industry, especially in times of changes such as at the end of the 1990s, when the European defence industry was in a process of restructuring. In several bills it was stated that the government should give appropriate support, and there has been a constant search for exactly what this meant. It was stated to be important that the Government authorities when deciding on the direction of the defence also took the defence industry's possibilities into account. The support could be in the form of co-operation with regard to orders, education, or the creation of a formal framework for co-operation. Collaboration between state authorities on a project level was stated to facilitate the possibilities for the defence industry to participate in the industrial co-operation. Except of support for co-operation, the state could also use other political means such as industry policy, regional policy, and labour policy, among other things to support certain regions. Where such measures earlier mainly were of a domestic character, the increased international collaboration made it possible to look abroad to find measures. One would be to help the industry to increase its number of co-operative projects and another to act on an international level (Nordic and European) to create a regulative framework that facilitates international industrial co-operation. Which also shows that the possible ways of helping the defence industry increased with the increased international collaboration.²⁴

Another thing that seemed important was the question of competence, which was stated quite strongly already in 1991. It was stated that the competence created through defence research and technology development should be better looked after, especially in times of restructurings of the defence industry when it became especially important to overhaul the long-term needs of knowledge and competence. There should be a co-ordination of research, development and building of knowledge not only within the defence but also generally within research and technology development. Defence systems that were developed in Sweden to a large extent have been financed by the Swedish state, and therefore they were seen as an investment. Consequently, the Government wanted to get as much out of these investments as possible in terms of keeping valuable competence and preferably spreading it to other areas. In 2001 it was stated that in order to create a good environment for the defence industry with activities in Sweden, it could be the case that procurement of

²⁴ Proposition 1990/91:102, p 200; Proposition 1991/92:102, p 77, 84; Proposition 1995/96:12, p 88, 91, 93; Proposition 1996/97: 4, p 166-167, 171; Proposition 1998/1999:74, p116; Proposition 2001/2002: 10, p 225-226.

development and production within areas where the industry was internationally competitive would be prioritised. This of course within areas where the Swedish armed forces had an operational need.²⁵

International co-operation

From the beginning of the 1990s, international co-operation took up quite a lot of space in the bills studied. It was also an issue where aspects of economy and security met in a clear way. International collaboration was both seen as a way of saving money, and thus securing the supply of defence equipment even though costs of production increase and defence budgets decrease. But it was also seen as a reason for *and* a possibility to keep technological knowledge at the highest possible level. In order to be seen as an interesting partner in international co-operative projects, Swedish levels of knowledge and technology had to be high. At the same time, those projects made it possible for Sweden to increase the levels of knowledge. Therefore, international collaboration was important, but it was also stated in the earlier bills that this collaboration should be government led and that industrial agreements should be tried by the government. Except for the obvious purpose of co-operation in order to save money, it was also stated that collaboration was seen as a way of increasing security. However this was a tricky question, if the security situation would change, would it be possible to leave collaborations that were no longer wanted? The answer to this would be to try and engage in projects that would be needed even if the security situation changed. With some states, Sweden could even think of participation in collaborative projects with the purpose of increasing the security in its immediate environment. Those co-operative projects would then be between Sweden and some of the Baltic states.²⁶

International fora for co-operation became increasingly important in the time period studied. At the beginning of the 1990s it was stated that Swedish defence industry companies should have the possibilities of co-operating with companies within IEPG (Independent European Programme Group, NATO-countries), and a close co-operation with WEAG, and later on membership in that organisation was proposed. Participation in the Nordic agreement on defence equipment co-operation and then the so called LoI-process, resulting in a *Framework Agreement on measures to facilitate the restructuring and operation of the European defence industry*, were ways of continuing this development of creating possibilities for the Swedish defence industry to participate in international collaborations.²⁷ The EU was mainly seen as an

²⁵ Proposition 1990/91:102, p 200; Proposition 1991/92:102, p 77, 84; Proposition 1995/96:12, p 88, 91, 93; Proposition 1996/97: 4, p 166-167, 171; Proposition 1998/1999:74, p116; Proposition 2001/2002: 10, p 225-226.

²⁶ Proposition 1990/91:102, p 197; Proposition 1991/92:102, p 77; Proposition 1995/96:12, p 90-92; Proposition 1996/97: 4, p 55-56, 161,165-166;

Proposition 1998/1999:74, p 123-125; Proposition 1999/2000:30, p 103-105; Proposition 2001/2002: 10, p 228-230

²⁷ For a discussion of this process see e.g. Britz 2004: Chapter 4, or Mörth 2003.

organisation that could play a direct role in this process in the middle of the 1990s.²⁸

Major trends of change

Three major trends of the development of defence industry policy with regard to defence equipment supply could be distinguished here. *The first trend* has to do with *what kind of issue defence equipment supply is*. It seems as if defence equipment supply did not exist as a political issue as long as it was taken for granted that Sweden should be more or less self-sufficient in defence equipment production. At that time, the defence industry was an issue, but not the equipment supply itself. When defence equipment supply emerged as a political issue in the middle of the 1990s it was primarily an issue of security. Later on it has increasingly become an issue of economy, even though the security aspects still were there. What defence equipment was acquired, and how this was done, increasingly became important questions when handling the general lack of economic means that the defence had to deal with. If looking at the categories made above, exports and dual-use seem to be dominated by economic concerns. Both economic concerns and concerns of security seem to have been very important within the other categories: the basis of acquisition, the relationship between the Swedish state and the defence industry, the view on strategic competencies, and international collaboration.

The second major trend was that of a “civilizing” of the view on defence equipment supply, the policy area becomes more civilian and was increasingly seen as such. This was partially due to the technological development and the increased importance of dual-use (or civilian) technology as described above. But it was also shown in the discussion about strategic competencies and international collaborations. At the beginning of the time period studied, strategic competencies were to safeguard national security, but later on strategic competencies could also be competencies where the domestic defence industry was especially competitive. This “civilizing” can be seen as a consequence of the increased importance of economy questions of defence equipment supply. But another important factor behind this development most likely is the changed security situation in the world with other threats than great scale wars as the most plausible ones. Terrorism and international crimes for example demand a greater co-operation between the military and civilian defence than has earlier been necessary, and this affects what kind of defence equipment was needed, and consequently present the equipment supply with new challenges.

²⁸ Proposition 1990/91:102, p 197; Proposition 1991/92:102, p 77; Proposition 1995/96:12, p 90-92; Proposition 1996/97: 4, p 55-56, 161,165-166; Proposition 1998/1999:74, p 123-125; Proposition 1999/2000:30, p 103-105; Proposition 2001/2002: 10, p 228-230

The *third major trend*, quite closely connected to the first, is that of defence equipment supply as *an issue that becomes less national and more international in character*. The most important development with regard to defence equipment supply presented above is that of international collaboration. The emphasis on the importance of increased international collaboration, both for the government authorities and for the defence industry becomes stronger each year. The increased importance of exports also contributes to this picture. The development of the Nordic agreement about collaboration and the Framework Agreement mentioned above are examples of how the defence equipment supply not only has become part of an international agenda, but also increasingly will be regulated on levels above the countries that have signed the agreements.

The security dimension of the defence equipment supply also seems to have changed in this respect. If going back to the categorisations made by Jordan (interest nature or value nature of goals to be defended, who should be defended, and the security policy world view), the goals that were to be defended were generally of an interest nature, and the group with which we share our destiny, and thus the subject of defence was generally the Swedish nation, even though a slight change towards a bigger community, the EU could be detected. The clearest change though, seems to have been in the security policy worldview from the defence of Swedish interests in a power realist (or anarchic) world to the defence of Swedish interests in a more systemic (or interdependent) world. In the power realist worldview, Swedish interest could be equalled to the defence of the Swedish territory, and in the earlier years it was clear that that was the purpose of a well functioning equipment supply. In the later years, it rather seems as if the purpose of a well functioning equipment supply was to defend Swedish interest in a wider defence community, that of the Nordic countries and the EU. One example of this is when international collaboration was motivated by the need to strengthen the European technological and industrial base, and not the Swedish need of securing defence equipment in order to defend the Swedish territory. The national security becomes interwoven in the European through the collaborations and the development of mutual dependencies. This also means that the view on security found in these defence bills coincide with the majority view of the persons interviewed by Jordan.

The changed security situation in Western Europe since the end of the cold war, and the changes in the perception of security that has followed, also give way for new uses of economy. As mentioned in the introduction, defence industry policy consists of both defence policy and industry policy. National defence policy has generally been guided by the ideas of national security, and theories to analyse national security, “high” politics, generally draw on a power realist worldview (or a logic of anarchy). The international system is seen as an anarchic system where power and in some cases deterrence is used to get as

good a position as possible compared to the other members of the system. However, industry policy is generally guided by economic concerns such as profitability and competitiveness, and theories analysing what traditionally has been considered to be “low” politics, such as economy, generally presume a systemic worldview (or a logic of interdependence). In an interdependent system, mutual dependencies between the parties are emphasised, and economy plays a different role in the international relations than in a power realist (or anarchic) worldview, in that it not only is a measure of power (economic strength) but also ties different parties together reducing risks of conflict.²⁹

The governmental bills discussed in this chapter show that the notion of security has changed, which also make it possible to use economic measures in a different way. International governmental co-operation and industrial collaboration could here be seen not only as a way of saving money, but also as a way of using money and economic commitments to enhance the security situation. I.e., the defence industry policy and the view on defence equipment supply have increasingly come to be guided by a logic of interdependence, weakening the anarchic traits of the policy area. The explicit wish to increase collaboration with the Baltic states is a good example of this. Sweden could thus be described as having changed its basis for the defence industry policy and its view on equipment supply from anarchic – where power is the core of the national security, towards interdependence – where economy plays a greater role in the safeguarding of national security.

A short comparison

As mentioned in the introduction, Sweden is an especially interesting country to study with regard to changes in defence industry policy related policies, such as the defence equipment supply, due to its traditional policy of military non-alignment. However, the changes in economy, security and technology stated in the beginning of this report to affect the defence industry policy in Sweden have also affected other European countries. It is therefore interesting to compare the Swedish development with the development in other countries. In a report from 2000 the defence industry policy in terms of policy towards national production; policy towards international collaboration; and policy towards industrial structure, company structure, and company ownership, in the UK, France and Germany, were studied.³⁰ Here the results from the studies of France and the UK will be briefly recaptured as a comparison to the developments in Sweden. The reason why these countries have been chosen is that they, as Sweden, have long traditions of extensive defence equipment production. The logic of anarchy was found to be the dominating logic to safeguard national security in France in the 1990s. However, an opening towards a policy that could be analysed in terms of

²⁹ C.f. Britz and Eriksson 2000: Chapter 1, esp. p. 6

³⁰ Britz and Eriksson 2000.

interdependence was found at the end of the 1990s, especially regarding some areas of defence equipment production. In the case of policy towards company structure the two logics came to confront each other. The idea of national security was guarded according to the logic of security by representatives from the French state, which became problematic when they participated in the restructuring of the defence industry, where representatives from other states acted more according to a logic of interdependence. This pushed for a change in the French policy towards a more interdependence oriented view on security regarding international collaboration and policy towards international company structures³¹

In the same policy area(s) the UK was found to pursue a strongly market-oriented policy since the 1980s, and a logic of interdependence in the international system dominated all areas studied. The UK seems to have lacked a logic of anarchy in the defence industrial policy area in the 1990s. One reason for this could be that it has had such a great confidence in its transatlantic contacts, and the whole NATO framework, that its view on national security becomes dominated by the logic of interdependence. Which makes a very market oriented policy possible, a policy that in turn makes it difficult to act according to a logic of anarchy. The logic of anarchy does not seem to be connected to the British concept of security, at least not in a Euro-transatlantic environment. The logic of interdependence then had to become the dominating logic of the whole policy area.³²

When comparing the development of the defence industry policy with regard to the issue of defence equipment supply in Sweden to that in the UK and France, we can conclude that the Swedish government has moved from being more like the French towards being more like the British in the view on defence equipment supply. The three major trends found above, where defence equipment supply increasingly come to be about economics, went through a trend of “civilizing”, and was seen more as an international issue than before, increased interdependence characteristics of the Swedish policy, and as stated above the British defence industry policy can be characterised as dominated by a logic of interdependence whereas the French policy more was dominated by a logic of anarchy.

Concluding remarks

The results in this report also seem to indicate that the relationship between economy and security not necessarily has to be such a strong dichotomy as suggested in the introduction. As it has been shown here, an emphasis on economy and measures to decrease costs, could be ways of safeguarding state security, instead of the increase of military power. This also means that the first impression when the major trends were discussed, that economy became *more*

³¹ Britz and Eriksson 2000: Chapter 5, esp. p.228-230 and Chapter 6

³² Britz and Eriksson 2000: Chapter 3, esp. p.79-81 and Chapter 6

important than security might be slightly misleading. With a change in the notion of security, economic measures just show other possibilities of safeguarding state security. This also means that when comparing these three countries it might be that what differs between them, and what has been in flux in the time period studied, is the view on how security is to be safeguarded, rather than conflicting views on what kind of issue defence industry policy and defence equipment supply are. An issue that would merit further investigation.

The defence bills studied here activate a number of issues that have to do with the mix in this policy area of military needs, political development, and the judicial framework. The fact that defence equipment supply not only is a question of military needs but also is a question of domestic policy making in “neighbouring” policy areas was shown in the defence bills studied. The wish to maintain or develop certain competences, facilitate international co-operations, and/or facilitate the transfer of technology, were other important reasons than military need to order certain equipment. It seems as if the new aspects on security shown here not only have to do with the end of the cold war, but also with the European integration through increased co-operation. The statements from the end of the 1990s that Sweden should contribute to increased convergence on regulations for defence equipment procurement within the EU, and that these measures would help Sweden in safeguarding its equipment supply shows a changed view on the possibilities of safeguarding security. The change shown above in worldview from an anarchic worldview to a more interdependence oriented worldview in turn increased the possibilities of co-operation on a European level.

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