

NEUTRALITY WITHIN THE EU: CHALLENGING THE SWEDISH IDENTITY

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Introduction

From 1521 to 1814, Sweden fought in forty-eight wars, mostly in an effort to regain territory. (Kruzal, p. 67) Since then, Sweden has remained neutral, a record only matched by Switzerland. Neutrality is not only the basis of Swedish security policy; it is considered a fundamental aspect of Sweden's national identity. However, with recent changes in the world security situation along with domestic financial strains, it is unclear how long this policy will last. Sweden may be committed to the concept "neutrality," but its meaning is evolving so much that its security policy is moving closer to that of the other EU countries. How this evolution will affect Sweden's defense industry, its relationship to Europe, and its role throughout the world is highly debated and somewhat unclear. However, it is certain that the Swedish policy of neutrality is no longer as simple or well defined as it once was. Sweden is in a peri-

od of change which it has not seen since it first took a neutral position in 1814.

In this article, I begin with a discussion of the historical events that have shaped Swedish security policy. This is followed by an evaluation of the issues that are changing the security policy today. Finally, I discuss the feasibility of maintaining neutrality from a security, financial, social, and even ethical standpoint. Although neutrality has served Sweden very well, especially over the past century, it is unclear how it will serve Sweden's future interests.

History of Swedish Neutrality

Using the word "neutral" to describe a country like Sweden often implies more about its behavior than it should. The most basic definition of neutrality is refraining from military alliances with other countries during war. If recognized in the international community as

a truly neutral state, the neutral should never be forced into a war due to an alliance. The phrase that has become widely accepted as describing Sweden's security policy is "nonparticipation in alliances in peacetime, aiming at neutrality in the event of war." (Hagelin) Although this definition generally applies to all neutrals, there are certain additional qualities specific to Sweden's policy which distinguish it from other neutral models such as Austria.

Sweden is not officially bound to neutrality by any international agreements. In fact, neutrality is not even mentioned in its own constitution. However, due to its success, public opinion is overwhelmingly in favor of neutrality, and most political parties support it as well. (Logue, p. 37) Sweden has successfully maintained neutrality since 1814. This is certainly a welcome change from the period of 1521 to 1814 during which time Sweden was at war more often than not. (Kruzell, p. 67) Swedish neutrality has been achieved by maintaining two fundamental objectives: legitimacy and armament. Both of these objectives have developed due to historical events that almost forced Sweden into war.

One such event that challenged Swedish legitimacy came about when Sweden conducted talks with Germany in 1910. Sweden was asking for a guarantee of assistance in case it was attacked by Russia. Although Germany gave no guarantee, northern Europe had significant strategic importance geographically, giving Russia reason to be skeptical of Swedish neutrality. (Wallin, p. 13) The event most detrimental to Swedish legitimacy took place in 1914 as World War I approached. Once again, Russia feared Sweden would side with the Germans. This time the suspicion was based on the remarks of K.A. Wallenberg, the Swedish Foreign Minister, who suggested that anti-Russian feelings might make it hard to keep Sweden out of the war. A comment like this all but destroyed Sweden's legitimacy as a neutral at a time when neutrality was its best chance to avoid entering the war. On August 9, Russian Admiral von Essen led a portion of the Baltic fleet towards Sweden with the task of attacking parts of the Swedish navy stationed near Gotland. Had he not received orders to turn around in the middle of the voyage

from Russian military headquarters in St. Petersburg, Sweden would have undoubtedly been attacked and forced to enter the war. This example demonstrates how absolutely vital it is that there is no ambiguity as to a neutral's stance. The neutral must understand that other countries may be skeptical of its stance, often paranoid about secret alliances with adversaries, and that the neutral must do everything it can to convince them that it is non-aligned and will not participate in war unless directly attacked. After WWI, Sweden joined the League of Nations, even though its joining conflicted with its neutrality policy. Membership was seen as improving its security and, as Lars Wallin writes, "For a while 'neutrality' vanished from the Swedish foreign policy vocabulary." (Wallin, p. 15) The League would prove ineffective at preventing World War II, after which Sweden would return to a revised neutral policy.

The objective of armament stemmed from events leading up to WWII. Sweden, like many other countries, tried to obtain military supplies in order to protect itself against any state that might attack; in this case Germany was the dominant threat. Unfortunately for Sweden, most countries from which it requested supplies, most notably the U.S., France and England, were stockpiling supplies themselves. (Hagelin) As a result, most orders were not completed, and as the war approached, Sweden's military forces were not as strong as she hoped. This weak defense system left Sweden in a more vulnerable position to be overtaken by an aggressor. As a result, defense spending rapidly increased just before and during the war, continuing through the 1950s. Perhaps the best indicator of this rapid armament was that 11.8 percent of the Swedish GDP was spent on defense in 1941. (Wallin, p. 23) By way of comparison, approximately two percent of GDP was spent on defense in 2002. Although Sweden's military power was increasing, its ability to stay out of the war was also based on, as would later be revealed, several arrangements it made with Germany including concessions which allowed German troops to travel throughout Sweden. Although effective in keeping Sweden out of the war, concessions like these demonstrated the influence other countries could have on Swedish policy if it did not

have sufficient military power to defend itself.

Sweden's vulnerability during WWII led to a policy change after the war as Sweden adopted the "armed neutrality" model it still uses today. Sustaining a multi-faceted defense industry since then has allowed her to remain armed without relying on other countries for military equipment. According to John Logue, for an "armed neutral" military power must "make the cost of an attack... far outweigh the potential benefits for any aggressor." (Logue, p. 60)

For the first decade after WWII, Kruzal argues that "Swedish defense planning... was based quite openly on the objective of being able to hold out against an aggressor until foreign military assistance arrived." (Kruzal, p. 71) Defense planning would eventually be revised since this policy relied on assistance, an assumption that implies an alignment of some kind and thus compromises the neutral's legitimacy. Since then, "armed neutrality" has been a widely accepted policy in Sweden even though high quality production in all fields of military equipment and supplies places a considerable burden on the country's budget.

Historically, the commitment to "armed neutrality" has withstood the large military expenditures required. However, recent economic struggles combined with a large welfare state are challenging the importance and practicality of this commitment. Although the Swedish welfare state provides citizens a wide variety of services and is quite successful in keeping the economic and social gaps between classes from growing, the high taxes required by it put a considerable strain on the economy. Recently, with globalization lowering the cost of labor, Swedish companies have struggled to remain competitive with their high labor costs and corporate taxes. In addition to the effects of globalization, Sweden's low birth rate and substantial increase in immigration have left a decreasing tax base to support a population that is not as productive as it used to be. With these burdens in mind, it is clear that a successful welfare state is now more difficult to obtain. Therefore, in order to maintain the important social services of the welfare system, it may be necessary to reevaluate other large sources of government spending such as military defense expenditures.

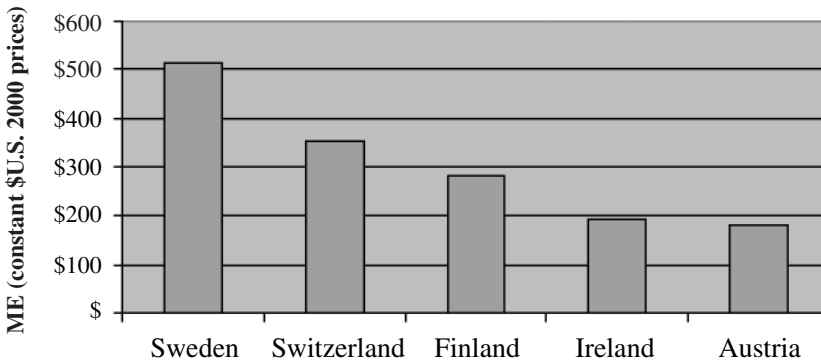
Sweden vs. Other Neutrals

The level of military expenditure, for a small country like Sweden, is considered high throughout the international community. The primary reason for a high level of military expenditure, already discussed in some detail, is that it is necessary to protect against aggressors since no assistance from other countries can be expected. This heavy burden is magnified to some degree due to the geography and demography of Sweden. In general, the fewer people and the more land a country has, the harder it is to protect against outside threats. Sweden consists of about 174,000 sq. miles and is home to approximately nine million people. This equates to one of the largest land-per-capita ratios in Europe. The long national borders of Sweden require a sophisticated military defense capable of covering large areas, especially for the less-populated north. This is one of the reasons Sweden places such a high priority on maintaining its aircraft industry. Figure 1 shows that military expenditure per person (ME/Pop) is much higher in Sweden than in the other European neutral countries. If Sweden also had a much higher GDP per capita, the higher ME/Pop would be understandable. However, Figure 2 shows that this is not the case. Sweden spends, on average, about one percent more of its GDP on military expenditure than do the other European neutrals.

Clearly, there are significant differences between Sweden and the other neutrals in terms of military spending. These differences can largely be explained according to each country's unique geographic and/or political situation. For example:

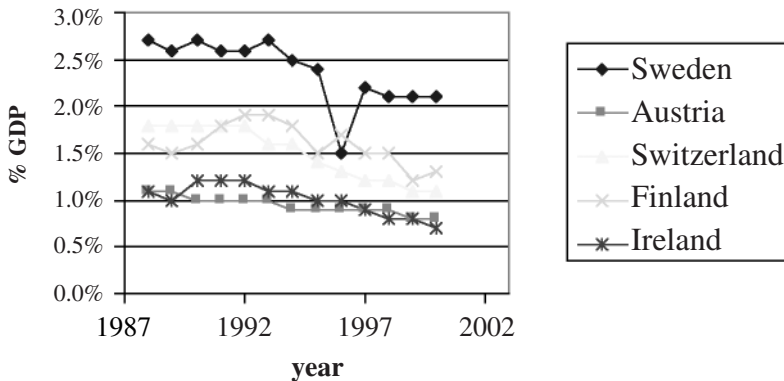
- Ireland is protected geographically with its only neighbor being the U.K. Any invasion would have to be by sea.
- Switzerland's terrain is very mountainous and would be extremely difficult to occupy.
- Finland's neutrality had been guaranteed by the Soviet Union. Invasion would have caused involvement of the neighboring superpower.
- Austrian neutrality was agreed upon by the U.S., Britain, France and the Soviet Union in 1955 as part of the State Treaty for Austria. (Ewing, p. 5)

Figure 1
2002 Military Expenditure (ME) per Person



Source: Stockholm International Peace Research Institute and U.S. Census Bureau.

Figure 2
Military Expenditure as a Share (%) of GDP



Source: Stockholm International Peace Research Institute.

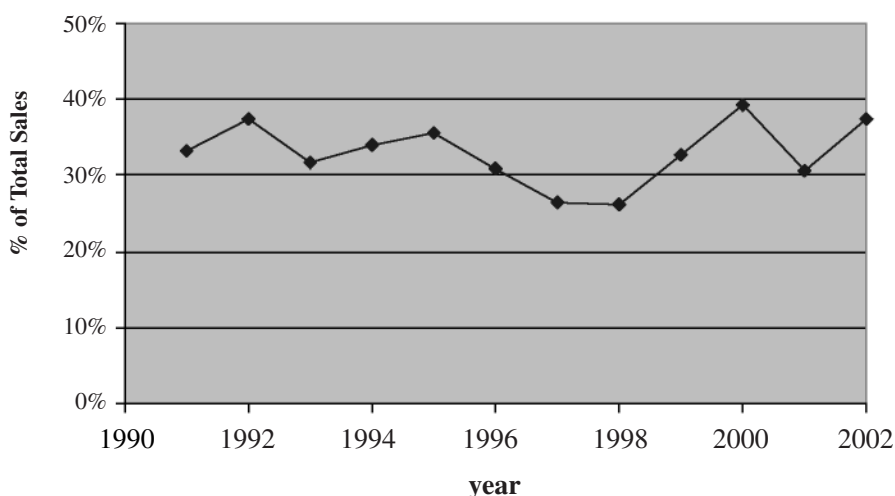
Compared to these neutrals, Sweden requires a very high level of military expenditure. The multi-faceted defense industry required is quite expensive, in large part due to the cost of indigenous research and development (R&D). One way to counter these costs is through the exportation of arms, a policy that makes sense economically but raises social concerns and possibly conflicts with Sweden's foreign policy.

Arms Exports

The Swedish government allows arms

exports for several reasons. Exports allow for longer production runs and therefore have the potential to lower the price per unit, an obvious benefit to the government, through the achievement of economies of scale. The more arms sold, the less the defense company is spending on R&D per product. Exports are also allowed for security reasons. Since Sweden is a small country, the time between domestic orders can be quite long. If defense companies were only allowed to sell to Sweden, they could go years without orders and would likely go out of business. Exports sustain the industry, keep-

Figure 3
Percentage of Sweden's Military Sales That Are Exports



Source: Stockholm International Peace Research Institute.

ing it active and continuously developing. Not only is the industry better off when Sweden places orders, it is more capable of rapid production in case Sweden were to suddenly be attacked and require large armaments. The "Report on Sweden's Export Control Policy and Exports of Military Equipment in 2002" states that for a country like Sweden "it is a major security and a defence policy interest to maintain its capability and development and production capacity in the defence industry sector.... Some exports are necessary in order to meet Swedish defence needs in the long term." ("Report...", p. 4) Figure 3 shows that exports have accounted for approximately one third of the defense industry's sales over the past decade.

Clearly, there are substantial economic and security benefits to Sweden in allowing arms exports. However, there are social and foreign policy concerns that must also be considered. For example, Sweden's foreign policy is based on increasing world stability since this decreases the chance of Sweden being forced into conflict. Therefore, it may seem counter-intuitive for Sweden to export arms. However, Sweden has a strict export policy, especially when compared with other EU countries. According to the "Report on Sweden's Export

Control Policy," "Exports of military equipment are thus only permitted if they are justified for security or defence reasons and do not conflict with Sweden's foreign policy." ("Report...", p. 4) More specifically, Sweden does not export to countries that are at war or that violate international law. For each possible export sale, the situation in the recipient country is also evaluated for both the probability of conflict in the future and possible human rights violations. Sweden only wants to export arms to countries that it feels will never use them, especially on its own people. As a general policy, Sweden prefers only to export to the developed Western nations. In 2002, for example, 64 percent of military equipment exports went to Nordic, North American and Western European countries, as well as Australia and New Zealand. ("Report...", p. 42)

Despite its strict export policy, Swedish weapons have nonetheless surfaced in countries that were not approved for exports. Most of these cases involved smuggling. For example, in 1987 Nobel Industries admitted that two of its units, Bofors AB and Nobel Kemi AB, smuggled weapons to embargoed countries in the Middle East. If an export destination could not be approved under the Swedish export policy, arrangements were made to export to an

approved country that would then export to the restricted country. (“Nobel Industries...”) Although there have been numerous cases involving smuggling, the Swedish government is guilty of more than just not effectively policing exports. Substantiated reports have also surfaced of a secret deal between Prime Minister Olaf Palme and India’s Prime Minister Rajiv Gandhi in 1986 that included the sale of \$1.3 billion worth of Bofors howitzers. It is estimated that \$250 million of this was in the form of bribes. Although it is alleged that Palme may have pocketed some of the bribe money, he also made the deal for political reasons. Bofors was struggling at the time, needing a large order to preserve jobs. It also needed some sort of advantage over the competing French weapon that the Indian generals preferred. (Gupte and Singh, p. 113) Although the deal is still being investigated, few question that the deal actually occurred and that bribes were involved. Today, there is still pressure from the public and government officials in both Sweden and India to find answers as to what really happened. The long standing of the public interest in the scandal shows just how much concern there is that the export policy is implemented correctly.

Cases of arms smuggling are not common, nor should it be implied that Sweden is continuously supplying weapons to actors in unstable situations. However, when Swedish weapons are found in restricted countries or are used in war, it does not reflect well for Sweden’s export policy. If increasing world stability is a primary goal of Sweden, both from a security and an ethical standpoint, the following question must be asked: Is maintaining a self-sufficient industry which requires exports worth the problems that those exports may cause abroad?

Swedish weapons were used in the Iraq-Iran war of the 1980s and have also been used in the India-Pakistan conflict. (“Annual Report on Swedish Arms...”) The India-Pakistan conflict has drawn considerable attention since it seems Sweden has helped arm both Pakistan and India. Although sales to India are better documented than those to Pakistan, Sweden has exported personal snowmobiles to Pakistan to be used for military operations. (Miller and Brooks) However, the Swedish government has regretted some of its sales to the region. For

example, in 2002 the Swedish Foreign Minister Anna Lindh said that government authorization for the sale of new Bofors mortars to India would be “unthinkable” because previous Bofors exports there had played an important role in the “serious global conflict” with Pakistan. (“Swedish Foreign Minister Rules Out...”) Recognizing that maintaining a self-sufficient defense industry is difficult and is prone to corrupt arms transactions, the public backlash indicates concern that “armed neutrality” is difficult to implement ethically. Perhaps obtaining self-sufficiency has undermined Sweden’s security policy objectives and ethical standards.

Even if ethical standards are ignored to pursue only the best interests of Sweden and it is determined that certain exported arms to unstable countries will never be used in a conflict in the vicinity of Sweden, there still may be reason not to export to these countries — namely, immigration. As Ångström notes, “Out of the refugees that arrived in Sweden between 1983 and 1994, the Swedish peace movement has shown that 65 percent came from warring countries where Sweden during the same period had supplied arms to one of the parties.” (Ångström et al., as quoted in Hermele, p. 154). I am not suggesting that Swedish exports are causing immigration problems in Sweden. Most countries from which the immigrants originated were not stable to begin with. However, Sweden’s exports may have in some way contributed to problems in other countries, which makes a strong case for reevaluating the export policy. In addition, most countries in the Western world are decreasing the size of their weapons stockpiles. As a result, the export market to developed countries is also decreasing. (Skoie, p. 143) Unfortunately, it seems that if Sweden wants to continue exporting as a means to maintaining its defense industry, it would need a less restrictive policy. Therefore, alternatives which replace or, more likely, decrease dependence on exports make sense from both an ethical and security standpoint.

Sweden’s need to decrease military expenditure comes at a time when weapons systems are becoming more sophisticated and, consequently, more expensive than ever. Even though Sweden is a small country, expensive weapons

systems are a problem for many larger European countries as well. As Schmitt points out, part of the problem is that “European countries are burdened by costly duplication. As a consequence, the EU as a whole receives much less value in exchange for its military spending than the U.S.” (Schmitt) As a result, it is difficult to compete with the powerful industry of the U.S. From a security standpoint, Europeans need to keep a strong, competitive defense industry; otherwise, they will have to rely solely on the U.S. industry. As the Swedish Minister of Defense, Björn von Sydow, has said, “In the long run it would be devastating to the world if there is only one monopoly supplier controlling every high tech development and with its parliament, its Congress, controlling into detail the regulations for exportation and co-operation in this field.” (Sydow)

To resolve these financial and security dilemmas, in 1997 a Letter of Intent (LoI) was signed by the six biggest arms producers in the EU: Spain, the U.K., France, Germany, Italy and Sweden. The LoI laid out a commitment to develop what today is known as the Framework Agreement, which is discussed below. Although the Agreement has great economic potential for all six parties involved, it is unclear whether Sweden can maintain the strict export policy or truly domestic defense industry it has had since WWII.

Framework Agreement

The 1990s witnessed a merger trend among defense companies based in different countries, forming what are known as “transnational defense companies (TDCs).” (Bauer) With these TDCs came complications as to which countries’ export guidelines and regulations the companies had to obey. Coupled with the growing financial strains of arms production throughout Europe, the six member states previously mentioned addressed the inevitable changes in the defense industry by forming the Framework Agreement (FA).

Although the FA proposes cooperation at a number of different levels such as information exchange and research, there are two areas that clearly indicate a shift in Swedish security policy. Article 4 of the FA states that the “like-

ly consequences of industrial restructuring will be the creation of TDCs, possible abandonment of national industrial capacity and thus the acceptance of mutual dependence.” (Framework Agreement) “Mutual dependence” is not a term often associated with Swedish security policy. Sweden is moving away from self-sufficiency in hopes of lowering military costs, a decision which, although understandable, must be noted as a distinct change in policy. However, other aspects of the FA have drawn more criticism. As Miller and Brooks note, “Some NGOs... are highly critical of the Framework Agreement and the process related to its development and implementation, as it has lacked transparency and places industry priorities above other concerns.” (Miller and Brooks) Possibly the most controversial concern is in regard to the “white lists” which will name all the countries that can receive arms exports. The “white lists” are seen as a way of leveling the playing field for those countries that historically have had more restrictive export policies. Swedish companies, for example, will no longer be at a competitive disadvantage compared to companies from the less-restrictive U.K. The “white lists” will also eliminate the problems associated with TDCs using the exporting country with the more lenient export policy. Although a list of approved export destinations is good for the industry, skeptics like the Swedish Peace and Arbitration Society (SPAS) fear the list will use standards of the lowest common denominator. It is suspected that for Sweden, a country that has had a very strict export policy, the list of countries it exports to will grow considerably, a compromise of which many disapprove. For example, of all the six member states, Sweden has been the only country that has not allowed exports to Colombia, Egypt, Kuwait, Saudi Arabia and Turkey. (“European Arms Industry...”)

If the FA does in fact decrease production costs, according to the “armed neutral” model previously described the need for exports would decrease. However, because of the new transnational nature of the defense industry coupled with a potentially more lenient export policy, the FA may even lead to an increase in exports. Regardless of whether that in fact happens, the

FA is a distinct step for Sweden away from traditional security policy in the direction of "mutual dependence." The FA is a clear indication that Sweden is adjusting to the post-Cold-War security situation. Swedish legitimacy will no longer be based on self-sufficiency but rather a common European identity.

The New Defense

Since the end of the Cold War, Sweden's role in Europe has drastically changed since she no longer holds as much strategic significance geographically. Today the Swedish government describes its defense policies as aiming to "make a greater contribution to collective security in Europe, both through diplomacy and defence resources," ("The New Defence...", p. 3) whereas before it focused solely on staying out of a war between the superpowers.

With the threat of invasion considered to be low, the Swedish government has recently begun implementing "The New Defence" which focuses less on traditional military threats and more on increasing the efficiency and adaptability of its defense resources. Now that the shadow of the Soviet Union has dispersed, Sweden's involvement in international crisis management is growing, which in turn calls for different types of military capabilities.

Sweden still plans to continue its policy of military non-alignment even though it will

undoubtedly be challenged as other members of the EU look to further unify Europe. Talk of a common EU defense policy has been ongoing and, although Sweden and the other neutrals of the EU have made it clear they will not approve of it, eventually it may not be practical for Sweden to maintain its non-aligned status. However, in the near future it does not seem like the lack of a common EU defense policy will hinder economic and social efforts within the EU.

Although the opportunity to become more involved in Europe has obvious benefits from a security and financial standpoint, it will be difficult for Sweden to maintain the identity it desires. Sweden has been pushed away from the truly neutral standing it has had for so long because of the new, post-Cold-War security situation, along with the financial challenges to the welfare state caused by the globalized economy. Sweden is now left in a critical period of change with many questions and no simple answers. Will Sweden always be accepted in the EU without making military alliances? Will the decrease in self-sufficiency hinder Sweden's ability to stay neutral?

How will the defense industry develop? Whatever the answers are, it is clear that the future of Sweden, specifically its defense industry, its economy and its security policy, will never be as isolated or independent in nature as it once was.

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