

SWEDEN

Defense Industry Environment

In December 1995, the Riksdag passed a five year defense budget bill. From FY 97 through FY 2001, the defense budget will gradually be reduced by 10% to SEK 36 billion (US \$5.33 billion). The funds appropriated for procurement are about 40 percent of this amount (US \$2.13 billion). Although several defense acquisition programs face an uncertain future, the Government remains committed to the major projects. Defense funding accounts for 6.9% of the total state budget and 2.3% of GDP.

Sweden's defense industry is preparing for the effects of the defense budget cuts. The largest defense contractor, Celsius Industries, represents 50% of the Swedish defense industry with well-known products such as Bofors weapon systems, Kockums submarine systems, Karlskrona surface warships, and Celsius Tech defense electronics. Employing approximately 11,000 people, with annual sales of SEK 9.6 billion (US \$1.4 billion) in 1995, Celsius is one of Europe's top ten defense contractors. However, due to defense budget cuts and foreign competition, Celsius has been forced to lay off about 30 percent of its work force since 1989 with another 1,500 likely to be laid off in 1997. Other Swedish manufacturers are Saab Defense Group and Volvo Aero Corporation. The dwindling domestic market and mounting R&D costs are forcing the Swedish defense industry to seek foreign partners, a development favored by the Government and the Riksdag.

Annual Swedish procurement from U.S. suppliers totals between US \$100-200 million. The new Gripen combat aircraft contains 34 percent foreign sourced components, 28 percent of which are supplied by U.S. firms. Germany (Krauss-Maffei, Mauser-Werke), France (Intertechnique, MATRA, GIAT), and Great Britain (Hymatic, Dowty, Lucas Aerospace, A.P. Precision Hydraulics) are also large suppliers of defense equipment and components to Sweden.

Defense Opportunities

A key element of the Swedish 1997 defense plan is to maintain 12 modern combat-ready Army brigades, which together with other Army division units, will provide the basis for Sweden's territorial defense. The infantry brigades in northern Sweden will be supplied with the new Swedish-built armored vehicle, CV90, providing added fire-power and mobility. Bofors AB developed the 40 mm main armament, ammunition and turret; Hagglund Vehicle developed the chassis.

New tanks were procured in 1993 from Krauss-Maffei of Germany, the prime contractor. Anti-aircraft capability will be enhanced by the introduction of Missile 90 and the surface-to-air missile, Bamse, developed by Bofors AB and Ericsson Microwave Systems Division. Air defense is a priority. Until the JAS 39 Gripen aircraft becomes operational, Sweden will rely on eight JA 37 Viggen divisions, supplemented with modified J Draken divisions. After the Gripen is introduced, the Swedish Air Force will comprise 13 divisions (a total of 260 aircraft). Weaponry

for the new plane will be supplied by Hughes-Raytheon.

A new generation surface combat ship will be added. Sweden's submarine program will be continued and further enhanced through the introduction of an air-independent propulsion system (Tillma), based on Stirling technology, which enables a submarine to operate submerged for long periods of time. Personal protection for soldiers will be improved, as well as night combat capability. There are plans to buy attack helicopters and additional missiles for the Gripen aircraft. The U.S. has traditionally been a large supplier of communications equipment and avionics to the Swedish Armed Forces.

Defense Procurement Process

The procurement agency within the Ministry of Defense (FMV) provides the national defense establishment with weaponry and other supplies and serves as a support agency, supplying services and requisite equipment on assignment. The assigners are primarily the Service Commanders-in-Chief (Army, Navy, Air Force) and in some instances the Supreme Commander. The FMV point-of-contact is:

Forsvarets Materielverk (FMV)
(The Defense Matériel Administration of Sweden)
S-115 88 Stockholm
Tel. (46-8) 782 4000
Fax (46-8) 667 5799

Swedish defense purchases are governed by the "Swedish Government Ordinance Concerning Purchases" (1986:366) and the National Audit Bureau Directive (1986:612) relating to this ordinance. Additional regulations governing defense purchases are contained in the "General Regulations for Goods Delivered to the Swedish Defense Authorities", issued in 1957. This publication is normally provided to contractors with the solicitation. There is nothing analogous to the Commerce Business Daily in Sweden and there are no regularly scheduled conferences at which upcoming procurements are announced to the industry. Procurement notices are published weekly in the EU Official Journal. FMV publishes "Swedish Defense Contracts," a periodical bulletin which informs the industry of contract opportunities with the FMV.

The FMV has no general requirements for restricting purchases to domestic sources, but for procurements vital to the national security of Sweden, FMV will insist that the prime contractor be Swedish. This does not preclude foreign partners or foreign subcontractors.

Another agency/ministry with jurisdiction over defense trade is the Inspectorate for Strategic Products (ISP). The Inspectorate's responsibilities include reviewing defense industry applications for exports, manufacturing, and marketing licenses. Contact:

Mr. Staffan Sohlman, Director General
Inspectorate for Strategic Products (ISP)

Box 70256
S-107 22 Stockholm
Tel. (46-8) 406 3100
Fax. (46-8) 20 31 00

In the United States, the primary point of contact is the Counselor for Defense Procurement at the Swedish Embassy in Washington:

Embassy of Sweden
Mr. Lars Bjerde, Government Procurement
1501 M. Street N.W.
Washington, D.C. 20005-1702
Tel. 202/467 2600
Fax. 202/467 2699

The FMV does not normally require prequalification, nor does it assign identification codes to its suppliers. It normally prepares a list of potential suppliers and solicits these firms for bids. According to Swedish government procurement regulations, any firm can request to be added to the solicitation list unless the procurement is restricted for security reasons.

Specifications necessary for bidding are normally included in the solicitation package. Sweden has no national repository for specifications. They are available only in connection with a procurement action.

Purchases are made by sealed bid or negotiated procurement, or by direct purchasing for small purchases. These methods are very similar to those used by the United States and, for the most part, are used under similar circumstances. For sealed bids, offerors should be prepared to sign a contract without any discussion.

Specific types of contracts used by the FMV, in addition to standard fixed-price and cost-plus contracts, are: maximum-price contracts, basic-price contracts, cost contracts with variable profits, cost contracts with fixed profits, and cost contracts with predetermined percentage profits. In negotiated procurements, the type of contract may also be negotiable. When fixed-price contracts contain economic adjustments, the index to be used will be specified in the solicitation. Contract financing can also include progress payments and advance payments, as specified in the contract.

There are no mandatory contract clauses or certification requirements. Nor does the FMV normally demand a right of ownership to technical data rights. If the FMV wishes to be assured a right of use (e.g., developmental contracts), it will indicate this in the solicitation. The right of use may apply to design materials, drawings, and specially designed tools as well as to any inventions or processes produced related to the contract. The right of use may also apply to patents, registered designs, etc. The contract may indicate under what conditions a contractor must share his design material with another manufacturer appointed by the FMV.

In comparing offers from foreign vs. Swedish suppliers, customs duties, import duties, and sales tax are added by the FMV to the price, where applicable. U.S. suppliers are not exempt from these requirements. Depending on the contract, the FMV may allow the prime contractor to select its subcontractors or it may direct subcontractor selection.

For large contracts to be placed with U.S. companies, the FMV will normally contact the U.S. Department of Defense to discuss the supplier's credentials. For smaller, unknown suppliers, the FMV may also seek information through a credit rating agency.

When buying from U.S. sources, the FMV will normally request that quality assurance be provided by the U.S. Defense Contract Management Office. In addition, the FMV may itself perform on-site inspections for large contracts where there is no previous FMV experience with the supplier. The FMV follows standard NATO practices.

If the FMV awards a contract that, for reasons of national security, should be classified, the procuring agency will sign an agreement with the contractor concerning the security regulations necessary in that particular case. The Decree (1969:44) on Control of Personnel stipulates personnel security requirements.

Diversification/Commercial Opportunities

The current socialist Government blocked the previous Government's proposal to privatize 35 government owned companies. Legislation has been submitted to the Swedish parliament (Riksdag) to facilitate more effective administration of these enterprises. One of the proposals is that the Government should be allowed to decide questions concerning the infusion of capital and the purchase or sale of shares, etc.. There are opportunities for U.S. companies in various key industry sectors.

Aerospace

The U.S. is a large supplier to Saab Aircraft Company, a manufacturer of commuter aircraft (SF 340 and 2000). The only major project planned in the aerospace sector is a third runway at Stockholm-Arlanda airport, which is expected to be finished by the turn of the century. The authorities are waiting for final approval. Projects already underway include a new airport at Karlstad and a new national air traffic control system.

Electronic Components

The United States is the leading supplier of sophisticated components, with strong competition from European as well as Asian companies. Sweden's multinational firms, Ericsson, ABB, and Telia will continue to buy large quantities of components and the market for semiconductors is expected to increase by 30 percent over the next several years.

Medical Equipment

Sweden is one of the most advanced medical equipment markets in the world. The United States is the second largest supplier, with an estimated market share of 30 percent. The Swedish medical market looks to the U.S. for new developments in research and the application of new techniques. The demand will remain stable for screening equipment (including X-ray and ultra-sound equipment) and interest remains strong for cardiological equipment, laser based surgical equipment, and patient monitoring systems.

Law Enforcement Equipment

U.S.- made products enjoy a good reputation, but NTM-firms should be prepared to find the market well covered, with keen competition from both domestic and third-country suppliers. Access control equipment, electronic locks, intruder alarms, and surveillance equipment should offer a potentially good market for U.S. suppliers in 1997.

Environmental Technologies

Sweden's major environmental concerns are acidification, ozone, and pollution of the sea, most of which originate outside of the country. Domestic firms are strong in the areas of air and water pollution, waste management, and environmental monitoring. American products enjoy a good reputation but will find strong competition from both domestic firms as well as third-country suppliers, especially Germany. According to trade sources, products and services related to air pollution control and water treatment are rather well covered in the market, while waste management products/techniques should offer good opportunities.

Foreign Investment

Sweden's January 1995 accession to membership in the EU brought changes in the attitude and law toward foreign direct investment in Sweden. Reforms have been implemented to improve the business regulatory environment to promote such investment, and the Government is seeking ways to ensure wider ownership in Swedish industry. This, they believe, will increase competitive pressure and promote greater efficiency. There is now almost total harmonization of Sweden's commercial and financial law, regulations, and business practices with those of the EU.

Foreign exchange transactions have been decontrolled, the law requiring foreigners to obtain permission to acquire shares or holdings in Swedish firms has been abolished, and real estate regulations have been changed so that foreigners can now acquire commercial real estate and land for mining in Sweden. In addition, the former corporate practice of restricting a certain percentage of equity shares from foreign acquisition has been abolished. Today, all corporate shares listed on the Stockholm Stock Exchange may be acquired by Swedes and foreigners alike, though the shares may still have differing voting strengths.

The regime for foreigners in financial services has been liberalized as well. Now, foreign banks, brokerage firms, and cooperative mortgage institutions are permitted to establish branches in Sweden on equal terms with domestic firms. These fundamental changes in Sweden's foreign direct investment regime have significantly improved Sweden's investment climate and opened the

country to foreign mergers and takeovers.

Swedish Civil Agencies with Procurement Responsibilities

The Swedish Civil Aviation Administration

S-601 79 Norrköping

Tel. (46-11) 19 20 00

Fax. (46-11) 19 25 75

The National Rescue Services Board

Karolinen

S-651 80 Karlstad

Tel. (46-54) 10 40 00

Fax. (46-54) 10 28 89

The National Police Board

Box 12256

S-102 26 Stockholm

Tel. (464-8) 401 9000

Fax. (46-8) 401 9065

The Royal Swedish Fortifications Administration

S-631 89 Eskilstuna

Tel. (46-16) 15 40 00

Fax. (46-16) 13 37 02

The Swedish Maritime Administration

S-601 78 Norrköping

Tel. (46-11) 19 10 00

Fax. (46-11) 10 19 49

Doing Business in Sweden

Exporting U.S. products to the Swedish market is not complicated. Sweden offers American exporters a wide range of methods for distributing and selling their goods. Exporters usually employ agents/distributors, who often represent several foreign firms and are normally assigned to cover the entire country. Manufacturers seeking an agent/distributor in Sweden should plan to visit the country to make a firsthand appraisal of the relative merits of prospective agents/distributors. Besides acquainting the exporter directly with the market, such a visit also provides an opportunity to discuss policy and sales campaigns with the agent. Close contact between the American principal and the Swedish agent/distributor is very important and should be developed early. The exporter should also make provisions for adequate support services.

Swedes enjoy meeting and working with people from other countries. Business customs are similar to those in the United States and a visiting U.S. businessman would easily adapt to

those prevailing in Sweden.

Tariffs and Imports

After Sweden's entry into the European Union, in January 1995, the Swedish customs law and regulations were replaced by EU law. Thus, Sweden applies the external EU tariffs to imports from the United States and other non-EU countries. Most industrial products are charged between a 5 percent and 14 percent duty. Goods imported into Sweden are also subject to a value-added tax (VAT) of 25 percent with a lower VAT rate of 12 percent for food and certain services. Import licenses are required only for a few commodities. Certain goods, such as weapons, explosives, drugs, poisons, etc., may be imported only by authorized persons and institutions.

Export Controls

Export license applications for both military equipment and dual-use goods are handled by the Inspectorate for Strategic Products (ISP). Licensing decisions are made by ISP, but matters of significance may be referred to the Swedish Government for action.

The legal basis for export controls of military equipment is the Law (SFS 1992:1300), and Ordinance (SFS 1992:1303). The legal basis for export controls on dual-use goods is the EC Council Regulation 3381/94. National dual-use legislation consists of LAW (SFS 1991:341), and Ordinance (SFS 1994:2060) regarding strategic products.

Standards

Sweden uses the metric system and products for sale in Sweden should be compatible to it whenever possible. U.S. exporters not using the metric system have a serious disadvantage in the world market since overseas buyers are reluctant to accept products that are non-metric. Electric current in Sweden is 50 hz, AC 230v single-phase and 230/400 three-phase. Information about Swedish standards may be obtained from:

The Swedish Standards Institution
Box 3295
S-103 66 Stockholm
Tel. (46-8) 610 3000
Fax. (46-8) 30 18 50

Intellectual Property Rights

Sweden is a member of the "Paris Union" International Convention for the Protection of Intellectual Property (patents, trademarks, commercial names, and industrial design) to which the United States and about 80 other countries adhere. American business executives and inventors are thus entitled to receive national treatment in Sweden (treatment equal to that accorded Swedish citizens) under Swedish law for protection of patents and trademarks. Applications or

inquiries pertaining to intellectual property should be addressed to:

Director General
Patents & Registration Office
(Patent & Registreringsverket)
Box 5055
S-102 42 Stockholm
Tel. (46-8) 782 2500
Fax. (46-8) 666 0286

U.S. Government Points of Contact

Listed below are useful points of contact for U.S. firms interested in the Swedish market.

U.S. Embassy

Mr. Peter G. Frederick, Commercial
Counselor
American Embassy
Strandvagen 101
S-115 89 Stockholm
Tel. (46-8) 783 5346
Fax. (46-8) 660 9181

Col. Scott Sonnenberg
Defense Attache Office
Strandvagen 101
S-115 89 Stockholm
Tel. (46-8) 783 5300
Fax. (46-8) 662 8046

Swedish and American Business Associations

Ms. Marianne Raidna Wali,

President
American Chamber of Commerce
Box 55121
S-114 85 Stockholm
Tel. (46-8) 666 1174
Fax. (46-8) 662 8884

Mr. Dag Tornblom, President
Forsvarsindustriforeningen
(The Association of Swedish Defense
Industries)
Box 5501
114 85 Stockholm
Tel. (46--8) 783 8079
Fax. (46-8) 667 8818

Mr. Tell Hermansson, Head International
Department
Stockholm Chamber of Commerce
Box 16050
S-103 21 Stockholm
Tel. (46-8) 613 1800
Fax. (46-8) 411 2432

Mr. Per Olofsson, President
Federation of Swedish Industries
Box 5501
S-114 85 Stockholm
Tel. (46-8) 783 8000
Fax. (46-8) 662 3595

Mr. Sture Lindmark, President

Swedish Federation of Commerce and Trade
Box 5512
S-114 85 Stockholm
Tel. (46-8) 663 5280
Fax. (46-8) 662 7457